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

**藍港互動集團有限公司**

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

**(Stock Code: 8267)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED JUNE 30, 2016**

**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.**

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*This announcement, for which the directors (the “**Directors**”) of Linekong Interactive Group Co., Ltd. (“**the Company**” or “**we**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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.*

## HIGHLIGHTS

- Our revenue for the six months ended June 30, 2016 amounted to approximately RMB330.0 million, representing an increase of approximately 9.7% as compared to approximately RMB301.0 million for the six months ended June 30, 2015.
- Our loss for the six months ended June 30, 2016 amounted to approximately RMB50.6 million, as compared to a profit of approximately RMB9.8 million for the six months ended June 30, 2015.
- Our adjusted net loss for the six months ended June 30, 2016 amounted to approximately RMB33.9 million, as compared to an adjusted net profit of approximately RMB51.7 million for the six months ended June 30, 2015.
- The board of Directors (the “**Board**”) did not recommend any payment of dividends for the six months ended June 30, 2016.

## INTERIM RESULTS (UNAUDITED)

The Board announces the unaudited interim condensed consolidated results and the unaudited interim condensed consolidated financial statements of the Group for the six months ended June 30, 2016 together with the comparative figures for the six months ended June 30, 2015. The results were reviewed by the audit committee of the Company, which consists of all independent non-executive Directors and non-executive Director, of which one independent non-executive Director as the chairman of the audit committee.

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		As of <b>June 30, 2016</b>	As of December 31, 2015
	<i>Note</i>	<b>RMB'000</b> <b>(Unaudited)</b>	<b>RMB'000</b> <b>(Audited)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>14,049</b>	14,468
Intangible assets		<b>46,523</b>	29,343
Films in progress		<b>4,600</b>	–
An investment using equity accounting	7	<b>170,818</b>	180,183
An associate measured at fair value through profit or loss		<b>16,842</b>	–
Available-for-sale financial assets		<b>85,871</b>	44,370
Financial assets at fair value through profit or loss		<b>14,433</b>	41,409
Deferred income tax assets — net		<b>3,446</b>	7,490
Prepayments and other receivables		<b>10,346</b>	20,465
		<hr/> <b>366,928</b>	<hr/> 337,728
<b>Current assets</b>			
Trade receivables	8	<b>64,822</b>	45,079
Prepayments and other receivables		<b>96,678</b>	89,675
Financial assets at fair value through profit or loss		<b>20,937</b>	19,543
Cash and cash equivalents		<b>729,060</b>	794,461
		<hr/> <b>911,497</b>	<hr/> 948,758
<b>Total assets</b>		<hr/> <b>1,278,425</b>	<hr/> 1,286,486

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

		<b>As of June 30, 2016</b>	As of December 31, 2015
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		<b>59</b>	59
Share premium		<b>1,722,308</b>	1,722,308
Shares held for RSU Scheme		<b>(3)</b>	(3)
Reserves	4	<b>354,218</b>	325,713
Accumulated losses		<b>(1,028,211)</b>	(977,657)
		<b>1,048,371</b>	1,070,420
<b>Non-controlling interests</b>		<b>(1,908)</b>	(1,907)
		<b>1,046,463</b>	1,068,513
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred revenue		<b>5,683</b>	3,267
		<b>5,683</b>	3,267
<b>Current liabilities</b>			
Trade and other payables	9	<b>135,296</b>	107,472
Current income tax liabilities		<b>10,505</b>	3,885
Deferred revenue		<b>80,478</b>	103,349
		<b>226,279</b>	214,706
<b>Total liabilities</b>		<b>231,962</b>	217,973
<b>Total equity and liabilities</b>		<b>1,278,425</b>	1,286,486

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

	Note	Three months ended June 30,		Six months ended June 30,	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Revenue	5	<b>163,108</b>	187,575	<b>330,025</b>	300,950
Cost of revenue		<b>(83,978)</b>	(117,816)	<b>(168,215)</b>	(180,145)
<b>Gross profit</b>		<b>79,130</b>	69,759	<b>161,810</b>	120,805
Selling and marketing expenses		<b>(45,008)</b>	(51,661)	<b>(98,922)</b>	(117,103)
Administrative expenses		<b>(27,812)</b>	(14,205)	<b>(48,358)</b>	(37,099)
Research and development expenses		<b>(35,436)</b>	(22,495)	<b>(70,596)</b>	(54,768)
Other gains — net	6	<b>4,283</b>	80,837	<b>26,034</b>	89,638
<b>Operating (loss)/profit</b>		<b>(24,843)</b>	62,235	<b>(30,032)</b>	1,473
Finance (costs)/income — net		<b>(399)</b>	1,838	<b>3,322</b>	1,964
Share of loss of an investment using equity accounting	7	<b>(6,326)</b>	(674)	<b>(11,004)</b>	(674)
<b>(Loss)/profit before income tax</b>		<b>(31,568)</b>	63,399	<b>(37,714)</b>	2,763
Income tax (expense)/credit	10	<b>(11,715)</b>	2,085	<b>(12,841)</b>	7,063
<b>(Loss)/profit for the period</b>		<b>(43,283)</b>	65,484	<b>(50,555)</b>	9,826
<b>Other comprehensive income/(loss)</b>					
Items that may be subsequently reclassified to profit or loss:					
— Changes in fair value of available-for-sale financial assets, net of tax		<b>(1,839)</b>	—	<b>(1,034)</b>	—
— Less: reclassification of changes in fair value of available-for-sale financial assets to profit or loss upon disposal, net of tax		<b>(248)</b>	—	<b>(414)</b>	—
— Share of other comprehensive income of an investment using equity method, net of tax		<b>1,276</b>	—	<b>862</b>	—
Items that will not be reclassified to profit or loss:					
— Currency translation differences		<b>18,159</b>	(3,557)	<b>12,428</b>	(489)
<b>Other comprehensive income/(loss) for the period, net of tax</b>		<b>17,348</b>	(3,557)	<b>11,842</b>	(489)
<b>Total comprehensive (loss)/income for the period</b>		<b>(25,935)</b>	61,927	<b>(38,713)</b>	9,337

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

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Note	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>(Loss)/income attributable to:</b>				
Owners of the Company	(43,282)	65,485	(50,554)	9,828
Non-controlling interests	(1)	(1)	(1)	(2)
	<u>(43,283)</u>	<u>65,484</u>	<u>(50,555)</u>	<u>9,826</u>
<b>(Loss)/income for the period</b>				
<b>Total comprehensive (loss)/income attributable to:</b>				
Owners of the Company	(25,934)	61,928	(38,712)	9,339
Non-controlling interests	(1)	(1)	(1)	(2)
	<u>(25,935)</u>	<u>61,927</u>	<u>(38,713)</u>	<u>9,337</u>
<b>Total comprehensive (loss)/income for the period</b>				
<b>(Loss)/earnings per share (expressed in RMB per share)</b>				
— Basic	11(a) <u>(0.12)</u>	<u>0.19</u>	<u>(0.15)</u>	<u>0.03</u>
— Diluted	11(b) <u>(0.12)</u>	<u>0.18</u>	<u>(0.15)</u>	<u>0.03</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)	Attributable to owners of the Company							Total equity <i>RMB'000</i>
	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Shares held for RSU Scheme <i>RMB'000</i>	Reserves <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	
<b>Balance at January 1, 2016</b>	<u>59</u>	<u>1,722,308</u>	<u>(3)</u>	<u>325,713</u>	<u>(977,657)</u>	<u>1,070,420</u>	<u>(1,907)</u>	<u>1,068,513</u>
<b>Comprehensive loss</b>								
Loss for the period	-	-	-	-	(50,554)	(50,554)	(1)	(50,555)
Other comprehensive (loss)/income								
— Changes in fair value of available-for-sale financial assets, net of tax	-	-	-	(1,034)	-	(1,034)	-	(1,034)
— Reclassification of changes in fair value of available-for-sale financial assets to profit or loss upon disposal, net of tax	-	-	-	(414)	-	(414)	-	(414)
— Share of other comprehensive income of an investment using equity method, net of tax	-	-	-	862	-	862	-	862
— Currency translation differences	-	-	-	12,428	-	12,428	-	12,428
<b>Total comprehensive loss for the period</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,842</u>	<u>(50,554)</u>	<u>(38,712)</u>	<u>(1)</u>	<u>(38,713)</u>
<b>Total contributions by and distributions to owners of the Company recognised directly in equity</b>								
Employee share option and RSU Scheme: — Value of employee services	-	-	-	16,663	-	16,663	-	16,663
<b>Total contributions by and distributions to owners of the Company for the period</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,663</u>	<u>-</u>	<u>16,663</u>	<u>-</u>	<u>16,663</u>
<b>Balance at June 30, 2016</b>	<u><u>59</u></u>	<u><u>1,722,308</u></u>	<u><u>(3)</u></u>	<u><u>354,218</u></u>	<u><u>(1,028,211)</u></u>	<u><u>1,048,371</u></u>	<u><u>(1,908)</u></u>	<u><u>1,046,463</u></u>

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

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



## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	<b>Six months ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Cash flows from operating activities</b>		
Cash used in operations	(45,629)	(48,033)
Income tax paid	(2,771)	(1,109)
	<u>(48,400)</u>	<u>(49,142)</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(3,621)	(6,610)
Purchase of intangible assets	(12,730)	(14,817)
Purchase of a convertible note	–	(30,767)
Net cash received from disposal of property, plant and equipment	145	–
Proceeds from disposal of intangible assets	–	2,000
Cash consideration paid for investment in an investment using equity accounting	–	(72,884)
Purchase of available-for-sale financial assets	(133,400)	(72,464)
Proceeds from disposal of available-for-sale financial assets	133,873	–
Capital injection in an associate measured at fair value through profit or loss	(15,000)	–
Purchase of financial assets at fair value through profit or loss	(3,887)	(53,796)
Proceeds from disposal of financial assets at fair value through profit or loss	–	43,762
Payments for films in progress	(4,600)	–
Loan granted to a third party	–	(10,000)
Loan repayments received from a third party	10,966	–
Purchase of short-term investments	–	(230,000)
Proceeds from matured short-term investments	–	230,000
Return on short-term investment received	–	821
	<u>(28,254)</u>	<u>(214,755)</u>

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

	<b>Six months ended June 30,</b>	
	<b>2016</b>	2015
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>Cash flows from financing activities</b>		
Payments for issuance costs of ordinary shares relating to IPO	—	(6,087)
	<u>—</u>	<u>(6,087)</u>
<b>Net cash used in financing activities</b>	<u>—</u>	<u>(6,087)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(76,654)</b>	(269,984)
Cash and cash equivalents at beginning of period	<b>794,461</b>	1,086,532
Exchange gain/(loss) on cash and cash equivalents	<b>11,253</b>	(382)
	<u>729,060</u>	<u>816,166</u>
<b>Cash and cash equivalents at end of the period</b>	<u><b>729,060</b></u>	<u>816,166</u>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1. General information

Linekong Interactive Group Co., Ltd. (the “**Company**”), was incorporated in the Cayman Islands on May 24, 2007 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Floor 4, Willow House, Cricket Square, P.O.Box 2804, Grand Cayman KY1-1112, 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 (the “**Group’s Game Business**”) in the People’s Republic of China (the “**PRC**”), Hong Kong and other countries and regions.

