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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)

**CONNECTED TRANSACTIONS
TRANSFER OF EQUITY INTEREST IN
HAINAN TIANCHEN TO LINEKONG ONLINE**

SUMMARY

The Board is pleased to announce that on July 19, 2018, Linekong Online, a wholly-owned subsidiary of the Company, entered into the A Equity Transfer Agreement with Guangnian Investment and the B Equity Transfer Agreement with Minghe Investment, respectively. Pursuant to the A Equity Transfer Agreement, Guangnian Investment agreed to transfer and Linekong Online agreed to accept 13.39% equity interest held in Hainan Tianchen. Pursuant to the B Equity Transfer Agreement, Minghe Investment agreed to transfer and Linekong Online agreed to accept 1.61% equity interest held in Hainan Tianchen. Upon completion of the transactions contemplated under the Equity Transfer Agreements, Linekong Online became a shareholder of Hainan Tianchen and Hainan Tianchen is held as to 32.75%, 3.33%, 15% and 48.92% by Guangnian Investment, Minghe Investment, Linekong Online and 20 other shareholders (which are mainly financial investors and employees of Hainan Tianchen), respectively.

Hainan Tianchen, Mr. Wang Feng, Linekong Online, Guangnian Investment, Minghe Investment and the other 20 shareholders of Hainan Tianchen on July 19, 2018 further entered into the Shareholders' Agreement so as to regulate the ownership, management and operations of Hainan Tianchen upon completion of the transactions contemplated under the Equity Transfer Agreements.

GEM LISTING RULES IMPLICATIONS

According to the GEM Listing Rules, Guangnian Investment and Minghe Investment are each an associate of Mr. Wang Feng and Ms. Liao Mingxiang, respectively, both of whom are executive Directors of the Company. Each of Guangnian Investment and Minghe Investment is therefore a connected person of the Company. Therefore, the transactions contemplated under the A Equity Transfer Agreement and the B Equity Transfer Agreement constitute connected transactions for the Company under the GEM Listing Rules.

With respect to the A Equity Transfer Agreement, as some of the applicable percentage ratios as set out in Rule 19.07 of the GEM Listing Rules exceed 0.1% but are less than 5%, the transaction contemplated thereunder is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Rule 20.74(2) of the GEM Listing Rules. With respect to the B Equity Transfer Agreement, as all the applicable percentage ratios as set out in Rule 19.07 of the GEM Listing Rules are less than 5% and the total consideration is less than HK\$3,000,000, the transaction contemplated thereunder is fully exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 20.74(1) of the GEM Listing Rules. In order to allow the Shareholders to be informed of the full picture of the transfer of equity interest in Hainan Tianchen to Linekong Online, the Company voluntarily discloses the information in relation to the B Equity Transfer Agreement and the transaction contemplated thereunder to its Shareholders.

Reference is made to the voluntary announcement of the Company dated June 15, 2018 in relation to the transfer of equity interest in Hainan Tianchen to the Group.

BACKGROUND

The Board is pleased to announce that on July 19, 2018, Linekong Online, a wholly-owned subsidiary of the Company, entered into the A Equity Transfer Agreement with Guangnian Investment and the B Equity Transfer Agreement with Minghe Investment, respectively. Pursuant to the A Equity Transfer Agreement, Guangnian Investment agreed to transfer and Linekong Online agreed to accept 13.39% equity interest held in Hainan Tianchen. Pursuant to the B Equity Transfer Agreement, Minghe Investment agreed to transfer and Linekong Online agreed to accept 1.61% equity interest held in Hainan Tianchen. Upon completion of the transactions contemplated under the Equity Transfer Agreements, Linekong Online became a shareholder of Hainan Tianchen and Hainan Tianchen is held as to 32.75%, 3.33%, 15% and 48.92% by Guangnian Investment, Minghe Investment, Linekong Online and 20 other shareholders (which are mainly financial investors and employees of Hainan Tianchen), respectively.

Hainan Tianchen, Mr. Wang Feng, Linekong Online, Guangnian Investment, Minghe Investment and the other 20 shareholders of Hainan Tianchen on July 19, 2018 further entered into the Shareholders' Agreement so as to regulate the ownership, management and operations of Hainan Tianchen upon completion of the transactions contemplated under the Equity Transfer Agreements.

