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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)

DISCLOSEABLE TRANSACTION DISPOSAL OF EQUITY INTEREST IN BEIJING SHENGZHI

THE DISPOSAL

On November 3, 2021, the Vendor, the Purchasers, the Target Company and the Existing Shareholders entered into the Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchasers have conditionally agreed to purchase an aggregate of 1.7308% equity interest in the Target Company at an aggregate Consideration of RMB11,754,624 (equivalent to approximately HK\$14,105,549) in accordance with the terms and conditions of the Equity Transfer Agreement.

GEM LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under the GEM Listing Rules and is subject to notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

BACKGROUND

On November 3, 2021, the Vendor, the Purchasers, the Target Company and the Existing Shareholders entered into the Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchasers have conditionally agreed to purchase an aggregate of 1.7308% equity interest in the Target Company at an aggregate Consideration of RMB11,754,624 (equivalent to approximately HK\$14,105,549) in accordance with the terms and conditions of the Equity Transfer Agreement.

EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are as follows:

Date: November 3, 2021 (after trading hours)

Parties

- (i) the Vendor;
- (ii) the Purchasers;
- (iii) the Target Company; and
- (iv) the Existing Shareholders.

Assets subject to the sale and purchase

The Vendor has conditionally agreed to sell and Purchaser A, Purchaser B and Purchaser C have conditionally agreed to purchase approximately 0.7308%, 0.6000% and 0.4000% equity interest in the Target Company, respectively. Upon Completion, Purchaser A, Purchaser B and Purchaser C will hold approximately 2.9843%, 1.6000% and 1.4000% equity interest in the Target Company, respectively.

Consideration

The aggregate Consideration is RMB11,754,624 (equivalent to approximately HK\$14,105,549) which shall be paid in cash by each of the Purchasers to the Vendor on the date of Completion. The Consideration payable by each of Purchaser A, Purchaser B and Purchaser C shall be RMB4,963,184, RMB4,074,864 and RMB2,716,576, respectively,

The Consideration was arrived at after arm's length negotiations between the Purchasers and the Vendor, with reference to the financial position of the Target Group and the prevailing market price of similar companies and the reasons and benefits of the Disposal as disclosed in this announcement.

The Directors consider the Consideration is fair and reasonable and on normal commercial terms and that the entering into of the Equity Transfer Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Unless waived by the Purchasers, Completion of the Equity Transfer Agreement is conditional upon the satisfaction of the following conditions precedent:

- (i) all agreements and legal documents such as the Equity Transfer Agreement and the shareholders' agreement which are necessary for the Disposal (collectively, the "**Transaction Documents**") and all the necessary application documents for the filings with the Administration for Market Regulation in relation to the changes brought by the Disposal having been signed by the necessary parties;
- (ii) the representations, declarations and warranties given by the Vendor, the Target Company and the Existing Shareholders are true, accurate and complete and such parties having performed their obligations prior to the Completion as stipulated under the Equity Transfer Agreement and the shareholders' agreement (for the Target Company and the Existing Shareholders only), and there having no material violation of any matters as agreed under the Equity Transfer Agreement by such parties;
- (iii) the Vendor having obtained all the necessary internal approvals, governmental approvals and third party approvals for the signing, delivery and performance of the Equity Transfer Agreement and other Transaction Documents, and the important commercial requirements under the Equity Transfer Agreement having not been materially altered by such approvals;
- (iv) other shareholders of the Target Company having given up their respective pre-emptive rights (if any) in writing in relation to the Disposal and the Purchasers having received the relevant shareholders' resolutions;
- (v) the operation of the Target Group remaining consistent with the past and the same in all aspects and there having not been any material adverse effects or changes to certain aspects such as business, operation, management team, assets and financial positions;
- (vi) there having not been any court or prohibition order prohibiting or restricting any parties to complete the Equity Transfer Agreement or other Transaction Documents; there having not been any laws, judgments, rulings or orders of courts or governmental departments prohibiting, restricting or cancelling the matters as agreed under the Equity Transfer Agreement; and there having not been any judgments, rulings, orders or claims by courts which have or will have material adverse effect to the Target Company or the Disposal;
- (vii) the Purchasers having obtained all the necessary internal approvals for the Disposal;