The interim condensed consolidated balance sheet of the Group as of June 30, 2016 and the related interim condensed consolidated statements of comprehensive (loss)/income for the six-month period and three-month period then ended, changes in equity 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 12, 2016.

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

The Interim Financial Information has not been audited.

## 2. Basis of preparation

The Interim Financial Information has been prepared in accordance with International Accounting Standard (“**IAS**”) 34, “Interim financial reporting”. The Interim Financial Information should be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2015 as set out in the 2015 annual report of the Company (the “**2015 Financial Statements**”), which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

## 3. Summary of significant accounting policies and critical accounting estimates and judgments

### 3.1 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 2015 Financial Statements, which have been prepared in accordance with IFRSs. The Interim Financial Information has 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, which 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, 2016. 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.

### 3.2 Critical accounting estimates and judgments

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

When preparing the Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2015 Financial Statements.

## 4. Reserves

(Unaudited)	Capital reserve <i>RMB'000</i>	Currency translation differences <i>RMB'000</i>	Statutory surplus reserve fund <i>RMB'000</i> <i>(Note (i))</i>	Share-based compensation reserve <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Balance at April 1, 2016</b>	(7,831)	68,126	9,557	251,460	9,526	330,838
Changes in fair value of available-for-sale financial assets, net of tax	-	-	-	-	(1,839)	(1,839)
Reclassification of changes in fair value of available-for-sale financial assets to profit or loss upon disposal, net of tax <i>(Note 6)</i>	-	-	-	-	(248)	(248)
Share of other comprehensive income of an investment using equity method, net of tax <i>(Note 7)</i>	-	-	-	-	1,276	1,276
Employee share option and RSU scheme: — Value of employee services	-	-	-	6,032	-	6,032
Currency translation differences	-	18,159	-	-	-	18,159
<b>Balance at June 30, 2016</b>	<u>(7,831)</u>	<u>86,285</u>	<u>9,557</u>	<u>257,492</u>	<u>8,715</u>	<u>354,218</u>
<b>Balance at April 1, 2015</b>	<u>(7,831)</u>	<u>29,571</u>	<u>9,557</u>	<u>210,289</u>	<u>6</u>	<u>241,592</u>
RSU scheme: — Value of employee services	-	-	-	9,536	-	9,536
Currency translation differences	-	(3,557)	-	-	-	(3,557)
<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>

(Unaudited)	Capital reserve RMB'000	Currency translation differences RMB'000	Statutory surplus reserve fund RMB'000 (Note (i))	Share-based compensation reserve RMB'000	Other reserves RMB'000	Total RMB'000
<b>Balance at January 1, 2016</b>	(7,831)	73,857	9,557	240,829	9,301	325,713
Changes in fair value of available-for-sale financial assets, net of tax	-	-	-	-	(1,034)	(1,034)
Reclassification of changes in fair value of available-for-sale financial assets to profit or loss upon disposal, net of tax (Note 6)	-	-	-	-	(414)	(414)
Share of other comprehensive income of an investment using equity method, net of tax (Note 7)	-	-	-	-	862	862
Employee share option and RSU scheme:						
— Value of employee services	-	-	-	16,663	-	16,663
Currency translation differences	-	12,428	-	-	-	12,428
<b>Balance at June 30, 2016</b>	<u>(7,831)</u>	<u>86,285</u>	<u>9,557</u>	<u>257,492</u>	<u>8,715</u>	<u>354,218</u>
<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>

*Note:*

- (i) In accordance with the relevant laws and regulations in the PRC and Articles of Association of the companies incorporated in the PRC now comprising the Group, i.e. the PRC Operational Entities, it is required to appropriate 10% of the annual net profits of the PRC Operational Entities, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing any net profit. When the balance of the statutory surplus reserve fund reaches 50% of the registered capital of the entity, any further appropriation is at the discretion of the entity's shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be capitalised as capital, provided that the remaining balance of the statutory surplus reserve fund after such usage is no less than 25% of the entity's registered capital.

In addition, in accordance with the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions in the Articles of Association of Linekong Online (Beijing) Internet Technology Co., Ltd. ("Beijing Linekong Online"), appropriation from net profits (after offsetting accumulated losses brought forward from prior years) should be made by Beijing Linekong Online to its reserve fund. The percentage of net profit to be appropriated to the reserve fund is not less than 10% of the annual net profit. When the balance of the reserve fund reaches 50% of the registered capital, such appropriation needs not to be made.

## 5. Revenue and segment information

	Three months ended June 30,		Six months ended June 30,	
	2016 <i>RMB'000</i> (Unaudited)	2015 <i>RMB'000</i> (Unaudited)	2016 <i>RMB'000</i> (Unaudited)	2015 <i>RMB'000</i> (Unaudited)
Development and operations of online games:				
— Sales of in-game virtual items	<b>155,610</b>	181,593	<b>312,535</b>	285,540
— License fee and technical support fee	<b>7,498</b>	5,982	<b>17,490</b>	15,410
	<b><u>163,108</u></b>	<u>187,575</u>	<b><u>330,025</u></b>	<u>300,950</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 in the respective period is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2016 <i>RMB'000</i> (Unaudited)	2015 <i>RMB'000</i> (Unaudited)	2016 <i>RMB'000</i> (Unaudited)	2015 <i>RMB'000</i> (Unaudited)
Sales of in-game virtual items, license fee and technical support fee:				
— Mobile games	<b>157,780</b>	178,742	<b>313,982</b>	278,892
— Web-based games	<b>1,144</b>	2,714	<b>2,511</b>	7,875
— Client-based games	<b>4,184</b>	6,119	<b>13,532</b>	14,183
	<b><u>163,108</u></b>	<u>187,575</u>	<b><u>330,025</u></b>	<u>300,950</u>

The chief operating decision maker of the Company considers that the Group's Game Business 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 for six months ended June 30, 2016 and 2015.

Almost all the Group's non-current assets were located in the PRC as at June 30, 2016 and December 31, 2015. The revenue generated by the Group's overseas entities represents less than 10% of the total revenue of the Group for six months ended June 30, 2016 and 2015.

## 6. Other gains — net

	Three months ended June 30,		Six months ended June 30,	
	2016 <i>RMB'000</i> (Unaudited)	2015 <i>RMB'000</i> (Unaudited)	2016 <i>RMB'000</i> (Unaudited)	2015 <i>RMB'000</i> (Unaudited)
Government subsidies ( <i>Note (a)</i> )	1,321	5,026	9,705	6,060
Foreign exchange gains, net	877	440	1,023	964
Realised/unrealised fair value (loss)/gains on financial assets at fair value through profit or loss	(629)	64,808	12,451	64,808
Realised fair value gain of derivatives ( <i>Note (b)</i> )	—	9,917	—	14,540
Fair value gain from an associate measured at fair value through profit or loss	1,842	—	1,842	—
Gain on disposal of available-for-sale financial assets	277	—	473	—
Gain on disposals of property, plant and equipment	—	—	138	—
Gain on disposals of intangible assets	—	—	210	1,459
Return on short-term investments ( <i>Note (c)</i> )	—	52	—	821
Others	595	594	192	986
	<u>4,283</u>	<u>80,837</u>	<u>26,034</u>	<u>89,638</u>

*Note:*

- (a) Government subsidies primarily represented various industry-specific subsidies granted by the government authorities to subsidize the game research and development costs and capital expenditures incurred by the Group during the course of its business.
- (b) On March 12, 2015, the Company entered into a share subscription agreement with SMI Holdings Group Limited (“SMI”), a listed company on the Main Board of The Stock Exchange of Hong Kong Limited, pursuant to which the Company agreed to subscribe 139,582,733 ordinary shares of SMI for a total consideration of USD5,000,000, representing 1.35% of SMI’s issued shares. The subscription agreement is therefore accounted for as a forward contract which was fair valued by taking reference to share price of SMI quoted in the active market. The fair value change of this forward contract of RMB4,623,000 between the date of subscription agreement and March 31, 2015 of the subscribed shares was charged to profit or loss.
- (c) Return on short-term investments represents return on investments in certain principal protected wealth management products issued by commercial banks in the PRC.

## 7. An investment using equity accounting

	<b>Six months ended June 30,</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	(Unaudited)
Beginning of the period	<b>180,183</b>	–
Addition of the period	–	103,931
Share of loss	<b>(11,004)</b>	(674)
Other comprehensive income	<b>862</b>	–
Currency translation difference	<b>777</b>	–
	<u>170,818</u>	<u>103,257</u>

<b>Name</b>	<b>Principal activities/ country of incorporation</b>	<b>% Interest held as of June 30, 2016</b>	<b>% Interest held as of December 31, 2015</b>	<b>Nature of the relationship</b>
Fuze Entertainment Co., Ltd. (“Fuze”)	Gaming hardware development and sale/ Cayman Islands	<b>31.92%</b>	31.92%	<i>Note</i>

*Note:*

The directors of the Company consider that the Group has significant influence exercised on Fuze, therefore the investment in Fuze was accounted for using equity accounting method consistently during the six months ended June 30, 2016 and 2015.

