



LINEKONG

2016 INTERIM REPORT

藍港互動集團有限公司

Linekong Interactive Group Co.,Ltd.

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8267

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Corporate Information

Board of Directors

Executive Directors

Mr. Wang Feng (*Chairman and chief executive officer*)

Ms. Liao Mingxiang (*President*)

Mr. Mei Song

Mr. Zhao Jun

Non-executive Director

Mr. Qian Zhonghua

Independent Non-executive Directors

Mr. Ma Ji

Mr. Wang Xiaodong

Mr. Zhang Xiangdong

Ms. Zhao Yifang

Board Committees

Audit Committee

Mr. Ma Ji (*Chairman*)

Mr. Qian Zhonghua

Mr. Wang Xiaodong

Mr. Zhang Xiangdong

Ms. Zhao Yifang

Remuneration Committee

Mr. Zhang Xiangdong (*Chairman*)

Mr. Wang Feng

Ms. Liao Mingxiang

Mr. Ma Ji

Mr. Wang Xiaodong

Mr. Zhao Jun

Ms. Zhao Yifang

Nomination Committee

Mr. Wang Feng (*Chairman*)

Ms. Liao Mingxiang

Mr. Ma Ji

Mr. Mei Song

Mr. Qian Zhonghua

Mr. Wang Xiaodong

Mr. Zhang Xiangdong

Ms. Zhao Yifang

Company Secretary

Ms. Leung Wing Han Sharon (*FCS, FCIS*)

Authorised Representatives

Mr. Wang Feng

Ms. Liao Mingxiang

Compliance Officer

Ms. Liao Mingxiang



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PRC

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28 Queen's Road East
Wanchai
Hong Kong

Auditors

PricewaterhouseCoopers
22/F, Prince's Building
Central
Hong Kong

Legal Advisors as to Hong Kong Laws

King & Wood Mallesons
13/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

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Cayman Islands

Hong Kong Share Registrar

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Services Limited
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Wanchai
Hong Kong



Principal Banks

Pingan Bank Co., Ltd.,
Offshore Banking Department
CITIC Bank, Beijing,
Wangjing Sub-branch
China Merchants Bank,
Beijing Datun Road Sub-branch
Industrial and Commercial Bank of
China, Tianjin Xiyuan Sub-branch

Compliance Advisor

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Hong Kong

GEM Stock Code

8267

Company Website

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Highlights

	For the six months ended June 30,	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	330,025	300,950
(Loss)/profit for the period	(50,555)	9,826
Adjusted net (loss)/profit	(33,892)	51,704

- Adjusted net (loss)/profit refers to the (loss)/profit for the period which excludes share-based compensation expenses. This item is deemed as a useful compensation as stated in the interim condensed consolidated statement of (loss)/profit, which reflects the profitability and operating performance of the Company and its subsidiaries (collectively, the “**Group**”) for the financial period indicated.
 - 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.



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



Business objectives**Progress up to June 30, 2016**

Technology upgrade	<ul style="list-style-type: none"> Investing in our technology platform, including developing and improving our game development tools Potential purchase of commercialized game engines developed by third parties 	<ol style="list-style-type: none"> We have completed development of our software tools package 5.0 We commenced the self development of “OrcaUI” in May 2016
Overseas expansion	<ul style="list-style-type: none"> Overseas expansions, expanding our business in overseas markets 	<ol style="list-style-type: none"> The Korean version of <i>The War of Shushan</i> (蜀山戰紀韓語版) and a licensed game <i>Thunder Armada</i> (雷霆艦隊) were successfully launched by our Korean subsidiary in the first half of 2016 We cooperated with Fox Digital Entertainment (美國福斯數字娛樂) to develop a mobile game <i>Independent Day: Extinction</i> (獨立日：捲土重來), which was launched to global players in June 2016.
Working capital	<ul style="list-style-type: none"> Providing funding for our working capital and other general corporate purposes 	<ol style="list-style-type: none"> No net proceeds from our Listing has been utilized for working capital during the first half of 2016
Creating pan-entertainment environment	<ul style="list-style-type: none"> Developing, producing and investing in film and TV drama Purchasing popular intellectual properties for multi-entertainment product adaption 	<ol style="list-style-type: none"> We have obtained the exclusive adaptation rights of <i>Snow Girl</i> (雪姬), a popular comics written by Kang Gyeongok (姜京玉) and plans to produce web drama and feature movie based on <i>Snow Girl</i> Linekong Pictures will shoot a TV series under the name of <i>Sword of Heaven</i> (蒼穹之劍) and will launch a feature movie We will invest in film projects <i>Wished</i> (反轉人生), <i>Watch the Sky</i> (仰望星空) and <i>Angel Bedazzled</i> (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:

	2016		2015		Change
	approximate		approximate		approximate
	RMB'000	%	RMB'000	%	%
Revenue	330,025	100.0	300,950	100.0	9.7
Cost of revenue	(168,215)	(51.0)	(180,145)	(59.9)	(6.6)
Gross profit	161,810	49.0	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)
Operating (loss)/profit	(30,032)	(9.1)	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
(Loss)/profit before income tax	(37,714)	(11.4)	2,763	0.9	(1,465.0)
Income tax (expense)/credit	(12,841)	(3.9)	7,063	2.3	(281.8)
(Loss)/profit for the period	(50,555)	(15.3)	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	
	approximate		approximate	
	RMB'000	%	RMB'000	%
Mobile games	313,982	95.1	278,892	92.7
Web-based games	2,511	0.8	7,875	2.6
Client-based games	13,532	4.1	14,183	4.7
Total	330,025	100.0	300,950	100.0