- (viii) the Target Company having obtained the written approvals from the Bank of Hangzhou Co., Ltd. Beijing Zhongguancun sub-branch* (杭州銀行股份有限公司北京中關村支行) and the Bank of Communications Co., Ltd. Beijing Wukesong sub-branch* (交通銀行股份有限公司北京五棵松支行) (inapplicable if the Target Company has no outstanding loan with such banks); and
- (ix) the Vendor, the Target Company and the Existing Shareholders having provided each Purchaser with a confirmation confirming the satisfaction of all the conditions precedent (except for those to be satisfied by the Purchasers).

Completion

Completion shall take place on the 10th business day following the satisfaction and/or waiver of the conditions precedent above.

If Completion does not take place within the 30 business days following the date of the Equity Transfer Agreement or before a later day to be agreed among the parties, the Equity Transfer Agreement can be terminated by Purchaser A.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company established under the law of the PRC and is principally engaged in innovative acoustic technology and artificial intelligent interaction technology business. The Vendor acquired the equity interest in the Target Company in September 2017.

The shareholding structure of the Target Company as at the date of this announcement is as follows:

Shareholder	Percentage of shareholding (%)
The Vendor	1.7308
Purchaser A	2.2535
Purchaser B	1.0000
Purchaser C	1.0000
The Existing Shareholders	34.4628
Other Independent Third Party shareholders	59.5529
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The following is a summary of the unaudited financial information of the Target Group:

	Year ended	
	December 31,	
	2019	2020
	(unaudited)	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Net loss before taxation	(56,272)	(50,896)
Net loss after taxation	(56,272)	(50,896)

As at June 30, 2021, the unaudited consolidated net assets of the Target Group were approximately RMB112 million (equivalent to approximately HK\$135 million).

FINANCIAL IMPACT OF THE DISPOSAL AND PROPOSED USE OF PROCEEDS

Upon Completion, the Group will cease to have any shareholdings in the Target Company and the assets, liabilities and financial results of the Target Company will remain unconsolidated into the financial statements of the Company.

Based on the difference between the transaction considerations and the carrying amount of the transferred subjects currently estimated, the Company is expected to record an estimated gain before tax of approximately RMB4.4 million (equivalent to approximately HK\$5.3 million) in respect of the equity transfer under the Equity Transfer Agreement subject to the annual audited results audited by the accounting firm. The Directors do not anticipate that the Completion of the Disposal will have a significant effect on the business and performance of the Group.

The proceeds from the transactions are intended to be used as the general working capital of the Group.

INFORMATION ON THE PARTIES TO THE EQUITY TRANSFER AGREEMENT

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.

Purchaser A is a limited partnership established in the PRC and is principally engaged in private equity investment. Purchaser A is directly owned as to approximately 29.70% by Su Xiaoming* (蘇曉明), approximately 29.70% by Xizang Gongbujiangda County Jiusheng Investment Co., Ltd.* (西藏工布江達縣九盛投資有限責任公司), approximately 19.80% by Kang Chen* (康晨) and approximately 20.80% by two other natural person shareholders and a limited liability partnership, amongst which, no individual natural person shareholder or entity owns over 10.00% equity interest in Purchaser A. Xizang Gongbujiangda County Jiusheng Investment Co., Ltd.* (西藏工布江達縣九盛投資有限責任公司) is a direct wholly-owned subsidiary of Joeone Co., Ltd.* (九牧王股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code 601566).

Each of Purchaser B and the Existing Shareholders is an individual natural person. As of the date of this announcement, the Existing Shareholders, Mr. Chen Xiaoliang (陳孝良), Mr. Su Shaowei (蘇少煒), Mr. Feng Dahang (馮大航) and Ms. Chang Le (常樂) hold approximately 26.8610%, 4.0559%, 2.5339% and 1.0120% equity interest in the Target Company, respectively.