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

## 8. Trade receivables

	<b>As of June 30, 2016</b>	As of December 31, 2015
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	(Audited)
Trade receivables	<b>67,650</b>	45,712
Less: impairment provision	<b>(2,828)</b>	(633)
	<u>64,822</u>	<u>45,079</u>



- (a) The revenue of the Group from the game distribution channels, third-party payment vendors and international game publishers are mainly made on credit term determined on individual basis with normal period up to 60 days. Ageing analysis based on recognition date of the gross trade receivables at the respective balance sheet dates is as follows:

	<b>As of June 30, 2016 RMB'000 (Unaudited)</b>	As of December 31, 2015 RMB'000 (Audited)
0–60 days	<b>49,961</b>	32,435
61–90 days	<b>5,353</b>	6,321
91–180 days	<b>7,858</b>	3,413
181 days–365 days	<b>2,728</b>	2,852
over 1 year	<b>1,750</b>	691
	<b><u>67,650</u></b>	<u>45,712</u>

- (b) As at June 30, 2016 and December 31, 2015, trade receivables of past due but not impaired were RMB21,153,000 and RMB19,553,000 respectively. These related to a number of third-party game distribution channels, third-party payment vendors and international game publishers which the Group has not encountered any credit defaults in the past and they are assessed to be financially trustworthy. As a result, the directors of the Company consider that these overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	<b>As of June 30, 2016 RMB'000 (Unaudited)</b>	As of December 31, 2015 RMB'000 (Audited)
Outstanding after due dates:		
0–60 days	<b>11,392</b>	13,266
61–90 days	<b>4,673</b>	1,391
91–180 days	<b>4,660</b>	3,333
181 days–365 days	<b>274</b>	1,234
over 1 year	<b>154</b>	329
	<b><u>21,153</u></b>	<u>19,553</u>

## 9. Trade and other payables

	As of <b>June 30,</b> <b>2016</b> <i>RMB'000</i> (Unaudited)	As of December 31, 2015 <i>RMB'000</i> (Audited)
Trade payables ( <i>Note (i)</i> )	<b>69,110</b>	53,262
Other taxes payables	<b>2,874</b>	3,475
Salary and staff welfare payables	<b>24,968</b>	27,683
Accrued expenses and liabilities	<b>36,788</b>	20,031
Advance received from licence fees	<b>936</b>	1,097
Advance received from sales of prepaid game cards	<b>495</b>	1,022
Advance from payment vendors	<b>125</b>	902
	<b>135,296</b>	107,472

*Note:*

- (i) Trade payables are mainly arising from the leasing of Internet Data Center (IDC) and licensing games from game developers. The credit terms of trade payables granted by the vendors are usually up to 30 days. The ageing analysis of trade payables based on recognition date is as follows:

	As of <b>June 30,</b> <b>2016</b> <i>RMB'000</i> (Unaudited)	As of December 31, 2015 <i>RMB'000</i> (Audited)
0–180 days	<b>49,689</b>	45,394
181–365 days	<b>13,223</b>	2,475
1–2 years	<b>2,854</b>	2,667
2–3 years	<b>1,884</b>	1,935
over 3 years	<b>1,460</b>	791
	<b>69,110</b>	53,262

## 10. Income tax expense/(credit)

The income tax expense/(credit) of the Group for each of the three months and six months ended June 30, 2016 and 2015 is analysed as follows:

	Three months ended June 30,		Six months ended June 30,	
	2016 <i>RMB'000</i> (Unaudited)	2015 <i>RMB'000</i> (Unaudited)	2016 <i>RMB'000</i> (Unaudited)	2015 <i>RMB'000</i> (Unaudited)
Current income tax	<b>9,147</b>	1,399	<b>9,391</b>	2,304
Deferred income tax	<b>2,568</b>	(3,484)	<b>3,450</b>	(9,367)
<b>Income tax expense/(credit)</b>	<b>11,715</b>	(2,085)	<b>12,841</b>	(7,063)

## 11. (Loss)/earnings per share

### (a) Basic

Basic (loss)/earnings per share for the three months and six months ended June 30, 2016 and 2015 is calculated by dividing the (loss)/profit 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.

	Three months ended June 30,		Six months ended June 30,	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
(Loss)/profit attributable to owners of the Company	(43,282)	65,485	(50,554)	9,828
Weighted average number of ordinary shares in issue (thousand shares)	<u>349,236</u>	<u>343,142</u>	<u>347,905</u>	<u>338,083</u>
Basic (loss)/earnings per share (expressed in RMB per share)	<u>(0.12)</u>	<u>0.19</u>	<u>(0.15)</u>	<u>0.03</u>

### (b) Diluted

Diluted (loss)/earnings 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, 2016, the Company had two categories of potential ordinary shares, RSUs and share options granted to employee. As the Group incurred loss for the three months and six months ended June 30, 2016, 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 three months and six months ended June 30, 2016 is the same as basic loss per share of the periods.

For the three 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.

	Three months ended June 30, 2015 RMB'000 (Unaudited)	Six months ended June 30, 2015 RMB'000 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	<u>65,485</u>	<u>9,828</u>
Weighted average number of ordinary shares in issue (thousand shares)	343,142	338,083
Adjustment for RSUs (thousand shares)	<u>12,204</u>	<u>17,263</u>
Weighted average number of ordinary shares for calculating diluted earnings per share (thousand shares)	<u>355,346</u>	<u>355,346</u>
Diluted earnings per share (expressed in RMB per share)	<u>0.18</u>	<u>0.03</u>

## 12. Dividends

No dividends have been paid or declared by the Company during each of the six months ended June 30, 2016 and 2015.

## 13. Events after the balance sheet date

- (a) On July 5, 2016, Linekong Entertainment Technology Co., Ltd. (also Known as Linekong Online (Beijing) Technology Co., Ltd., “**Linekong Entertainment**”) and its subsidiary Horgos Linekong Pictures Corporation (“**Linekong Horgos**”) entered into a capital increase agreement with certain new investors, pursuant to which Linekong Entertainment and the new investors have agreed to subscribe new share capital of Linekong Horgos for a consideration of RMB50,000,000 and RMB80,000,000 respectively.
- (b) On July 26, 2016, Linekong Horgos entered into a capital increase agreement with Huaying Jiashi (Beijing) International Culture Media Co., Ltd. (“**Huaying Jiashi**”), and pursuant to which Linekong Horgos committed to subscribe for 21.05% equity interests of Huaying Jiashi with a consideration of RMB12,000,000. Huaying Jiashi is a limited liability company incorporated in Beijing, PRC and is primarily engaged in film distribution.
- (c) On July 21, 2016, Linekong Horgos entered into an investment agreement with Qingdao Watch the Skies Animation Co., Ltd. (“**Qingdao Watch the Skies**”), and pursuant to which Linekong Horgos committed to invest RMB4,800,000 in an animation production. Qingdao Watch the Skies is a limited liability company incorporated in Qingdao, PRC and is primarily engaged in animation production.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND PROSPECTS

#### REVIEW

The integration of pan-entertainment elements such as games, movies and animation has been accelerating, demonstrating that cross-industry resources integration is becoming a trend; meanwhile, new technologies including live streaming, augmented reality (AR) and virtual reality (VR) have been developing at a tremendous pace. It was realized by the global culture industry that, to maintain a dominant market position in fierce competition, the only way is to seize the dividend yield arising from new technological achievements when put into practice.

With the Group's expansion in fields of movie industry and game console, the basic structure of the group has been established and the advantages of group operation are gradually strengthened. As the first industry upgrade succeed after the traditional gaming business, the Group rolled out the "Movies-Animation-Games" three-in-one strategy and conducted fruitful exploration and practice which aims to forge the full entertainment industry chain by integrating content and brand in the three fields of movies, animation and games, with the focus on a strategy in respect of "community-based products, entertaining business and marketing internationalization".

#### 1. Gaming business

As at June 30, 2016, we have commercialized 24 games in total, comprising 15 self-developed games and 9 licensed games.

Based on the past experience from the IP cooperated gaming including *One Hundred Thousand Bad Jokes* (十萬個冷笑話), *The Wars of Shushan* (蜀山戰紀之劍俠傳奇) (hereinafter referred to as *The Wars of Shushan* (蜀山戰紀)), as an opening masterpiece in 2016, was the first cross-industry integration IP product launched by the Group. The Group joined hands with Nicky Wu (吳奇隆), iQIYI and Anhui Satellite TV to create a brand new business model of "Platform-Movie-Game" Integration. *The Wars of Shushan* (蜀山戰紀) ranked first on the App Store Free Games List, ranked among TOP 10 for 41 consecutive days and even making it into TOP 5 on the App Store Best Seller List, and reached a peak monthly gross billings of approximately RMB44,000,000 since its successful commercialization on January 27, 2016. The success of *The Wars of Shushan* (蜀山戰紀) has enabled Linekong Games to fully enter into a new phase with the expansion to platforms including movies, television stations and internet, and the full implementation of pan-entertainment.

Overseas gaming market has also showed strong performance. Since its formal establishment, the Linekong US Inc. (**Linekong US**), on one hand, has continued to strengthen R&D capability and attract talents from renowned game companies and technology platforms in the United States and Europe to enrich our R&D team; on the other hand, has been committed to striving for top Hollywood IPs with a global business perspective and processing in-depth customization in game R&D and promotion, which targets at the global market with North America as the focus. At the beginning of the

year, along with Fox Digital Entertainment, the Group officially developed a strategic war-type mobile game *Independence Day: Extinction* (獨立日：捲土重來) based on a Hollywood science fiction disaster movie. The game was released worldwide in Chinese and multiple languages on June 30, 2016. Linekong Interactive was the third PRC game company which obtained qualification for pre-registration worldwide on Google Play, so that the Group takes a solid step towards its goal of integrating its “Movies-Animation-Games” strategy and creating global IPs.

In the meantime, the Linekong Korea Co., Ltd. (**Linekong Korea**) had published various products such as *Sword of Heaven* (蒼穹之劍) successively last year; while it made new progress this year. The first achievement is the licensing of *Thunder Armada* (雷霆艦隊), a World War II-themed 3D naval battle game developed by a PRC mainland company. It ranked top 2 and 33 on Korean Google Download List and Best Seller List, respectively since its release in Korea in February this year. The second achievement is *The Wars of Shushan* (蜀山戰紀), the Group’s self-developed game. It ranked top 1 in popularity rankings in Kakao Talk, top 1 in download rankings in iOS, top 1 in download rankings in Google and top 1 in download rankings in ONESTORE, a local mall, within three days after its release in Korea on June 28 this year.

Offering the players high quality and exquisite games reflects the original intention of Linekong Games. Three games named *Excalibur II* (王者之劍2), *Daybreak* (黎明之光) and *Big Words of Shushan* (大話蜀山) are currently undergoing testing and improvements, in order to present the highest standard of playing experience.

## 2. Movie business

The Group announced to fully enter into movie business in March this year. As one of the Group’s core businesses, Linekong Pictures aims to forge the full entertainment industry chain by integrating content and brand into the three fields of movies, animation and games. Linekong Pictures endeavors to launch movie and animation projects based on the IPs of Group’s self-developed games and infiltrates inversely with the gaming business by the IPs of the Group’s self-developed movies and animation, thus reaching a virtuous cycle to create “Super IPs”.