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



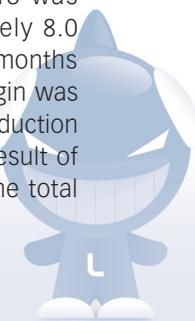
Cost of revenue

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

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 report 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 report 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 report, 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:

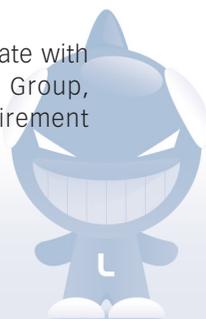
Function	As at June 30,			
	2016		2015	
	Number of Employees	% of total employees	Number of Employees	% of total employees
Research and development	376	59.3	341	55.7
Game publishing	153	24.1	185	30.2
— Game licensing	41	6.5	48	7.8
— Customer service	57	9.0	60	9.8
— Sales and marketing	55	8.6	77	12.6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

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 report.

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.

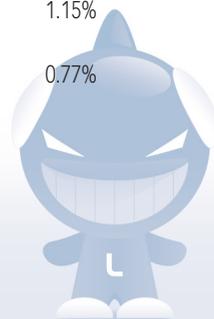


Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

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

Name of Director/ chief executive	Capacity/ Nature of interest	Total number of Shares	Approximate percentage of shareholding (Note 5)
Mr. Wang Feng ^(Note 1)	Interest of controlled corporation	66,576,160	20.93%
	Beneficial owner	10,646,308	
Ms. Liao Mingxiang ^(Note 2)	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 ^(Note 3)	Beneficial owner	4,226,154	1.15%
Mr. Zhao Jun ^(Note 4)	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:

Name of Subsidiary	Name of Shareholder	Registered Capital	Approximate % of Interest
Linekong Entertainment Technology Co., Ltd. (also known as Linekong Online (Beijing) Technology Co., Ltd.) (" Linekong Entertainment ")	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 <i>(Note 7)</i>
Wangfeng Management Limited <i>(Note 1)</i>	Beneficial owner	66,576,160	18.05%
Zhu Li <i>(Note 2)</i>	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%



Name of shareholder	Nature of interest	Number of Shares or securities held	Approximate percentage of interest in the Company <i>(Note 7)</i>
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 <i>(Note 3)</i>	Beneficial owner	52,318,760	14.18%
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%



Name of shareholder	Nature of interest	Number of Shares or securities held	Approximate percentage of interest in the Company <i>(Note 7)</i>
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 reporting period				Outstanding balance as at June 30, 2016	Number of new shares issued during the reporting period	Number of new shares which may be issued during the reporting period
							Granted	Exercised	Cancelled	Lapsed			
Employees	August 12, 2015	August 12, 2015 to August 11, 2025	1,849,192 ^(a)	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 ^(a)	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 ^(a)	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	Maximum Cumulative Percentage of Share Options Vested
i. 10 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. 16 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. 22 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. 28 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. 34 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. 40 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. 46 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 HKD8.10 per Share.

As of the date of this report, 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:

Vesting Dates	Maximum Cumulative Percentage of Share Options Vested
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:

Vesting Dates	Maximum Cumulative Percentage of Share Options Vested
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 HKD4.18 per share.

As of the date of this report, 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. For further details of the movement of the RSUs, please refer to note 19 of the interim condensed consolidated financial information of the Group.

Events during the Reporting 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 report, 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.



Report On Review Of Interim Financial Information



羅兵咸永道

To the Board of Directors of Linekong Interactive Group Co., Ltd.
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 52 to 106, which comprises the interim condensed consolidated balance sheet of Linekong Interactive Group Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) as of June 30, 2016 and the related interim condensed consolidated statements of comprehensive (loss)/income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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PricewaterhouseCoopers, 22/F, Prince’s Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com



Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

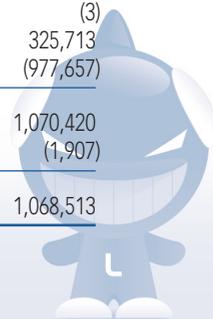
Certified Public Accountants

Hong Kong, August 12, 2016



Interim Condensed Consolidated Balance Sheet

	Note	As of June 30, 2016 RMB'000 (Unaudited)	As of December 31, 2015 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	6	14,049	14,468
Intangible assets	7	46,523	29,343
Films in progress	8	4,600	–
An investment using equity accounting An associate measured at fair value through profit or loss	9 10	170,818 16,842	180,183 –
Available-for-sale financial assets	11	85,871	44,370
Financial assets at fair value through profit or loss	12	14,433	41,409
Deferred income tax assets — net	13	3,446	7,490
Prepayments and other receivables	15	10,346	20,465
		366,928	337,728
Current assets			
Trade receivables	14	64,822	45,079
Prepayments and other receivables	15	96,678	89,675
Financial assets at fair value through profit or loss	12	20,937	19,543
Cash and cash equivalents	16	729,060	794,461
		911,497	948,758
Total assets		1,278,425	1,286,486
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	17	59	59
Share premium	17	1,722,308	1,722,308
Shares held for RSU Scheme	17	(3)	(3)
Reserves	18	354,218	325,713
Accumulated losses		(1,028,211)	(977,657)
		1,048,371	1,070,420
Non-controlling interests		(1,908)	(1,907)
Total equity		1,046,463	1,068,513