The transactions under the A Equity Transfer Agreement and the B Equity Transfer Agreement are separate transactions and are not inter-conditional.

EQUITY TRANSFER AGREEMENTS

The principal terms and conditions of the Equity Transfer Agreements are set out below:

A Equity Transfer Agreement

Date

July 19, 2018 (after trading hours)

Parties

- (1) Guangnian Investment as transferor; and
- (2) Linekong Online as transferee

Subject Matter

Pursuant to the A Equity Transfer Agreement, Guangnian Investment agreed to transfer and Linekong Online agreed to accept 13.39% equity interest held in Hainan Tianchen. Upon completion of the transfer, Guangnian Investment remains interested in 32.75% equity interest in Hainan Tianchen.

Consideration

Pursuant to the A Equity Transfer Agreement, Guangnian Investment agreed to transfer 13.39% equity interest in Hainan Tianchen to Linekong Online at no consideration. The original acquisition cost of the 13.39% equity interest in Hainan Tianchen by Guangnian Investment is approximately RMB435,300.

Completion

Completion took place immediately after the execution of the A Equity Transfer Agreement.

B Equity Transfer Agreement

Date

July 19, 2018 (after trading hours)

Parties

- (1) Minghe Investment as transferor; and
- (2) Linekong Online as transferee

Subject Matter

Pursuant to the B Equity Transfer Agreement, Minghe Investment agreed to transfer and Linekong Online agreed to accept 1.61% equity interest held in Hainan Tianchen. Upon completion of the transfer, Minghe Investment remains interested in 3.33% equity interest in Hainan Tianchen.

Consideration

Pursuant to the B Equity Transfer Agreement, Minghe Investment agreed to transfer 1.61% equity interest in Hainan Tianchen to Linekong Online at no consideration. The original acquisition cost of the 1.61% equity interest in Hainan Tianchen by Minghe Investment is approximately RMB97,900.

Completion

Completion took place immediately after the execution of the B Equity Transfer Agreement.

Upon completion of the transactions contemplated under the Equity Transfer Agreements, Linekong Online became a shareholder of Hainan Tianchen and is interested in a total of 15% equity interest in Hainan Tianchen.

SHAREHOLDERS' AGREEMENT

Hainan Tianchen, Mr. Wang Feng, Linekong Online, Guangnian Investment, Minghe Investment and the other 20 shareholders of Hainan Tianchen on July 19, 2018 further entered into the Shareholders' Agreement so as to regulate the ownership, management and operations of Hainan Tianchen upon completion of the transactions contemplated under the Equity Transfer Agreements.

Hainan Tianchen has different classes of shareholders, and Linekong Online is an ordinary shareholder, not being a restricted shareholder or preferred shareholder.

The major terms of the Shareholders' Agreement are as follows:

Share Transfer Restrictions

Transfer of equity interest in Hainan Tianchen by its certain restricted shareholders shall be subject to the restrictions as stipulated under the Shareholders' Agreement. Further, unless with the consent of Hainan Tianchen and its founding shareholder, any of the preferred shareholders of Hainan Tianchen shall not directly or indirectly transfer or sell its equity interest in Hainan Tianchen to its competitors.

Rights of First Refusal

If any of the restricted shareholders of Hainan Tianchen decides to transfer its equity interest to others, the preferred shareholders of Hainan Tianchen shall have the rights of first refusal to acquire such equity interest.

Tag Along Rights

If any of the restricted shareholders of Hainan Tianchen decides to transfer its equity interest to others and none of the preferred shareholders decides to acquire the equity interest by exercising the rights of first refusal, the preferred shareholders shall have the right to sell their equity interests on the same terms.

Pre-Emptive Rights

In the event that Hainan Tianchen issues new equity interest for subscription by new subscribers, the preferred shareholders of Hainan Tianchen shall have the pre-emptive rights to subscribe for new equity interest on the same terms in proportion to their shareholdings in Hainan Tianchen at the relevant time.

Drag Along Rights

If the founding shareholder of Hainan Tianchen and preferred shareholders holding a total of more than 50% of the preferred equity interest in Hainan Tianchen decide to sell to a third party all of their equity interests in Hainan Tianchen or its tangible assets or business and the selling price is RMB2 billion or higher, all the other shareholders of Hainan Tianchen shall be obliged to sell their equity interests in proportion to their shareholdings in Hainan Tianchen at the relevant time to the third party on the same terms.