Linekong Pictures has obtained the exclusive adaptation rights of *Snow Girl* (雪姬), a popular comics written by cartoonist Kang Gyeongok (姜京玉). It is expected that the web drama of *Snow Girl* (雪姬) will begin shooting at the end of August this year while the movie will be filmed in 2017. Linekong Pictures will produce a TV series under the name of *Sword of Heaven* (蒼穹之劍), one of the “Three Swords of Linekong”, and will launch a feature movie. *Wished* (反轉人生), a comedy movie, is invested by Linekong Pictures and is directed by Dayyan Eng, a director who won awards at Venice and Cannes Film Festival, starring Xia Yu, a winner of best actor award, Yan Ni, Pan Bin-long and Song Qian, a prominent idol, through strong partnerships with Edko (Beijing) Films Distribution Co., Ltd. (安樂(北京)電影發行有限公司) and Tianjin Lianrui Pictures Ltd. (天津聯瑞影業有限公司), etc. It is expected to be released in the first half of 2017. Linekong Pictures has cooperated with Qingdao Watch the Skies Animation Co., Ltd. (青島仰望星空動漫有限公司), Huhu Studios Ltd. which is the second largest animation company in New Zealand, and a top Hollywood production team to jointly launch the first

Chinese original animation movie *Watch the Sky* (仰望星空) for worldwide distribution. Meanwhile, along with Beijing Sue Fang Media Co., Ltd. (北京玉隆騰嘉文化傳媒有限公司), members from Top Funny Comedian (歡樂喜劇人), Deyun She (德雲社) and Mahua Funage (開心麻花), and Bao Beier's cameo appearance, Linekong Pictures will jointly produce *Angel Bedazzled* (蒙圈天使), which is the first internet movie in China based on the background of angels.

As of July 5, 2016, Linekong Pictures conducted Series A financing of RMB130 million. The new round of financing will mainly be used in our new-generation movie and animation projects.

### 3. Game console business and others

The Group strategically invested in Fuze Entertainment Co., Ltd. (“**Fuze**”). Shenzhen Fuze Technology Co., Ltd. (“**Fuze Technology**”, a subsidiary of Fuze) released its self-developed product of *Fuze F1* (戰斧F1) for game console on May 10, 2016. *Fuze F1* (戰斧F1) is also the first home-based internet console and has strategic cooperation relationships with many well-known console gaming developers overseas, such as UBISOFT, KOEI TEMCO, etc. It was contracted with 76 console game blockbusters, including “*Dynasty Warriors 8: Xtreme Legends Complete Edition*” (真三國無雙7猛將傳完全版), “*Assassin's Creed Chronicles*” (刺客信條編年史), “*MIGHTY NO. 9*” (無敵9號) and other 3A international games. In the press conference, Fuze Technology officially announced its strategic cooperation relationship with LeTV to strive for a win-win situation in terms of internet traffic, market penetration and sales network, leading to an era of on-screen gaming ecosystem with concerted efforts. At the same time, the Android development platform of *Fuze F1* (戰斧F1) will be incorporated with certain popular applications such as PandaTV and LeEco. By keeping abreast with the development of VR technology, it completed the upgrading of its business model once again.

On June 11, 2016, *Fuze F1* (戰斧F1) was well received by the players in the conference of initial release for all platforms and experience-sharing session organized in Beijing. On the spot, it is also announced that 20 games would be free to play in the *Fuze F1* (戰斧F1) platform for 60 days from that day on. In the meantime, separate controller was also on sale. During summer holidays, Fuze Technology, in collaboration with Wandafilm, initiated the “Wandafilm Gaming Carnival — Fuze F1 Game Show” and explored the new mode of offline experience marketing and scene marketing.

On July 25, 2016, “Fuze Technology” was officially renamed as “Linekong Technology”. After the change of name, Linekong Technology continued to use FUZE as the trademark of “Fuze F1 home console” product series. Linekong Interactive will further strengthen the synergetic effect with Linekong Technology in terms of products, technology and markets. Meanwhile, Linekong Technology will continue to invest in gaming entertainment equipments and consumer electronics in the long run.



The Group has been paying close attention to the development trends and technology changes of AR, VR and live streaming business, so as to create synergy with the Group's existing businesses in the field of AR, VR and live streaming business, which further facilitates the development of product diversity of the Group. In late July 2016, the Group announced that it will launch an AR mobile game under the theme of *Monster Hunt* (捉妖記), which will combine Chinese mythology with emerging LBS and AR technologies and activate the national IP through the unique monster hunt gameplay. The project has been initiated currently. On the same day, it was announced that Linekong Technology became the exclusive agent for *Project Boundary* (邊境計劃), the core game of a Chinese game developer Studio Surgical Scalpels (柳葉刀科技(深圳)有限公司), with both console and VR editions. The game will be released to all platforms in the global market.

In 2015, the Group has invested in two companies, namely YL Entertainment and Sports (YLES) Co., Ltd. (“Yongle”) and MicroFunPlus Co., Ltd. (“MicroFunPlus”). Yongle is a limited liability company registered in Beijing, PRC and is mainly engaged in operation of sports, arts and recreational events and tickets marketing. The company is officially quoted on the National Equities Exchange and Quotations System since July 7, 2016 (stock short name: YLES (永樂文化); stock code: 837736). MicroFunPlus is a developer focusing on exquisite casual mobile games, which proposes to officially quote on the National Equities Exchange and Quotations System recently.

## PROSPECT

In the future, Linekong Interactive, Linekong Pictures and Linekong Technology will remain consistent in using Linekong brand and will focus on gaming, pictures entertainment and consumer electronics respectively, with a view to identifying greater market opportunities.

### Aspect 1: Gaming

Along with the strategic adjustment of gaming business to “exquisite product and maximized IP value”, the Group imposes stringent control on its product quality and spares no expense of prolonging the research cycle in order to be recognized by the market and players. As compared with the launch of a total of 2 new products throughout 2015, it is expected that there will be approximately 7 games released throughout 2016. From the second half of 2016, more popular IP masterpieces will be launched successively by the Group, including action (ACT) and role-playing games (RPG) genre of midcore and hardcore mobile games that the Group specializes in.

First, as for self-developed games, the Group will focus on the expertized products categories with the operating model based on self-developed IP as a carrier, unearthing the storyline and deep-rooted culture of IP and its popular elements that will be all-around the kernels of the game design, which eventually becomes part of the games in order to ensure and enhance the quality of self-developed products.

*Excalibur II* (王者之劍2), the third ACT mobile game of Linekong following *Excalibur* (王者之劍) and *Sword of Heroes* (英雄之劍), achieved a great improvement in the quality to face the global market with more community-based elements while sowing seeds in the ACT games. The game is currently in closed beta test and is scheduled to be officially commercialized in September.



**Big Words of Shushan** (大話蜀山) is the first 3D turn-based game of Linekong, which adopts adorable mythical heroes themed style. The highlight of the game is the “combination of flying magic and mythical heroes”. The game is currently in closing beta test, and is expected to be officially commercialized in the near future.

**Sword of Heaven II** (蒼穹之劍2) is a sequel to **Sword of Heaven** (蒼穹之劍), a classic mythical heroes-themed massive multiplayer online (MMO) mobile game which is regarded as one of the “Three Swords of Linekong”. It will also be the first cross-industry super IP of Linekong Games which covers “movies, animation and games”. **Monster Hunt** (捉妖記) is a MMO mobile game based on **Monster Hunt** (捉妖記), the 2015 box-office champion in Mainland China. The game product will highly restore the original storyline of the movie. In the future, the Group will also launch iterative products simultaneously with the release of the movie **Monster Hunt II** (捉妖記2) produced by Edko Films.

**AlphaGirl** is an exquisite science fiction-themed 3D ACT mobile game, featuring with beautiful girls in armor, is forged by next generation global illumination rendering technology. It can attract more young users by delivering vivid texture effects, lifelike quality and innovative theme and contents. **The Legend of Adorable MiYue** (萌萌半月傳) is a 3D aesthetic dress-up game jointly forged by the Group and Flower Film&TV, which targets at the female game market.

Second, as for licensed games, the Group will further explore, innovate and develop by enhancing the selection of appropriate licensed games. Through sound market research, keen perception of changes in the industry and bold attempt on innovative games, the Group attracts players and meets their needs with high quality and diversified games.

The licensed game **Daybreak** (黎明之光) is the first 3D MMO action mobile game simultaneously launched on terminals of mobile phones, PC and home console. It takes three years for the original developers of terminal games to develop, and as such it perfectly carries on the storyline, scenes and character setting of terminal games. By adopting top-notch self-developed Saturn3D engine and 8 major screen rendering technology of the next generation, it creates a realistic 3D big world with quality comparable to console. The game is currently at closing beta test stage, and is expected to be officially commercialized in August.

At present, global entertainment has become an inevitable trend. Linekong Games will fully exploit resources from overseas and local teams to create global IPs. It is intended to introduce **Daybreak** (黎明之光) to the Korean market in the second half of this year following **The Wars of Shushan** (蜀山戰紀) being well recognized in the Korean market. Moreover, Linekong Games will further develop in the vertical field intensively. By seizing specialized product categories and exploring new categories in subdivided markets, Linekong Games focuses on game products related to the subdivided field of mobile competition. At the same time, Linekong US’s self-developed mobile game **Independence Day: Extinction** (獨立日：捲土重來), which is based on an American movie **Independence Day: Resurgence**, will be officially launched in the domestic market in the second half of this year.

In addition to mobile games, the Group will continue to explore content R&D of console games and keep up with the development pace of VR technology. The abovementioned products such as *Sword of Heaven* (蒼穹之劍), *Daybreak* (黎明之光) and *AlphaGirl* not only reached the next generation standard in terms of R&D technology of graphics rendering, but also broke through the limitation of mobile games to achieve a cross-platform comprehensive layout through simultaneous development of console and VR versions.

## **Aspect 2: Pictures entertainment**

Linekong Pictures is another core business of the Group. Its development priority is to develop exquisite games of IPs for the new generation. Not only does Linekong Pictures endeavor to create movies with high quality content, but it also regards movies as an important part of the pan-entertainment ecosystem of the Group. By maximizing the value of “movies, animation and games”, Linekong Pictures pursues full synergies with the Group’s business such as animation and games. Linekong Pictures will commence business conference in the near future to promote various heavyweight productions. More information on the movie press conference will be announced in the coming future.

In the meantime, the Group will continue to pay close attention to its live streaming business through the introduction of external resources and cultivation of internal forces, so as to facilitate the development of relevant projects.

## **Aspect 3: Consumer electronics**

Nowadays, the focus of internet development has gradually shifted from “Mobile Internet” to “Internet of Everything”. Internet of Everything leads to the highlights of personalization instead of submerging personal values. Therefore, a “personalized interactive platform” that connects people will become the foundation for new ecology mode of internet.

The Group and Linekong Technology will further deepen their openness and cooperation. By capitalizing on the FUZE OS carrier, Linekong Technology actively seeks for various forms of partnership in the fields of games, videos, live broadcasting and social media so as to achieve the platform effect, striving to make *Fuze F1* (戰斧F1) a “household internet entertainment center” in its true sense as soon as possible.