Interim Condensed Consolidated Balance Sheet (Continued)

	Note	As of June 30, 2016 RMB'000 (Unaudited)	As of December 31, 2015 RMB'000 (Audited)
Liabilities			
Non-current liabilities			
Deferred revenue	21	5,683	3,267
		<u>5,683</u>	<u>3,267</u>
Current liabilities			
Trade and other payables	20	135,296	107,472
Current income tax liabilities		10,505	3,885
Deferred revenue	21	80,478	103,349
		<u>226,279</u>	<u>214,706</u>
Total liabilities		<u>231,962</u>	<u>217,973</u>
Total equity and liabilities		<u>1,278,425</u>	<u>1,286,486</u>

The notes on pages 60 to 106 are integral parts of these interim financial information.

The interim condensed consolidated financial information on pages 52 to 106 was approved by the Board of Directors on August 12, 2016 and was signed on its behalf.

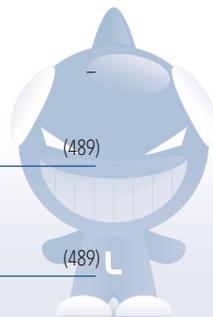
Wang Feng
Director

Liao Mingxiang
Director



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	163,108	187,575	330,025	300,950
Cost of revenue	22	(83,978)	(117,816)	(168,215)	(180,145)
Gross profit		79,130	69,759	161,810	120,805
Selling and marketing expenses	22	(45,008)	(51,661)	(98,922)	(117,103)
Administrative expenses	22	(27,812)	(14,205)	(48,358)	(37,099)
Research and development expenses	22	(35,436)	(22,495)	(70,596)	(54,768)
Other gains — net	23	4,283	80,837	26,034	89,638
Operating (loss)/profit		(24,843)	62,235	(30,032)	1,473
Finance (costs)/income — net	24	(399)	1,838	3,322	1,964
Share of loss of an investment using equity accounting	9	(6,326)	(674)	(11,004)	(674)
(Loss)/profit before income tax		(31,568)	63,399	(37,714)	2,763
Income tax (expense)/credit	25	(11,715)	2,085	(12,841)	7,063
(Loss)/profit for the period		(43,283)	65,484	(50,555)	9,826
Other comprehensive income/ (loss)					
Items that may be subsequently reclassified to profit or loss:					
— Changes in fair value of available-for-sale financial assets, net of tax		(1,839)	—	(1,034)	—
— Less: reclassification of changes in fair value of available-for-sale financial assets to profit or loss upon disposal, net of tax		(248)	—	(414)	—
— Share of other comprehensive income of an investment using equity method, net of tax		1,276	—	862	—
Items that will not be reclassified to profit or loss:					
— Currency translation differences		18,159	(3,557)	12,428	(489)
Other comprehensive income/ (loss) for the period, net of tax		17,348	(3,557)	11,842	(489)



Interim Condensed Consolidated Statement of Comprehensive (Loss)/Income (Continued)

	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)
Total comprehensive (loss)/ income for the period		(25,935)	61,927	(38,713)	9,337
(Loss)/income attributable to:					
Owners of the Company		(43,282)	65,485	(50,554)	9,828
Non-controlling interests		(1)	(1)	(1)	(2)
(Loss)/income for the period		(43,283)	65,484	(50,555)	9,826
Total comprehensive (loss)/ income attributable to:					
Owners of the Company		(25,934)	61,928	(38,712)	9,339
Non-controlling interests		(1)	(1)	(1)	(2)
Total comprehensive (loss)/ income for the period		(25,935)	61,927	(38,713)	9,337
(Loss)/earnings per share (expressed in RMB per share)					
— Basic	26(a)	(0.12)	0.19	(0.15)	0.03
— Diluted	26(b)	(0.12)	0.18	(0.15)	0.03

The notes on pages 60 to 106 are integral parts of these interim financial information.



Interim Condensed Consolidated Statement of Changes In Equity

(Unaudited)	Note	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	
Balance at January 1, 2016		59	1,722,308	(3)	325,713	(977,657)	1,070,420	(1,907)	1,068,513
Comprehensive loss									
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
Total comprehensive loss for the period		-	-	-	11,842	(50,554)	(38,712)	(1)	(38,713)
Total contributions by and distributions to owners of the Company recognised directly in equity									
Employee share option and RSU Scheme:									
— Value of employee services	19	-	-	-	16,663	-	16,663	-	16,663
Total contributions by and distributions to owners of the Company for the period		-	-	-	16,663	-	16,663	-	16,663
Balance at June 30, 2016		59	1,722,308	(3)	354,218	(1,028,211)	1,048,371	(1,908)	1,046,463



Interim Condensed Consolidated Statement Of Changes In Equity (Continued)