Buy-back by Hainan Tianchen

In the event that (1) the control of Hainan Tianchen is changed; (2) Hainan Tianchen or its founding shareholder is in material breach of the Shareholders' Agreement, the articles of association of Hainan Tianchen or other relevant agreements and such breach results in material adverse effect on Hainan Tianchen; or (3) any existing shareholders of Hainan Tianchen request, the preferred shareholders of Hainan Tianchen shall have the right to request Hainan Tianchen to buy-back their equity interests in Hainan Tianchen.

Board Composition

The board of directors of Hainan Tianchen shall comprise five directors, three of whom shall be nominated by Mr. Wang Feng and the remaining two shall be nominated by another two shareholders specified in the Shareholders' Agreement separately. Each director shall be entitled to one vote at the board meeting.

Supervisor

One supervisor shall be nominated by the founding shareholder and be subsequently appointed by shareholder's meeting.

INFORMATION OF HAINAN TIANCHEN

Hainan Tianchen was a company established in the PRC with limited liability on January 30, 2018 and Mr. Wang Feng, an executive Director, is the founder. Hainan Tianchen is principally engaged in the online blockchain media platform business in the PRC and it operates online platforms such as Huoxing Finance, Huoxing Base and Huoxing Community.

Set out below is the unaudited financial information of Hainan Tianchen for the six months ended June 30, 2018 prepared in accordance with the PRC accounting standards for business enterprises:

	For the six months ended June 30, 2018 (unaudited) <i>RMB</i>
Revenue	2,509,000
Loss before taxation	5,880,000
Loss after taxation	5,880,000

According to the unaudited consolidated financial statements of Hainan Tianchen prepared in accordance with the PRC accounting standards for business enterprises, the unaudited consolidated net asset value of the Hainan Tianchen as at June 30, 2018 was approximately RMB56,045,000.

FINANCIAL IMPACT OF THE TRANSACTIONS

Following the completion of the transfers contemplated under the Equity Transfer Agreements, Hainan Tianchen will not become a subsidiary of the Company and its financial results and state of affairs will not be consolidated into the financial statements of the Company.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Board is of the view that the blockchain industry is a rising industry across the globe, while the transfers contemplated under the Equity Transfer Agreements will allow the Group to participate in the blockchain business with controlled risks as the Group is only interested in 15% equity interest in Hainan Tianchen. The Board expects that the Group can leverage on this opportunity to quickly enter into the blockchain market, gain knowledge and experience in the operation of such market and broaden the revenue stream.

Mr. Wang Feng and Ms. Liao Mingxiang, both as executive Directors of the Company, are deemed to have a material interest in these transactions and have abstained from voting on the resolutions in relation to the transactions under the Equity Transfer Agreements and the Shareholders' Agreement at the meeting of the Board. Save as disclosed above, none of other Directors has any material interest in these transactions and is required to abstain from voting on the relevant resolutions at the meeting of the Board.

The Board (including the independent non-executive Directors) is of the view that the terms of the Equity Transfer Agreements and the transactions thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the shareholders as a whole.

INFORMATION ABOUT THE PARTIES

The Company and its subsidiaries are principally engaged in the development and distribution of online games and mobile games.

Linekong Online, a PRC operating entity of the Group, is principally engaged in the development and operation of self-developed mobile games as well as the distribution of licensed games on behalf of cooperative game developers.

Guangnian Investment is a limited partnership established in the PRC and is principally engaged in investment holding. Guangnian Investment is owned as to 99% by Mr. Wang Feng, an executive Director.

Minghe Investment is a limited partnership established in the PRC and is principally engaged in investment holding. Minghe Investment is owned as to 99% by Ms. Liao Mingxiang, an executive Director.

Except for Linekong Online, Guangnian Investment and Minghe Investment, all the other 20 shareholders of Hainan Tianchen and their ultimate beneficial owners (in the case of corporate shareholders) are third parties independent of the Company and its connected person(s). The other 20 shareholders are primarily financial investors and employees of Hainan Tianchen.