## **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 of June 30, 2016, our games were published in 47 countries and regions outside mainland China. The Korean version of *The Wars of Shushan* (蜀山戰紀韓語版) and a licensed game *Thunder Armada* (雷霆艦隊) were successfully launched by our Korean subsidiary in the first half of 2016. Along with Fox Digital Entertainment, the Group’s US subsidiary has developed a strategic war-type mobile game *Independence Day: Extinction* (獨立日：捲土重來) based on a Hollywood science fiction disaster movie. The game was released worldwide in Chinese and multiple languages on June 30, 2016. Revenue generated from overseas market reached approximately RMB44.0 million for the six months ended June 30, 2016, representing a growth rate of approximately 48.1% compared to approximately RMB29.7 million for the six months ended June 30, 2015.

## Our players

The total registered players of our games increased from approximately 191.8 million as at June 30, 2015 to over approximately 211.8 million as at June 30, 2016. As of June 30, 2016, the monthly average user (MAU) reached approximately 2.5 million users and the daily average users (DAU) reached approximately 458.9 thousand users with average monthly revenue per paying user (ARPPU) of approximately RMB321.5.

## Comparison of business objectives with actual business progress

On March 29, 2016, the Group has resolved to change the use of the actual net proceeds from the public offering to adapt to the rapid change in the market environment of the online games industry, which has resulted in changes of the Group's business objectives set out in the Group's prospectus (the "**Prospectus**") in relation to the listing of the Company's shares on the Stock Exchange in December 2014 (the "**Listing**"). The following is a comparison of the Group's revised business objectives based on the announcement dated March 29, 2016 with actual business progress for the six months ended June 30, 2016.

### Business objectives

### Progress up to June 30, 2016

Self-developed games	<ul style="list-style-type: none"><li>• Developing and operating existing and new self-developed games</li><li>• Purchasing intellectual properties for popular entertainment franchises</li></ul>	<ol style="list-style-type: none"><li>1) We commercialized <i>The Wars of Shushan</i> (蜀山戰紀之劍俠傳奇) in January 2016 and <i>Independent Day: Extinction</i> (獨立日：捲土重來) in June 2016</li><li>2) We plan to commercialize <i>Excalibur II</i> (王者之劍2) and <i>Big Words of Shushan</i> (大話蜀山) during the second half of 2016</li><li>3) We have obtained the authorization of the movie <i>Monster Hunt</i> (捉妖記) to adapt it into several mobile games</li></ol>
Licensing games	<ul style="list-style-type: none"><li>• Licensing more high-quality games with different genres and themes from Chinese and overseas game developers and the operation of such games</li></ul>	<ol style="list-style-type: none"><li>1) Our Korean subsidiary launched a licensed game <i>Thunder Armada</i> (雷霆艦隊) in February 2016</li><li>2) We plan to commercialize <i>Day Break</i> (黎明之光) in the second half of 2016</li></ol>
Potential strategic acquisition	<ul style="list-style-type: none"><li>• Potential strategic acquisition or investment in companies in online game and related businesses</li></ul>	<ol style="list-style-type: none"><li>1) We invested in UGen, Inc., a U.S. company primarily engaged in virtual reality community construction and operation, in May 2016</li></ol>

## Business objectives

- Technology upgrade
- 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
- Overseas expansions, expanding our business in overseas markets

- Working capital
- Providing funding for our working capital and other general corporate purposes

- Creating pan-entertainment environment
- Developing, producing and investing in film and TV drama
  - Purchasing popular intellectual properties for multi-entertainment product adaption

## Progress up to June 30, 2016

- 1) We have completed development of our software tools package 5.0
- 2) We commenced the self development of “OrcaUI” in May 2016

- 1) The Korean version of *The War of Shushan* (蜀山戰紀韓語版) and a licensed game *Thunder Armada* (雷霆艦隊) were successfully launched by our Korean subsidiary in the first half of 2016
- 2) We cooperated with Fox Digital Entertainment (美國福斯數字娛樂) to develop a mobile game *Independent Day: Extinction* (獨立日：捲土重來), which was launched to global players in June 2016.

- 1) No net proceeds from our Listing has been utilized for working capital during the first half of 2016

- 1) We have obtained the exclusive adaptation rights of *Snow Girl* (雪姬), a popular comics written by Kang Gyeongok (姜京玉) and plans to produce web drama and feature movie based on *Snow Girl*
- 2) Linekong Pictures will shoot a TV series under the name of *Sword of Heaven* (蒼穹之劍) and will launch a feature movie
- 3) We will invest in film projects *Wished* (反轉人生), *Watch the Sky* (仰望星空) and *Angel Bedazzled* (蒙圈天使)

## FINANCIAL REVIEW

The following table is our interim condensed consolidated statement of (loss)/profit for the six months ended June 30, 2015 and 2016 together with changes (expressed in approximate percentages) from first half of 2015 to first half of 2016 respectively:

	For the six months ended June 30, 2016		2015		Change approximate %
	RMB'000	approximate %	RMB'000	approximate %	
<b>Revenue</b>	<b>330,025</b>	<b>100.0</b>	300,950	100.0	9.7
Cost of revenue	(168,215)	(51.0)	(180,145)	(59.9)	(6.6)
<b>Gross profit</b>	<b>161,810</b>	<b>49.0</b>	120,805	40.1	33.9
Selling and marketing expenses	(98,992)	(30.0)	(117,103)	(38.9)	(15.5)
Administrative expenses	(48,358)	(14.7)	(37,099)	(12.3)	30.3
Research and development expenses	(70,596)	(21.4)	(54,768)	(18.2)	28.9
Other gains — net	26,034	7.9	89,638	29.8	(71.0)
<b>Operating (loss)/profit</b>	<b>(30,032)</b>	<b>(9.1)</b>	1,473	0.5	(2,138.8)
Finance income — net	3,322	1.0	1,964	0.7	69.1
Share of loss of an investment using equity accounting	(11,004)	(3.3)	(674)	(0.2)	1,532.6
<b>(Loss)/profit before income tax</b>	<b>(37,714)</b>	<b>(11.4)</b>	2,763	0.9	(1,465.0)
Income tax (expense)/credit	(12,841)	(3.9)	7,063	2.3	(281.8)
<b>(Loss)/profit for the period</b>	<b>(50,555)</b>	<b>(15.3)</b>	9,826	3.3	(614.5)
Non-IFRS Measure:					
Adjusted net (loss)/profit (unaudited)	(33,892)	(10.3)	51,704	17.2	(165.6)
Dividends	—	—	—	—	—

### Revenue

The Group's revenue increased by approximately 9.7% from approximately RMB301.0 million for the six months ended June 30, 2015 to approximately RMB330.0 million for the six months ended June 30, 2016. The increase in revenue was primarily due to the contribution made from a newly self-developed mobile game, *The Wars of Shushan* (蜀山戰紀), which was launched at the beginning of year 2016.

## Revenue by game forms and sources

The following table sets forth the breakdown of the revenue by (i) game forms; (ii) self-developed games and licensed games for the six months ended June 30, 2015 and 2016, respectively:

	For the six months ended June 30,			
	2016		2015	
	<i>RMB'000</i>	<i>approximate</i> %	<i>RMB'000</i>	<i>approximate</i> %
Mobile games	<b>313,982</b>	<b>95.1</b>	278,892	92.7
Web-based games	<b>2,511</b>	<b>0.8</b>	7,875	2.6
Client-based games	<b>13,532</b>	<b>4.1</b>	14,183	4.7
Total	<b>330,025</b>	<b>100.0</b>	300,950	100.0

	For the six months ended June 30,			
	2016		2015	
	<i>RMB'000</i>	<i>approximate</i> %	<i>RMB'000</i>	<i>approximate</i> %
Self-developed games	<b>229,276</b>	<b>69.5</b>	126,825	42.1
Licensed games	<b>100,749</b>	<b>30.5</b>	174,125	57.9
Total	<b>330,025</b>	<b>100.0</b>	300,950	100.0

## Cost of revenue

The Group's cost of revenue for the six months ended June 30, 2016 was approximately RMB168.2 million, representing a decrease of approximately 6.6% from approximately RMB180.1 million for the six months ended June 30, 2015. The Group's cost of revenue, excluding share based compensation expenses for the six months ended June 30, 2016, was approximately RMB167.1 million, representing a decrease of approximately 5.2% from approximately RMB176.2 million for the six months ended June 30, 2015. The decrease in the Group's cost of revenue was mainly attributed to reduction in revenue sharing fees paid to 3rd party game developers as a result of increased portion of self-developed mobile game revenue from the total revenue generation for the six months ended June 30, 2016.

## Gross profit and gross profit margin

The Group's gross profit for the six months ended June 30, 2016 was approximately RMB161.8 million, representing an increase of approximately 33.9% from approximately RMB120.8 million for the six months ended June 30, 2015. The Group's gross profit, excluding share based compensation for the six months ended June 30, 2016 was approximately RMB162.9 million, representing an increase of approximately 30.6% from



approximately RMB124.7 million for the six months ended June 30, 2015. The increase in gross profit was attributed to the combined effects of growth in total revenue and reduction in revenue sharing fees paid to 3rd party game developers as a result of increased portion of self-developed mobile game revenue from the total revenue generation for the six months ended June 30, 2016.

The Group's gross profit margin for the six months ended June 30, 2016 was approximately 49.0%, representing an increase of approximately 8.9 percentage points compared to approximately 40.1% for the six months ended June 30, 2015. The Group's gross profit margin, excluding share based compensation for the six months ended June 30, 2016 was approximately 49.4%, representing an increase of approximately 8.0 percentage points compared to approximately 41.4% for the six months ended June 30, 2015. The increase in the Group's gross profit margin was attributed to the combined effects of growth in total revenue and reduction in revenue sharing fees paid to 3rd party game developers as a result of increased portion of self-developed mobile game revenue from the total revenue generation for the six months ended June 30, 2016.

### **Selling and marketing expenses**

The Group's selling and marketing expenses for the six months ended June 30, 2016 were approximately RMB98.9 million, representing a decrease of approximately 15.5% from approximately RMB117.1 million for the six months ended June 30, 2015. The Group's selling and marketing expenses, excluding share based compensation for the six months ended June 30, 2016 were approximately RMB98.0 million, representing a decrease of approximately 14.0% from approximately RMB113.9 million for the six months ended June 30, 2015. During the first half of 2016, advertising and promotion expense was mainly used for the launch of a self-developed mobile game, *The Wars of Shushan* (蜀山戰紀), such spending was reduced as compared with the launch of a licensed game, *One Hundred Thousand Bad Jokes* (十萬個冷笑話) in the first half of 2015 for the purpose of effective resource utilisation. As a result, the Group recorded a decrease in selling and marketing expenses.