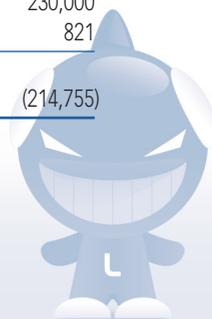
(Unaudited)	Note	Attributable to owners of the Company						Non-controlling interests	Total equity
		Share capital	Share premium	Shares held for RSU Scheme	Reserves	Accumulated losses	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2015		59	1,726,828	(6)	206,182	(925,746)	1,007,317	(21)	1,007,296
Comprehensive (loss)/income									
Profit for the period		-	-	-	-	9,828	9,828	(2)	9,826
Other comprehensive loss									
— Currency translation differences		-	-	-	(489)	-	(489)	-	(489)
Total comprehensive (loss)/income for the period		-	-	-	(489)	9,828	9,339	(2)	9,337
Total contributions by and distributions to owners of the Company recognised directly in equity									
RSU Scheme:									
— Value of employee services	19	-	-	-	41,878	-	41,878	-	41,878
— Vesting of shares		-	(2)	2	-	-	-	-	-
Total contributions by and distributions to owners of the Company		-	(2)	2	41,878	-	41,878	-	41,878
Balance at June 30, 2015		59	1,726,826	(4)	247,571	(915,918)	1,058,534	(23)	1,058,511

The notes on pages 60 to 106 are integral parts of these interim financial information.



Interim Condensed Consolidated Statements of Cash Flows

	Note	Six months ended June 30,	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash used in operations		(45,629)	(48,033)
Income tax paid		(2,771)	(1,109)
Net cash used in operating activities		(48,400)	(49,142)
Cash flows from investing activities			
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	11	(133,400)	(72,464)
Proceeds from disposal of available-for-sale financial assets	11	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	12	(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
Net cash used in investing activities		(28,254)	(214,755)



Interim Condensed Consolidated Statements of Cash Flows (Continued)

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

The notes on pages 60 to 106 are integral parts of these interim financial information



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

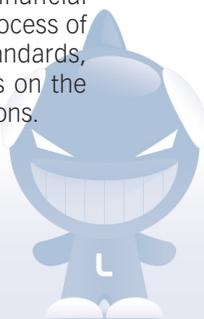
3.1 Summary of significant accounting policies

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. Summary of significant accounting policies and critical accounting estimates and judgments (Continued)

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. Financial risk management

4.1 Financial risk factors

The Group is subject to a variety of financial risks: foreign exchange risk, credit risk, concentration risk and others.

(a) 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 recognised assets in the Group's PRC subsidiaries when receiving or to receive foreign currencies from oversea cooperated counterparties. The Group does not hedge against any fluctuation in foreign currency.



4. Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(b) Credit risk

The Group's exposure to credit risk mainly comes from trade receivables and other receivables.

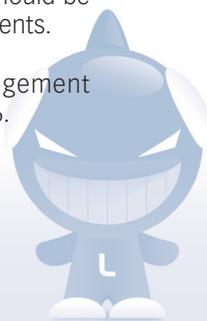
For trade receivables, a significant portion of trade receivables at the end of each reporting period was due from those game distribution channels in cooperation with the Group. If the strategic relationship with game distribution channels is terminated or scaled-back; or if the co-operative arrangements with the game distribution channels are altered; or if they experience financial difficulties in paying the Group, the Group's trade receivables might be adversely affected in terms of recoverability.

To manage this risk, the Group maintains frequent communications with the game distribution channels to ensure the effective credit control. In view of the history of cooperation with the game distribution channels and the sound collection history of receivables due from them, management believes that the credit risk inherent in the Group's outstanding trade receivable balances due from game distribution channels is low.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2015 Financial Statements.

There have been no changes in the risk management policies during the six months ended June 30, 2016.



4. Financial risk management (Continued)

4.2 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).



4. Financial risk management (Continued)

4.2 Fair value estimation (continued)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
(Unaudited)				
At June 30, 2016				
Assets				
An associate measured at fair value through profit or loss	-	-	16,842	16,842
Financial assets at fair value through profit or loss				
— Listed securities	20,937	-	-	20,937
— Unlisted securities	-	-	14,433	14,433
Available-for-sale financial assets	-	-	85,871	85,871
	20,937	-	117,146	138,083
(Audited)				
At December 31, 2015				
Assets				
Financial assets at fair value through profit or loss				
— Listed securities	19,543	-	-	19,543
— Unlisted securities	-	-	41,409	41,409
Available-for-sale financial assets	-	-	44,370	44,370
	19,543	-	85,779	105,322

The Group did not have any financial liabilities that were measured at fair value as of June 30, 2016 and December 31, 2015.

There were no transfers among level 1, 2 and 3 during the six months ended June 30, 2016.



4. Financial risk management (Continued)

4.2 Fair value estimation (Continued)

The fair value of financial instruments traded in active markets is determined based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required for evaluating the fair value of a financial instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- quoted market prices or dealer quotes for similar instruments;
- discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate;
- a combination of observable inputs and unobservable inputs, including discount rate, risk-free interest rate, expected volatility and market multiples.



4. Financial risk management (Continued)

4.2 Fair value estimation (Continued)

For those funds that are not traded on an active market, their fair value is determined using valuation techniques. The value is primarily based on the latest available financial/capital account statement of funds as reported by the general partner of the funds, unless the Group is aware of reasons that such a valuation may not be the best approximation of fair value. The Group may make adjustments to the value based on considerations such as: the underlying investments of each fund, the value date of the net asset value provided, cash flows since the latest value date, geographic and sector exposures, market movements and the basis of accounting of the underlying funds. The unobservable inputs which significantly impact the fair value are the net asset value advised by the fund's general partner.