Purchaser C is a limited liability company established in the PRC and is principally engaged in investment holding. Purchaser C is directly owned as to approximately 74.47% by Feng Qiya* (馮琪雅), 10.00% by Wang Liuxiang* (王劉香), approximately 5.33% by Xiong Meihua* (熊美華) and approximately 10.20% by 16 other natural person shareholders, amongst which, no individual natural person shareholder owns over 2.00% equity interest in Purchaser C.

To the best knowledge of the Directors, having made reasonable enquiry, each of the Target Company, the Purchasers and the Existing Shareholders and their respective ultimate beneficial owners are independent of and not connected with the Company and its connected persons.

REASONS AND BENEFITS OF THE DISPOSAL

The Directors are of the view that the Disposal offers a good opportunity for the Group to realise its investment in the Target Company at a profit, generate additional cash flow and facilitate capital allocation as the net proceeds from the Disposal will be allocated and managed as capital of the Group, thus the Group's financial resources can be utilised better. It is expected that the Disposal shall not affect the daily operation of the Group.

In view of the above, the Directors consider that the terms of the Equity Transfer Agreement are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATION

As one of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under the GEM Listing Rules and is subject to notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

AS COMPLETION IS SUBJECT TO THE CONDITIONS PRECEDENT SET OUT IN THE EQUITY TRANSFER AGREEMENT, THE DISPOSAL MAY OR MAY NOT PROCEED. SHAREHOLDERS AND INVESTORS SHOULD EXERCISE CAUTION WHEN DEALING IN SECURITIES OF THE COMPANY.

DEFINITIONS

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

“Beijing Shengzhi” or “Target Company”	Beijing Shengzhi Technology Co., Ltd.* (北京聲智科技有限公司), a company established with limited liability in the PRC
“Board”	the board of Directors
“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 24 May 2007 and formerly known as Linekong International Co., Ltd. (藍港互動有限公司)
“Completion”	the completion of the Disposal
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	the consideration of the Disposal amounted to RMB11,754,624 (equivalent to approximately HK\$14,105,549)
“Directors”	director(s) of the Company
“Disposal”	the disposal of 1.7308% equity interest in the Target Company by the Vendor to the Purchasers pursuant to the Equity Transfer Agreement

“Equity Transfer Agreement”	an equity transfer agreement dated November 3, 2021 entered into among, the Vendor, the Purchasers, the Target Company and the Existing Shareholders in respect of the transfer of 1.7308% equity interest in the Target Company
“Existing Shareholders”	collectively, four of the existing shareholders of the Target Company who are parties to the Equity Transfer Agreement, including Mr. Chen Xiaoliang (陳孝良), Mr. Su Shaowei (蘇少煒), Mr. Feng Dahang (馮大航) and Ms. Chang Le (常樂)
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) or company(ies) who/which is (are) independent of the Company and its connected persons
“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
“Purchaser A”	Suzhou Muhua Equity Investment Partners Corporation (Limited Partnership)* (蘇州慕華股權投資合夥企業 (有限合夥)), a limited partnership established and registered under the laws of the PRC
“Purchaser B”	Mr. Meng Qingchun (孟慶春)
“Purchaser C”	Beijing Qisen Group Co., Ltd.* (北京棋森集團股份有限公司), a company established with limited liability in the PRC
“Purchasers”	collectively, Purchaser A, Purchaser B and Purchaser C

“PRC”	the People’s Republic of China which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Group”	collectively, the Target Company and its subsidiaries
“Vendor”	Linekong Online
“%”	per cent.

In this announcement, the amounts denominated in RMB have been translated into Hong Kong dollars at the assumed exchange rate of RMB1.00 = HK\$1.20 for reference only.

* *For identification purpose only*

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

Beijing, PRC, November 3, 2021

As at the date of this announcement, the executive Directors of the Company are Mr. WANG Feng, Ms. LIAO Mingxiang, Mr. CHEN Hao and Mr. WANG Jin (also known as YAN Yusong); the non-executive Director of the Company is Mr. JI Xuefeng; and the independent non-executive Directors of the Company are Mr. ZHANG Xiangdong, Ms. WU Yueqin and Mr. KONG Yi.

*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.