### **Administrative expenses**

The Group's administrative expenses for the six months ended June 30, 2016 were approximately RMB48.4 million, representing an increase of approximately 30.3% from approximately RMB37.1 million for the six months ended June 30, 2015. The Group's administrative expenses, excluding share based compensation for the six months ended June 30, 2016 were approximately RMB40.3 million, representing an increase of approximately 92.8% from approximately RMB20.9 million for the six months ended June 30, 2015. The increase in the Group's administrative expenses was primarily due to the increase in both the headcount of administrative staffs, their labour costs and other welfares; and other expenses.

### **Research and development expenses**

The Group's research and development expenses for the six months ended June 30, 2016 were approximately RMB70.6 million, representing an increase of approximately 28.9% from approximately RMB54.8 million for the six months ended June 30, 2015. The Group's research and development expenses, excluding share based compensation for the six months

ended June 30, 2016 were approximately RMB64.1 million, representing an increase of approximately 77.6% from approximately RMB36.1 million for the six months ended June 30, 2015. The increase in the Group's research and development expenses was due to the combined effect of significant increase in R&D staff headcounts, as well as salaries and welfares; and the outsourcing of animation and art design expenses relating to the development of newly launched mobile game *The Wars of Shushan* (蜀山戰紀).

#### **Other gains — net**

The Group's other gains for the six months ended June 30, 2016 was approximately RMB26.0 million, compared to approximately RMB89.6 million for the six months ended June 30, 2015. Such change in the Group's other gains was mainly due to the changes in fair value of the securities assets (including listed and unlisted securities) held by the Company in between the two period ended June 30, 2015 and 2016 respectively.

#### **Finance income — net**

The Group's finance income for the six months ended June 30, 2016 amounted to approximately RMB3.3 million. It was amounted to approximately RMB2.0 million for the six months ended June 30, 2015. The increase was mainly attributable to the interest income generated from an offshore flexible deposit account and other wealth management products. No interest was capitalised during the six months ended June 30, 2016 (six months ended June 30, 2015: Nil).

#### **Share of loss of an investment using equity accounting**

The Group's share of loss of an investment using equity accounting for the six months ended June 30, 2016 was approximately RMB11.0 million, it was approximately RMB0.7 million for the six months ended June 30, 2015. This was due to a loss incurred by the investee, Fuze, on its early operational stage.

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

The Group's income tax expense for the six months ended June 30, 2016 was approximately RMB12.8 million, whilst the income tax credit were approximately RMB7.1 million for the six months ended June 30, 2015. The change in income tax was due to (i) adjustments in current income tax charge as a result of different computation base applied in between the tax basis and accounting basis; and (ii) increase in deferred income tax charge, as a result of reverse back of deferred tax asset recognised in previous period.

#### **(Loss)/profit for the period**

As a result of the foregoing, the (loss)/profit for the period changed from a profit of approximately RMB9.8 million for the six months ended June 30, 2015 to a loss of approximately RMB50.6 million for the six months ended June 30, 2016.



## Non-IFRSs measure — adjusted net (loss)/profit

To supplement our consolidated financial statements presented in accordance with the International Financial Reporting Standards (“IFRSs”), we also adopted adjusted net (loss)/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 (loss)/profit was derived from our net (loss)/profit for the period deducted share-based compensation expenses. The adjusted net (loss)/profit is an unaudited figure.

The following table reconciles our adjusted net (loss)/profit for the six months ended June 30, 2015 and 2016 respectively, in accordance with IFRSs:

	For the six months ended		
	June 30,	2015	Change
	2016	2015	approximate
	RMB'000	RMB'000	%
	(Unaudited)	(Unaudited)	
<b>(Loss)/profit for the period</b>	<b>(50,555)</b>	9,826	(614.5)
<b>Add:</b>			
Share-based compensation expenses	<b>16,663</b>	41,878	(60.2)
<b>Adjusted net (loss)/profit</b>	<b>(33,892)</b>	<b>51,704</b>	<b>(165.6)</b>

The Group’s adjusted net loss for the six months ended June 30, 2016 was approximately RMB33.9 million, representing a change of approximately 165.6% as compared to adjusted net profit of approximately RMB51.7 million for the six months ended June 30, 2015. The changes in adjusted net (loss)/profit for the periods was mainly due to combined effect of: (i) changes in fair value of the securities assets (including listed and unlisted securities) held by the Company in between the two periods; (ii) the Group’s share of loss of an investment by using equity accounting, the investee, Fuze, on its early operational stage; and (iii) fast expansion into overseas market, and investment made over movie business are still on their early operational stage. We have presented adjusted net (loss)/profit in this announcement as we believe that the adjusted net (loss)/profit is a meaningful supplement to the income statement data because it enables us to measure our profitability without taking into consideration of share-based compensation expenses. However, adjusted net (loss)/profit should not be considered in isolation or construed as an alternative to net loss or operating income, or as an alternative to cash flow as a measurement of liquidity. Potential investors should be aware that the adjusted net (loss)/profit 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, 2016, we financed our operations primarily through cash generated from our operating activities. The Group maintains a solid cash position since the net proceeds we received from the Listing which was completed in December 2014. We intend to finance our expansion and business operations with internal resources and through organic and sustainable growth.

### **Treasury policy**

During the six months ended June 30, 2016, the Group's idle capital was invested in short-term wealth management products 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, 2016, we had cash and cash equivalents of approximately RMB729.1 million (December 31, 2015: approximately RMB794.5 million), which primarily consisted of cash at bank and in hand and which were mainly denominated in Renminbi (as to approximately 16.9%), Hong Kong dollars (as to approximately 82.1%), U.S. dollars (as to approximately 0.7%) and other currencies (as to approximately 0.3%).

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 Hong Kong dollars 686.2 million. As at the date of this interim results announcement, a small portion of the net proceeds (see Use of IPO Proceeds) from our Listing had been utilised and the rest has been deposited into short-term demand deposits in a bank account maintained by the Group. In 2016, we will continue to utilising the net proceeds from our Listing in accordance with the proposed use of proceeds as set out in the "Change in Use of Proceeds" announcement dated March 29, 2016.

### **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, 2016, our total capital expenditure amounted to approximately RMB31.8 million (for the six months ended June 30, 2015: approximately RMB22.5 million), including the purchase of furniture and office equipment of approximately RMB0.9 million (for the six months ended June 30, 2015: approximately RMB1.9 million), server and other equipment of approximately RMB0.2 million (for the six months ended June 30, 2015: approximately RMB0.9 million), motor vehicles of approximately RMB0.7 million (for the six months ended June 30, 2015: approximately RMB0.7 million), leasehold improvements of approximately RMB1.8 million (for the six months ended June 30, 2015: approximately RMB2.8 million), trademarks and

licenses approximately RMB27.5 million (for the six months ended June 30, 2015: approximately RMB15.8 million) and computer software of approximately RMB0.7 million (for the six months ended June 30, 2015: approximately RMB0.4 million). We funded our capital expenditure by using our cash flow generated from our operations.

## CAPITAL STRUCTURE

The Shares were listed on GEM of the Stock Exchange on December 30, 2014. The capital structure of the Company comprised ordinary Shares.

## BORROWING AND GEARING RATIO

During the six months ended June 30, 2016, we did not have any short-term or long-term bank borrowings.

As at June 30, 2016, the gearing ratio of the Group, calculated as total liabilities divided by total assets, was approximately 18.1% (December 31, 2015: approximately 16.9%).

## CHARGE ON GROUP ASSETS

As at June 30, 2016, no asset of the Group was pledged as a security for bank borrowing or any other financing facilities (December 31, 2015: Nil).

## INFORMATION ON EMPLOYEES AND REMUNERATION POLICY

As of June 30, 2016, the Group had 634 employees (June 30, 2015: 612), 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, 2016 and June 30, 2015 respectively:

Function	As at June 30,			
	2016		2015	
	<i>Number of Employees</i>	<i>approximate % of total employees</i>	<i>Number of Employees</i>	<i>approximate % of total employees</i>
Research and development	376	59.3	341	55.7
Game publishing	153	24.1	185	30.2
— Game licensing	41	6.5	48	7.8
— Customer service	57	9.0	60	9.8
— Sales and marketing	55	8.6	77	12.6
General and administrative	105	16.6	86	14.1
Total	<u>634</u>	<u>100</u>	<u>612</u>	<u>100</u>

The total remuneration of the employees of the Group was approximately RMB99.1 million for the six months ended June 30, 2016 (for the six months ended June 30, 2015: approximately RMB95.5 million).

The Company has established the Remuneration Committee 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 elsewhere in the Group. The staff remuneration is reviewed regularly.

The Company 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 interim results announcement.

In addition, the Company has adopted a restricted unit share scheme (the “**RSU Scheme**”) on March 21, 2014 with the objective to incentivise Directors, senior management, employees and any person who provides or has provided consultancy or other advisory services to the Group for their contribution 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 payments expenses in connection with the RSU Scheme for the six months ended June 30, 2016 were approximately RMB16.7 million, reduced by approximately 60.1% as compare to approximately RMB41.9 million for the six months ended June 30, 2015. The reduction was mainly due to there were very few share option units issued and no additional restricted share unit issued in the first half of 2016.

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

## **SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

In preparation for the Listing, the Company underwent corporate reorganisation, the details of which are set out in the section headed “History, Reorganization and Corporate Structure” of the Prospectus.

Save as disclosed herein, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company during the six months ended June 30, 2016.

## **CONTINGENT LIABILITIES**

As at June 30, 2016, the Group did not have any significant contingent liabilities (December 31, 2015: 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 overseas cooperated counterparties. The Group does not hedge against any fluctuation in foreign currency.

## **DIVIDEND**

The Board did not recommend the payment of an interim dividend for the six months ended June 30, 2016.