There were no changes in valuation techniques used during the six months ended June 30, 2016.

For the fair value measurements categorised within level 3 of the fair value hierarchy, the significant assumptions and inputs utilised in the valuation using discounted cash flow method by the Company for during the six months ended June 30, 2016 were as follows:

Discount rate: 22% ~ 28 %
Terminal growth rate: 3 %
Discount for lack of marketability: 10 % ~ 25 %
Volatility: 47 % ~ 61 %

The changes in level 3 instruments during the six months ended June 30, 2016 and 2015 are presented in Notes 10, 11 and 12.



5. Revenue and segment information

	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)
Development and operations of online games:				
— Sales of in-game virtual items	155,610	181,593	312,535	285,540
— License fee and technical support fee	7,498	5,982	17,490	15,410
	163,108	187,575	330,025	300,950

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



5. Revenue and segment information (Continued)

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.

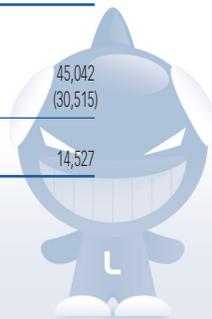
The Group has a large number of game players, no revenue from any individual game player exceeded 10 % or more of the Group's revenue for six months ended June 30, 2016 and 2015.

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.



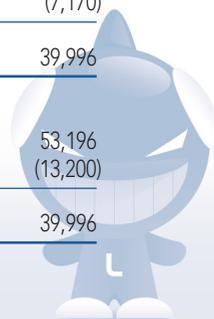
6. Property, plant and equipment

(Unaudited)	Furniture and office equipment RMB'000	Server and other equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
At January 1, 2016					
Cost	10,215	23,963	4,065	9,735	47,978
Accumulated depreciation	(5,676)	(20,972)	(1,574)	(5,288)	(33,510)
Net book amount	4,539	2,991	2,491	4,447	14,468
Six months ended June 30, 2016					
Opening net book amount	4,539	2,991	2,491	4,447	14,468
Additions	921	240	688	1,809	3,658
Depreciation	(1,226)	(670)	(356)	(1,818)	(4,070)
Disposals	-	-	(7)	-	(7)
Closing net book amount	4,234	2,561	2,816	4,438	14,049
At June 30, 2016					
Cost	11,136	24,203	4,057	11,049	50,445
Accumulated depreciation	(6,902)	(21,642)	(1,241)	(6,611)	(36,396)
Net book amount	4,234	2,561	2,816	4,438	14,049
At January 1, 2015					
Cost	7,434	22,556	3,654	5,069	38,713
Accumulated depreciation	(4,311)	(18,363)	(1,075)	(3,597)	(27,346)
Net book amount	3,123	4,193	2,579	1,472	11,367
Six months ended June 30, 2015					
Opening net book amount	3,123	4,193	2,579	1,472	11,367
Additions	1,945	916	670	2,798	6,329
Depreciation	(768)	(1,506)	(285)	(610)	(3,169)
Closing net book amount	4,300	3,603	2,964	3,660	14,527
At June 30, 2015					
Cost	9,379	23,472	4,324	7,867	45,042
Accumulated depreciation	(5,079)	(19,869)	(1,360)	(4,207)	(30,515)
Net book amount	4,300	3,603	2,964	3,660	14,527



7. Intangible assets

(Unaudited)	Trademarks and licenses RMB'000	Computer software RMB'000	Total RMB'000
At January 1, 2016			
Cost	46,296	3,130	49,426
Accumulated impairment	(2,515)	-	(2,515)
Accumulated amortisation	(15,289)	(2,279)	(17,568)
Net book amount	<u>28,492</u>	<u>851</u>	<u>29,343</u>
Six months ended June 30, 2016			
Opening net book amount	28,492	851	29,343
Additions	27,495	694	28,189
Amortisation	(7,657)	(358)	(8,015)
Disposals	(733)	-	(733)
Impairment	(2,261)	-	(2,261)
Closing net book amount	<u>45,336</u>	<u>1,187</u>	<u>46,523</u>
At June 30, 2016			
Cost	70,017	3,824	73,841
Accumulated impairment	(3,137)	-	(3,137)
Accumulated amortisation	(21,544)	(2,637)	(24,181)
Net book amount	<u>45,336</u>	<u>1,187</u>	<u>46,523</u>
At January 1, 2015			
Cost	42,240	2,737	44,977
Accumulated amortisation	(6,167)	(1,683)	(7,850)
Net book amount	<u>36,073</u>	<u>1,054</u>	<u>37,127</u>
Six months ended June 30, 2015			
Opening net book amount	36,073	1,054	37,127
Additions	15,843	376	16,219
Amortisation	(5,887)	(293)	(6,180)
Disposals	(7,170)	-	(7,170)
Closing net book amount	<u>38,859</u>	<u>1,137</u>	<u>39,996</u>
At June 30, 2015			
Cost	50,083	3,113	53,196
Accumulated amortisation	(11,224)	(1,976)	(13,200)
Net book amount	<u>38,859</u>	<u>1,137</u>	<u>39,996</u>



8. Films in progress

	Six months ended June 30,	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Beginning of the period	–	–
Addition of the period	4,600	–
End of the period	4,600	–

Films in progress are stated at cost less any provision for impairment losses. Cost includes all direct costs associated with the production of films. Cost of films is transferred to film rights upon completion.