GEM LISTING RULES IMPLICATIONS

According to the GEM Listing Rules, Guangnian Investment and Minghe Investment are each an associate of Mr. Wang Feng and Ms. Liao Mingxiang, respectively, both of whom are executive Directors of the Company. Each of Guangnian Investment and Minghe Investment is therefore a connected person of the Company. Therefore, the transactions contemplated under the A Equity Transfer Agreement and the B Equity Transfer Agreement constitute connected transactions for the Company under the GEM Listing Rules.

With respect to the A Equity Transfer Agreement, as some of the applicable percentage ratios as set out in Rule 19.07 of the GEM Listing Rules exceed 0.1% but are less than 5%, the transaction contemplated thereunder is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Rule 20.74(2) of the GEM Listing Rules. With respect to the B Equity Transfer Agreement, as all the applicable percentage ratios as set out in Rule 19.07 of the GEM Listing Rules are less than 5% and the total consideration is less than HK\$3,000,000, the transaction contemplated thereunder is fully exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 20.74(1) of the GEM Listing Rules. In order to allow the Shareholders to be informed of the full picture of the transfer of equity interest in Hainan Tianchen to Linekong Online, the Company voluntarily discloses the information in relation to the B Equity Transfer Agreement and the transaction contemplated thereunder to its Shareholders.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expression shall have the following meanings:

“A Equity Transfer Agreement”	an equity transfer agreement dated July 19, 2018 entered into between Guangnian Investment as transferor and Linekong Online as transferee in respect of the transfer of 13.39% equity interest in Hainan Tianchen
“B Equity Transfer Agreement”	an equity transfer agreement dated July 19, 2018 entered into between Minghe Investment as transferor and Linekong Online as transferee in respect of the transfer of 1.61% equity interest in Hainan Tianchen
“Board”	the board of Directors of the Company
“Company”	Linekong Interactive Group Co., Ltd. (藍港互動集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on May 24, 2007 and formerly known as Linekong International Co., Ltd. (藍港互動有限公司)
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Directors”	director(s) of the Company
“Equity Transfer Agreements”	collectively, A Equity Transfer Agreement and B Equity Transfer Agreement
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited
“Group”	the Company and its subsidiaries from time to time
“Guangnian Investment”	Gongqingcheng Guangnian Investment Management Partnership (Limited Partnership)* (共青城光年投資管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC and as at the date of this announcement, is owned as to 99% by Mr. Wang Feng, an executive Director
“Hainan Tianchen”	Hainan Tianchen Network Technology Co., Ltd.* (海南天辰網絡科技有限公司), a company established with limited liability in the PRC on January 30, 2018 and as at the date of this announcement, is owned as to 46.14%, 4.94% and 48.92% by Guangnian Investment, Minghe Investment and 20 other shareholders, respectively

“Independent Third Party(ies)”	third party who is independent of the Company and connected persons of the Company and their respective associates
“Linekong Online”	Linekong Online (Beijing) Technology Co., Ltd. (藍港在線(北京)科技有限公司), a company established with limited liability in the PRC and a wholly-owned subsidiary of the Company
“Minghe Investment”	Gongqingcheng Minghe Investment Management Partnership (Limited Partnership)* (共青城明禾投資管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC and as at the date of this announcement, is owned as to 99% by Ms. Liao Mingxiang, an executive Director
“PRC”	the People’s Republic of China which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Shareholders’ Agreement”	a shareholders’ agreement dated July 19, 2018 entered into among Hainan Tianchen, Mr. Wang Feng, Guangnian Investment, Minghe Investment, Linekong Online and the other 20 shareholders of Hainan Tianchen with respect to the ownership, management and operations of Hainan Tianchen
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

The PRC, July 19, 2018

As at the date of this announcement, the executive Directors are Mr. WANG Feng, Ms. LIAO Mingxiang, Mr. CHEN Hao and Mr. WANG Jin (also known as Yan Yusong); the non-executive Director is Mr. PAN Donghui; and the independent non-executive Directors are Ms. ZHAO Yifang, Mr. ZHANG Xiangdong and Ms. WU Yueqin.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the Stock Exchange’s website at www.hkgem.com for at least 7 days from the date of its posting and be posted on the website of the Company at www.linekong.com.