## **DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As of June 30, 2016, the interests and short positions of the Directors and chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (“SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including

interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

**(i) Long position in shares and underlying shares**

<b>Name of Director/ chief executive</b>	<b>Capacity/ Nature of interest</b>	<b>Total number of Shares</b>	<b>Approximate percentage of shareholding (Note 5)</b>
Mr. Wang Feng <sup>(Note 1)</sup>	Interest of controlled corporation	66,576,160	20.93%
	Beneficial owner	10,646,308	
Ms. Liao Mingxiang <sup>(Note 2)</sup>	Interest of controlled corporation	12,168,720	4.09%
	Beneficial owner	2,918,269	
Mr. Qian Zhonghua	Beneficial owner	5,000	0.001%
Mr. Mei Song <sup>(Note 3)</sup>	Beneficial owner	4,226,154	1.15%
Mr. Zhao Jun <sup>(Note 4)</sup>	Beneficial owner	2,839,769	0.77%

Notes:

- (1) Mr. Wang Feng holds the entire issued share capital of Wangfeng Management Limited, which in turn directly holds 66,576,160 shares. Accordingly, Mr. Wang Feng is deemed to be interested in the 66,576,160 shares held by Wangfeng Management Limited. In addition, Mr. Wang Feng holds 2,213,000 shares and is interested in 8,433,308 restricted share units (“RSUs”) granted to him under the RSU Scheme entitling him to receive 8,433,308 shares subject to vesting. As of June 30, 2016, approximately 75.00% of the RSUs granted to him have been vested and the remaining RSUs are subject to vesting.
- (2) Ms. Liao Mingxiang holds the entire issued share capital of Liao Mingxiang Holdings Limited, which in turn directly holds 12,168,720 shares. Accordingly, Ms. Liao Mingxiang is deemed to be interested in the 12,168,720 shares held by Liao Mingxiang Holdings Limited. In addition, Ms. Liao Mingxiang holds 106,500 shares and is interested in 2,811,769 RSUs granted to her under the RSU Scheme entitling her to receive 2,811,769 shares subject to vesting. As of June 30, 2016, approximately 75.01% of the RSUs granted to her have been vested and the remaining RSUs are subject to vesting.
- (3) Mr. Mei Song holds 9,000 shares and is interested in 4,217,154 RSUs granted to him under the RSU Scheme entitling him to receive 4,217,154 shares, and as of June 30, 2016, approximately 75.01% of the RSUs granted to him have been vested and the remaining RSUs are subject to vesting.
- (4) Mr. Zhao Jun holds 28,000 shares and is interested in 2,811,769 RSUs granted to him under the RSU Scheme entitling him to receive 2,811,769 shares, and as of June 30, 2016, approximately 75.01% of the RSUs granted to him have been vested and the remaining RSUs are subject to vesting.
- (5) As of June 30, 2016, the Company issued 368,868,464 shares.

Save as disclosed above, on June 30, 2016, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

**(ii) Long position in the shares in other members of the Group**

So far as the Directors are aware, as of June 30, 2016, the following persons (excluding the Company) are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

<b>Name of Subsidiary</b>	<b>Name of Shareholder</b>	<b>Registered Capital</b>	<b>Approximate % of Interest</b>
Linekong Entertainment Technology Co., Ltd. (also known as Linekong Online (Beijing) Technology Co., Ltd.) (“ <b>Linekong Entertainment</b> ”)	Mr. Wang Feng	RMB7,545,000	75.45%
Linekong Entertainment	Ms. Liao Mingxiang	RMB1,364,000	13.64%
Linekong Entertainment	Mr. Zhang Yuyu	RMB1,091,000	10.91%



## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as is known to the Directors or chief executive of the Company, as of June 30, 2016, the following persons (other than Directors or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

### Long and short positions in the shares

Name of shareholder	Nature of interest	Number of Shares or securities held	Approximate percentage of interest in the Company (Note 7)
Wangfeng Management Limited <sup>(Note 1)</sup>	Beneficial owner	66,576,160	18.05%
Zhu Li <sup>(Note 2)</sup>	Interest of spouse	77,222,468	20.93%
China Momentum Fund, L.P.	Interest of controlled corporation	52,318,760	14.18%
Fosun China Momentum Fund GP, Ltd.	Interest of controlled corporation	52,318,760	14.18%
Fosun Financial Holdings Limited	Interest of controlled corporation	52,318,760	14.18%
Fosun Holdings Limited	Interest of controlled corporation	52,318,760	14.18%
Fosun International Holdings Limited	Interest of controlled corporation	52,318,760	14.18%
Fosun International Limited	Interest of controlled corporation	52,318,760	14.18%
Fosun Momentum Holdings Limited	Interest of controlled corporation	52,318,760	14.18%
Guo Guangchang	Interest of controlled corporation	52,318,760	14.18%
Starwish Global Limited <sup>(Note 3)</sup>	Beneficial owner	52,318,760	14.18%



<b>Name of shareholder</b>	<b>Nature of interest</b>	<b>Number of Shares or securities held</b>	<b>Approximate percentage of interest in the Company</b> <i>(Note 7)</i>
The Core Trust Company Limited <i>(Note 4)</i>	Trustee of a trust	41,798,041	11.33%
Premier Selection Limited <i>(Note 4)</i>	Nominee for another person	41,798,041	11.33%
Ho Chi Sing <i>(Note 5)</i>	Interest of controlled corporation	29,922,996	8.11%
IDG-Accel China Growth Fund GP Associates Ltd. <i>(Note 5)</i>	Interest of controlled corporation	27,774,323	7.53%
IDG-Accel China Growth Fund Associates, L.P. <i>(Note 5)</i>	Interest of controlled corporation	27,774,323	7.53%
IDG-Accel China Growth Fund L.P. <i>(Note 5)</i>	Beneficial owner	23,061,443	6.25%
Zhou Quan <i>(Note 5)</i>	Interest of controlled corporation	27,774,323	7.53%
Fubon Financial Holding Co., Ltd. <i>(Note 6)</i>	Interest of controlled corporation	23,739,000	6.44%
Fubon Life Insurance Co., Ltd. <i>(Note 6)</i>	Beneficial owner	23,739,000	6.44%

*Notes:*

1. Mr. Wang Feng holds the entire issued share capital of Wangfeng Management Limited, which in turn directly holds 66,576,160 Shares. Accordingly, Mr. Wang Feng is deemed to be interested in the 66,576,160 Shares held by Wangfeng Management Limited.
2. Ms. Zhu Li is the wife of Mr. Wang Feng and is deemed to be interested in all of the shares which are interested by Mr. Wang Feng under the SFO. For details of Mr. Wang Feng's interests, please refer to the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures".
3. Starwish Global Limited is wholly-owned by China Momentum Fund, L.P., an exempted limited partnership in Cayman Islands. Fosun China Momentum Fund GP, Ltd. is the general partner of China Momentum Fund, L.P. Fosun China Momentum Fund GP, Ltd. is in turn wholly owned by Fosun Momentum Holdings Limited. Fosun Momentum Holdings Limited is wholly-owned by Fosun Financial Holdings Limited which is in turn wholly-owned by Fosun International Limited, a company listed on the Main Board of the Stock

Exchange (Stock Code: 00656). As of June 30, 2016, Fosun International Limited is 71.37% owned by Fosun Holdings Limited which is in turn wholly-owned by Fosun International Holdings Limited. As of June 30, 2016, Mr. Guo Guangchang owns 64.45% equity interest in Fosun International Holdings Limited.

4. The Core Trust Company Limited, being the RSU trustee, directly holds the entire issued share capital of Premier Selection Limited (the RSU nominee), which originally held 42,161,541 underlying Shares in respect of the RSUs granted and to be granted under the RSU Scheme for the benefit of eligible participants pursuant to the RSU Scheme. As of June 30, 2016, 363,500 underlying Shares have been sold by the RSU participants and the RSU nominee currently holds 41,798,041 underlying Shares, including a total of 18,274,000 underlying Shares in respect of (i) the 8,433,308 RSUs granted to Mr. Wang Feng, (ii) the 2,811,769 RSUs granted to Ms. Liao Mingxiang, (iii) the 4,217,154 RSUs granted to Mr. Mei Song, and (iv) the 2,811,769 RSUs granted to Mr. Zhao Jun.
5. The controlling structure of each of IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund Associates, L.P. and IDG-Accel China Growth Fund GP Associates Ltd. is as follows: (i) IDG-Accel China Growth Fund L.P. (directly holds 23,061,443 shares) and IDG-Accel China Growth Fund-A L.P. (directly holds 4,712,880 shares) are controlled by their sole general partner, IDG-Accel China Growth Fund Associates L.P., which in turn is controlled by its sole general partner, IDG-Accel China Growth Fund GP Associates Ltd. IDG-Accel China Growth Fund GP Associates Ltd. is held as to 35.00% by each of Mr. Zhou Quan and Mr. Ho Chi Sing; and (ii) IDG-Accel China Investors L.P. is controlled by its sole general partner, IDG-Accel China Investor Associates Ltd., which in turn is held as to 100.00% by Mr. Ho Chi Sing. Hence, IDG-Accel China Growth Fund Associates L.P., IDG-Accel China Growth Fund GP Associates Ltd. and Mr. Zhou Quan are deemed to be interested in 27,774,323 Shares, and Mr. Ho Chi Sing is deemed to be interested in 29,922,996 Shares by virtue of SFO.
6. Fubon Life Insurance Co., Ltd. is 100% owned by Fubon Financial Holding Co., Ltd..
7. As of June 30, 2016, the Company issued 368,868,464 Shares.

## SHARE OPTION SCHEME

The Company adopted a share option scheme on November 20, 2014 (the “**Share Option Scheme**”). The purpose of the Share Option Scheme is to incentivise and reward the eligible persons for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company. The Board (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Share Option Scheme) may, at its absolute discretion, offer to grant an option to subscribe for such number of shares as the Board may determine to an employee (whether full-time or part-time) or a director of a member of the Group or associated companies of the Company or any person who provides or has provided consultancy or other advisory services to the Group. Key terms of the Share Option Scheme are summarized in Appendix IV “Share Option Scheme” of the prospectus of the Company dated December 9, 2014.

As of June 30, 2016, details of the granted and outstanding share options of the Company are set out as follows:

Category	Date of Grant	Option Period	Share options granted	Exercise price per share HKD	The weighted average closing price of the shares HKD	Outstanding balance as at January 1, 2016	During the period				Outstanding balance as at June 30, 2016	Number of new shares issued during the period	Number of new shares which may be issued during the period
							Granted	Exercised	Cancelled	Lapsed			
Employees	August 12, 2015	August 12, 2015 to August 11, 2025	1,849,192 <sup>(Note 2)</sup>	8.10	8.028	1,849,192	0	0	0	0	1,849,192	0	462,298
Employees	October 9, 2015	October 9, 2015 to October 8, 2025	6,010,000 <sup>(Note 2)</sup>	7.18	6.896	5,860,000	0	0	0	915,000	4,945,000	0	0
Employees	June 15, 2016	June 15, 2016 to June 14, 2026	1,750,000 <sup>(Note 4)</sup>	4.366	4.366	N/A	1,750,000	0	0	0	1,750,000	0	0

*Notes:*

- (1) The vesting period of the share options is starting from the date of acceptance of the grant to the commencement of the exercise period.
- (2) The options granted on August 12, 2015 may be exercised in accordance with the following vesting timetable:

**Vesting Dates**

- i. 10 months upon the acceptance of the offer for grant of share options
- ii. 16 months upon the acceptance of the offer for grant of share options
- iii. 22 months upon the acceptance of the offer for grant of share options
- iv. 28 months upon the acceptance of the offer for grant of share options
- v. 34 months upon the acceptance of the offer for grant of share options
- vi. 40 months upon the acceptance of the offer for grant of share options
- vii. 46 months upon the acceptance of the offer for grant of share options

**Maximum Cumulative Percentage of Share Options Vested**

- 25% (rounded down to the nearest integral number of shares) of the share options granted
- 37.5% (rounded down to the nearest integral number of shares) of the share options granted
- 50% (rounded down to the nearest integral number of shares) of the share options granted
- 62.5% (rounded down to the nearest integral number of shares) of the share options granted
- 75% (rounded down to the nearest integral number of shares) of the share options granted
- 87.5% (rounded down to the nearest integral number of shares) of the share options granted
- 100% (rounded down to the nearest integral number of shares) of the share options granted

The closing price of the shares immediately before the date on which the share options were granted was HKD8.10 per Share.