9. An investment using equity accounting

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

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



9. An investment using equity accounting (Continued)

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.

10. An associate measured at fair value through profit or loss

	As of June 30, 2016 RMB'000 (Unaudited)	As of December 31, 2015 RMB'000 (Audited)
Unlisted fund	16,842	–

Name	Principal activities/ country of incorporation	% Interest held as of June 30, 2016	% Interest held as of December 31, 2015	Nature of the relationship
Suzhou Ji Ke Bang Undertaking Investment Partnership Enterprise (the "Jikebang Fund")	Investment holding as a private equity fund/PRC	24.87%	–	<i>Note</i>

Note:

On January 4, 2016, Linekong Entertainment Technology Co., Ltd. (also known as Linekong Online (Beijing) Technology Co., Ltd., "Linekong Entertainment") invested RMB15,000,000 in Jikebang Fund as a limited partner. The directors of the Company determined that the Group has significant influence on Jikebang Fund and this investment was classified as investment in an associate.

Jikebang Fund is not traded on an active market, its fair value is determined using valuation techniques as disclosed in Note 4.2. The fair value is within level 3 of the fair value hierarchy.

Changes in fair value of an associate measured at fair value through profit or loss are recorded in "other gains — net" in the income statement (Note 23).



11. Available-for-sale financial assets

	As of June 30, 2016 RMB'000 (Unaudited)	As of December 31, 2015 RMB'000 (Audited)
Included in non-current assets		
Unlisted equity investments (Note (a))	85,871	44,370

Note:

- (a) Unlisted equity investments represent equity investments held by the Group in several private companies or equity funds in PRC. The equity interest held by the Group is less than 10% for each entity and the Group does not have control nor significant influence over the operating and financial decisions of each of these entities respectively. Therefore, the Group classified its investment in each of these entities as an available-for-sale financial asset.

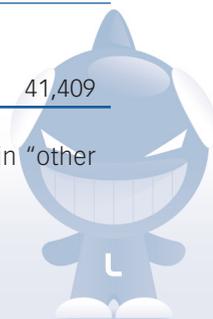
All these invested entities are private entities, and there are no quoted market prices available for their shares. The Group has determined the fair value of these financial assets based on estimated future cash flows method as disclosed in Note 4.2. The fair value are within level 3 of the fair value hierarchy.

Gains or losses arising from the changes in fair value of available-for-sale financial assets are recognised as other comprehensive income/(loss).

12. Financial assets at fair value through profit or loss

	As of June 30, 2016 RMB'000 (Unaudited)	As of December 31, 2015 RMB'000 (Audited)
Included in current assets		
Listed securities- Hong Kong (Note (a))	20,937	19,543
Included in non-current assets		
Unlisted securities (Note (b))	14,433	41,409

Changes in fair value through profit or loss are recorded in "other gains — net" in the income statement (Note 23).



12. Financial assets at fair value through profit or loss (Continued)

Note:

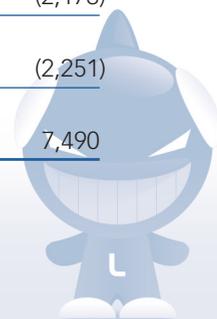
- (a) The fair value of all listed equity securities is based on their current bid price in an active market.
- (b) The unlisted securities represent shares held by the Group in certain entities, which are redeemable upon occurrence of certain future events which are at option of the Group. Therefore, the Group has designated each of these investments as a financial asset at fair value through profit or loss upon initial recognition.

Each of these entities is a private company and there is no quoted market price available for its shares. The Group has determined the fair value of these financial assets based on estimated future cash flows method as disclosed in Note 4.2. The fair value are within level 3 of the fair value hierarchy.

13. Deferred income tax — net

The analysis of deferred income tax assets and liabilities is as follows:

	As of June 30, 2016 RMB'000 (Unaudited)	As of December 31, 2015 RMB'000 (Audited)
Deferred income tax assets:		
— To be recovered within 12 months	2,873	9,269
— To be recovered after 12 months	7,703	472
	10,576	9,741
Deferred income tax liabilities:		
— To be settled within 12 months	(80)	(78)
— To be settled after 12 months	(7,050)	(2,173)
	(7,130)	(2,251)
	3,446	7,490



13. Deferred income tax- net (Continued)

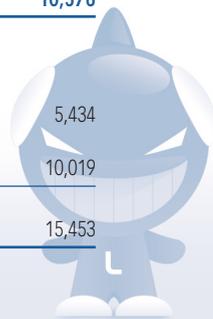
The net movement of the Group's deferred income tax account is as follows:

	Six months ended June 30,	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Beginning of the period	7,490	5,358
Recognised in profit or loss	(3,450)	9,367
Charged to other comprehensive income	(594)	–
End of the period	3,446	14,725

Movement in deferred income tax assets and liabilities without taking into consideration of the offsetting of balances within the same tax jurisdiction is as follows:

Deferred income tax assets:

(Unaudited)	Deferred revenue	Accrued employee benefit expenses	Tax losses	Provision and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended June 30, 2016					
Beginning of the period	5,579	–	3,791	371	9,741
(Charged)/credited to profit or loss	(2,718)	–	3,422	131	835
End of the period	2,861	–	7,213	502	10,576
Six months ended June 30, 2015					
Beginning of the period	4,571	610	–	253	5,434
Credited/(charged) to profit or loss	5,437	(610)	5,310	(118)	10,019
End of the period	10,008	–	5,310	135	15,453



13. Deferred income tax- net (Continued)

Deferred tax assets are recognised for tax losses carried forward to the extent that realization of related tax benefits through future taxable profits is probable. The Group did not recognise deferred income tax assets for accumulated tax losses of certain subsidiaries carried forward with the amount of RMB82,693,000 and RMB158,902,000 as of December 31, 2015 and June 30, 2016 as insufficient future taxable profit being available at each of these subsidiaries. These tax losses will expire from 2016 to 2021.

Deferred income tax liabilities:

(Unaudited)	Trademarks and licenses RMB'000	Fair value changes of financial assets RMB'000	Fair value changes of an associate RMB'000	Total RMB'000
Six months ended				
June 30, 2016				
Beginning of the period	(78)	(2,173)	-	(2,251)
Charged to profit or loss	(2)	(3,823)	(460)	(4,285)
Charged to other comprehensive income	-	(594)	-	(594)
End of the period	(80)	(6,590)	(460)	(7,130)
Six months ended				
June 30, 2015				
Beginning of the period	(76)	-	-	(76)
Charged to profit or loss	(174)	(478)	-	(652)
End of the period	(250)	(478)	-	(728)



14. Trade receivables

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

- (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:

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



14. Trade receivables (Continued)

- (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:

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



15. Prepayments and other receivables

	As of June 30, 2016 RMB'000 (Unaudited)	As of December 31, 2015 RMB'000 (Audited)
Current		
Prepaid service charges to game distribution channels	28,707	29,525
Prepayment to game developers	38,338	30,685
Staff advance (Note (a))	967	608
Loans to employees (Note (b))	1,792	1,266
— Loans to key management (Note 28)	196	188
— Loans to other employees	1,596	1,078
Prepaid rental, advertising cost and others	19,964	12,973
Rental and other deposits	2,299	3,038
Interests receivable	—	7,925
Others	4,611	3,655
	96,678	89,675
Non-current		
Prepaid service charges to game distribution channels	56	56
Loans to employees (Note (b))	4,323	3,750
— Loans to key management (Note 28)	2,112	2,067
— Loans to other employees	2,211	1,683
Rental and other deposits	3,624	3,466
Loans to a third party (Note(c))	—	10,723
Others	2,343	2,470
	10,346	20,465



15. Prepayments and other receivables (Continued)

Note:

- (a) Staff advances represent the advances to employees for various expenses to be incurred in the ordinary course of business.
- (b) Loans to employees represent the housing loans provided to certain employees. These housing loans are unsecured and with a term ranging from 2 to 5 years.
- (c) On May 25, 2015, Linekong Entertainment, as the lender, entered into a loan agreement with the borrower, Jiangsu Strawbear Pictures Co. Ltd. Pursuant to the agreement, Linekong Entertainment granted an unsecured loan to the borrower in the principal amount of RMB10,000,000 with interest rate of 12% per annum. Maturity period of the loan is no longer than two years from May 25, 2015. The loan was early settled by the borrower in March 2016.

16. Cash and cash equivalents

	As of June 30, 2016 RMB'000 (Unaudited)	As of December 31, 2015 RMB'000 (Audited)
Cash at bank and in hand	721,061	786,618
Cash at other financial institutions	7,999	7,843
	729,060	794,461



17. Share capital and share premium

The authorised share capital of the Company has been designed as 2,000,000,000 ordinary shares with par value of USD0.000025 each since December 30, 2014.

(Unaudited)	Note	Number of ordinary shares (‘000)	Nominal value of ordinary shares USD‘000	Equivalent nominal value of ordinary shares RMB‘000	Share premium RMB‘000	Shares hold for RSU Scheme RMB‘000
Issued:						
As of January 1, 2016 and June 30, 2016		368,869	10	59	1,722,308	(3)

(Unaudited)	Note	Number of ordinary shares (‘000)	Nominal value of ordinary shares USD‘000	Equivalent nominal value of ordinary shares RMB‘000	Share premium RMB‘000	Shares hold for RSU Scheme RMB‘000
Issued:						
As of January 1, 2015		369,839	10	59	1,726,828	(6)
Vesting of shares held for RSU Scheme						
		-	-	-	(2)	2
As of June 30, 2015		369,839	10	59	1,726,826	(4)



18. Reserves

(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
Balance at April 1, 2016	(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 (Note 11)	-	-	-	-	(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 (Note 23)	-	-	-	-	(248)	(248)
Share of other comprehensive income of an investment using equity method, net of tax (Note 9)	-	-	-	-	1,276	1,276
Employee share option and RSU scheme:						
— Value of employee services (Note 19)	-	-	-	6,032	-	6,032
Currency translation differences	-	18,159	-	-	-	18,159
Balance at June 30, 2016	(7,831)	86,285	9,557	257,492	8,715	354,218
Balance at April 1, 2015	(7,831)	29,571	9,557	210,289	6	241,592
RSU scheme:						
— Value of employee services (Note 19)	-	-	-	9,536	-	9,536
Currency translation differences	-	(3,557)	-	-	-	(3,557)
Balance at June 30, 2015	(7,831)	26,014	9,557	219,825	6	247,571