As of the date of this announcement, 462,298 share options have been vested and 1,386,894 share options are subject to vesting.

- (3) The options granted on October 9, 2015 may be exercised in accordance with the following vesting timetable:

<b>Vesting Dates</b>	<b>Maximum Cumulative Percentage of Share Options Vested</b>
i. 12 months upon the acceptance of the offer for grant of share options	25% (rounded down to the nearest integral number of shares) of the share options granted
ii. 18 months upon the acceptance of the offer for grant of share options	37.5% (rounded down to the nearest integral number of shares) of the share options granted
iii. 24 months upon the acceptance of the offer for grant of share options	50% (rounded down to the nearest integral number of shares) of the share options granted
iv. 30 months upon the acceptance of the offer for grant of share options	62.5% (rounded down to the nearest integral number of shares) of the share options granted
v. 36 months upon the acceptance of the offer for grant of share options	75% (rounded down to the nearest integral number of shares) of the share options granted
vi. 42 months upon the acceptance of the offer for grant of share options	87.5% (rounded down to the nearest integral number of shares) of the share options granted
vii. 48 months upon the acceptance of the offer for grant of share options	100% (rounded down to the nearest integral number of shares) of the share options granted

The closing price of the shares immediately before the date on which the share options were granted was HKD7.18 per share.

As of June 30, 2016, 4,945,000 share options are subject to vesting and remain outstanding, while 915,000 share options have been lapsed.

- (4) The options granted on June 15, 2016 may be exercised in accordance with the following vesting timetable:

<b>Vesting Dates</b>	<b>Maximum Cumulative Percentage of Share Options Vested</b>
i. 12 months upon the acceptance of the offer for grant of share options	25% (rounded down to the nearest integral number of shares) of the share options granted
ii. 18 months upon the acceptance of the offer for grant of share options	37.5% (rounded down to the nearest integral number of shares) of the share options granted
iii. 24 months upon the acceptance of the offer for grant of share options	50% (rounded down to the nearest integral number of shares) of the share options granted
iv. 30 months upon the acceptance of the offer for grant of share options	62.5% (rounded down to the nearest integral number of shares) of the share options granted

<b>Vesting Dates</b>	<b>Maximum Cumulative Percentage of Share Options Vested</b>
v. 36 months upon the acceptance of the offer for grant of share options	75% (rounded down to the nearest integral number of shares) of the share options granted
vi. 42 months upon the acceptance of the offer for grant of share options	87.5% (rounded down to the nearest integral number of shares) of the share options granted
vii. 48 months upon the acceptance of the offer for grant of share options	100% (rounded down to the nearest integral number of shares) of the share options granted

The closing price of the shares immediately before the date on which the share options were granted was HKD4.18 per share.

As of the date of this announcement, all of the relevant share options are subject to vesting and remain outstanding.

- (5) Please refer to the announcements of the Company dated August 12, 2015, October 9, 2015 and June 15, 2016 for details.

## **SHARE INCENTIVE SCHEME**

The Company approved and adopted the restricted share unit scheme on March 21, 2014 and as amended on August 22, 2014. The RSU Scheme is not subject to the provisions of Chapter 23 of the GEM Listing Rules as the RSU Scheme does not involve the grant of options by the Company to subscribe for new Shares.

On June 30, 2016, RSUs in respect of 33,666,494 underlying shares has been granted to 461 grantees (four of which are our Directors). Total RSUs in respect of 701,454 underlying shares granted to 14 grantees had been lapsed during the six months ended June 30, 2016. On June 30, 2016, 22,528,880 RSUs have been vested unconditionally and there were 8,241,744 RSUs granted and outstanding.

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

### **Change of Logo of the Company**

On January 21, 2016, the Company proposed to adopt a new logo (the “**New Logo**”) with effect from January 27, 2016. The New Logo would be printed on all corporate documents of the Company, including but not limited to, the Company’s share certificates, promotional materials, interim and annual reports, announcements and corporate stationery.

Details of the change of logo of the Company are set out in the announcement of the Company dated January 21, 2016.

## Change in Use of Proceeds

On March 29, 2016, the Company has resolved to change the use of the actual net proceeds from the public offering, after deducting the underwriting commission and other estimated expenses in connection with the public offering, being amounted to approximately HKD686.2 million (the “**IPO Proceeds**”). Regarding the situations of the use of the IPO Proceeds as of June 30, 2016, please refer to the section headed “Use of IPO Proceeds”.

Details of the change in use of proceeds are set out in the announcement of the Company dated March 29, 2016.

## Investment in UGen, Inc.

On May 11, 2016, Linekong Holdings Limited, a wholly-owned subsidiary of the Company, entered into a share purchase agreement to acquire 384,000 series seed preferred stock shares, being 6.9% of the post-capital increase total equity interests (assuming full exercise of the options granted to parties other than Linekong Holdings Limited to acquire the common stock shares or the securities convertible into the common stock shares), in UGen, Inc. at a consideration of USD400,000. UGen, Inc. is a limited liability company registered established under the laws of the State of Washington, United States and is primarily engaged in virtual reality community construction and operation.

## Re-election of Directors

Each of Mr. Mei Song, Mr. Zhao Jun, Mr. Wang Xiaodong and Ms. Zhao Yifang has been retired from office as Directors pursuant to article 16.3 of the Company’s articles of association and successfully been re-elected at the annual general meeting of the Company held on June 14, 2016 (the “**General Meeting**”). Further, each of Ms. Liao Mingxiang and Mr. Ma Ji has been retired from office as Directors pursuant to article 16.18 of the Company’s articles of association and successfully been re-elected at the General Meeting.

## Capital Increase in Linekong Horgos

On July 5, 2016, Horgos Linekong Pictures Corporation (霍爾果斯藍港影業有限公司) (“**Linekong Horgos**”), an indirect wholly-owned subsidiary of the Company, entered into a conditional capital increase agreement (“**Capital Increase Agreement**”) with its existing shareholders, namely, Linekong Entertainment, a wholly-owned subsidiary of the Company, Mr. Tong Jie, Mr. Wang Jing and Ms. Qi Yunxiao (collectively, the “**Existing Shareholders**”), and the subscribers, namely Ningbo Meishan Bonded Port Zone Leguang Investment Centre (寧波梅山保稅港區樂廣投資中心), Shenzhen Rongsheng Yihao Investment Centre, (深圳融盛一號投資中心) and Linekong Entertainment (collectively, the “**Subscribers**”). Pursuant to the Capital Increase Agreement, Linekong Horgos has conditionally agreed to increase, and the Subscribers have conditionally agreed to subscribe for, a total of RMB17,567,568 registered share capital of Linekong Horgos at the subscription price of RMB7.40 per RMB1.00 registered share capital of Linekong Horgos for an aggregate consideration of RMB130,000,000 (“**Capital Increase Transaction**”). The aggregate proceeds of the Capital Increase Transaction, being RMB130,000,000, is intended to be used for the expansion of Linekong Horgos’ main business and for its working capital. For details of the Capital Increase Transaction, please refer to the announcement of the Company dated July 5, 2016.

## **Investment in Huaying Jiashi**

On July 26, 2016, Linekong Horgos entered into a capital increase agreement to subscribe for 21.05% of the post-capital increase share capital of Huaying Jiashi (Beijing) International Culture Media Co., Ltd. (“**Huaying Jiashi**”) at a consideration of RMB12,000,000. Huaying Jiashi is a limited liability company registered in Beijing, the PRC and is primarily engaged in film distribution.

## **USE OF IPO PROCEEDS**

The actual net proceeds of the Company from the public offering, after deducting the underwriting commission and other estimated expenses in connection with the public offering, amounted to approximately HKD686.2 million (the “**IPO Proceeds**”).

As of June 30, 2016, a total amount of approximately HKD39.3 million from the IPO Proceeds had been utilized for the purposes and approximately in the amount set out below:

- (a) approximately HKD36.2 million was used for overseas expansions, expanding our business in overseas markets; and
- (b) approximately HKD3.1 million was used for potential strategic acquisition or investment in companies in online game and related businesses.

As of June 30, 2016, approximately HKD646.9 million, being the residual part of the IPO Proceeds, remains unutilized.

The unutilized IPO Proceeds has been deposited into short-term demand deposits in a bank account maintained by the Group.

The Company will continue to utilize the IPO Proceeds for the purpose consistent with those set out in the announcement of “Change in Use of Proceeds” of the Company dated March 29, 2016.

## **INTERESTS IN COMPETING BUSINESS**

Mr. Qian Zhonghua, a non-executive Director, is a managing director of Fosun Equity Investment Management Ltd. and has been a director of Starwish Global Limited since November 3, 2015. 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 two principal businesses comprising integrated finance (including insurance, investment, wealth management and internet finance) and industrial operation (including health, happiness, steel, property development and sales, and resources). Fosun Group has an interest in a portfolio of online and mobile game companies with headquarters and/or operations in the PRC, including private mobile game and network game companies including 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 has nominated representatives to hold directorship in the board of directors of the aforementioned companies after the appointment. On the other hand, although 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, it 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 for the six months ended June 30, 2016.

### **SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES**

Save as disclosed herein, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company during the six months ended June 30, 2016.

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

During the six months ended June 30, 2016, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### **AUDIT COMMITTEE**

The Audit Committee was established on April 24, 2014. The chairman of the Audit Committee is Mr. Ma Ji, independent non-executive Director, and other members included Mr. Qian Zhonghua, non-executive Director, and Mr. Wang Xiaodong, Mr. Zhang Xiangdong and Ms. Zhao Yifang, independent non-executive Directors. 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 the Company's risk management and internal control systems, the effectiveness of the internal audit function, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has complied with Rule 5.28 of the GEM Listing Rules in that 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, 2016 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, 2016 comply with applicable accounting standards, 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.

## **CORPORATE GOVERNANCE**

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, 2016, 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. From the date of listing to the date of this announcement, 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.

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 of the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of financial results of the Group. After specific enquiries were made with all Directors, all Directors confirmed that they have complied with the required standards of dealings for the six months ended June 30, 2016.

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

Beijing, PRC, August 12, 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 will remain on the “Latest Company Announcements” page of the Stock Exchange’s website 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).*