18. Reserves (Continued)

(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
Balance at January 1, 2016	(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 (Note 11)	-	-	-	-	(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 23)	-	-	-	-	(414)	(414)
Share of other comprehensive income of an investment using equity method, net of tax (Note 9)	-	-	-	-	862	862
Employee share option and RSU scheme:						
— Value of employee services (Note 19)	-	-	-	16,663	-	16,663
Currency translation differences	-	12,428	-	-	-	12,428
Balance at June 30, 2016	(7,831)	86,285	9,557	257,492	8,715	354,218
Balance at January 1, 2015	(7,831)	26,503	9,557	177,947	6	206,182
RSU scheme:						
— Value of employee services (Note 19)	-	-	-	41,878	-	41,878
Currency translation differences	-	(489)	-	-	-	(489)
Balance at June 30, 2015	(7,831)	26,014	9,557	219,825	6	247,571



18. Reserves (Continued)

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.

19. Share-based payments

(a) Restricted Share Units ("RSUs")

Pursuant to a resolution passed by the Board of Directors of the Company on March 21, 2014, the Company set up a restricted share unit scheme ("RSU Scheme") with the objective to incentivize 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, 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.



19. Share-based payments (Continued)

(a) *Restricted Share Units ("RSUs") (Continued)*

(i) Grant of the RSUs

On March 21, 2014, January 21, 2015 and October 9, 2015, 31,371,494, 2,275,000 and 20,000 RSUs under the RSU Scheme were granted to employees, directors and consultants, respectively.

The 31,371,494 RSUs granted on March 21, 2014 are vested in four different ways as provided in respective grant letters:

- (1) 4-year vesting: 20% on the date ending one month after the date of listing, 35% on the date ending 12 months from the grant date, 10% each on the date ending 18 and 24 months from the grant date, 7.5% each on the date ending 30 and 36 months from the grant date, 5% each on the date ending 42 and 48 months from the grant date.
- (2) 4-year vesting: 10% on the date ending one month after the date of listing, 20% on the date ending 12 month from the grant date, 12.5% each on the date ending 18, 24, 30 and 36 months from the grant date, 10% each on the date ending 42 and 48 months from the grant date.
- (3) 4-year vesting: 25% on the date ending 12 months from the grant date, 12.5% on every six months from 12 months from the grant date.
- (4) 3-year vesting: 33.33% on January 10, 2015, and 8.33% each on every three months from the first month after January 10, 2015.



19. Share-based payments (Continued)

(a) Restricted Share Units ("RSUs") (Continued)

(i) Grant of the RSUs (Continued)

The 2,275,000 RSUs granted on January 21, 2015 are vested in three different ways as provided in respective grant letters:

- (1) 4-year vesting: 25% on September 11, 2015, 12.5% each on every six months from September 11, 2015.
- (2) 2-year vesting: 25% each on every six months from the grant date.
- (3) one-off vesting: 100% on July 1, 2015.

The 20,000 RSUs granted on October 9, 2015 are vested in 4 years: 25% on October 8, 2016 and 12.5% each on every six months from October 8, 2016.

The RSUs are vested only if the grantees remain engaged by the Group. The RSU Scheme will be valid and effective for a period of ten years commencing from March 21, 2014, unless it is terminated earlier in accordance with the rules of RSU Scheme.



19. Share-based payments (Continued)

(a) Restricted Share Units ("RSUs") (Continued)

(i) Grant of the RSUs (Continued)

Movements in the number of RSUs outstanding:

	Number of RSUs	
	Six months ended June 30,	
	2016	2015
	(Unaudited)	(Unaudited)
Beginning of the period	12,059,414	31,276,072
Granted	–	2,275,000
Lapsed	(701,454)	(1,796,955)
Vested	(3,116,216)	(15,485,512)
End of the period	8,241,744	16,268,605

As of June 30, 2016 and December 31, 2015, 22,528,880 and 19,412,664 RSUs have been vested unconditionally, respectively.



19. Share-based payments (Continued)

(a) *Restricted Share Units ("RSUs") (Continued)*

(ii) Shares held for RSU Scheme

Pursuant to a resolution passed by the Board of Directors of the Company on March 21, 2014, the Company entered into a trust deed (the "Trust Deed") with The Core Trust Company Limited (the "RSU Trustee") and Premier Selection Limited (the "RSU Nominee") to assist with the administration of the RSU Scheme. On March 21, 2014, the Company issued 42,161,541 ordinary shares to the RSU Nominee at a par value of USD0.000025 each, totalling RMB6,488 funded by Mr. Wang Feng. Accordingly, 42,161,541 ordinary shares of the Company underlying the RSUs were held by the RSU Nominee for the benefit of eligible participants pursuant to the RSU Scheme and the Trust Deed.

The above shares held for RSU Scheme were regarded as treasury shares and had been deducted from shareholders' equity; the costs of these shares totalling approximately RMB6,488 were credited to "other reserves" as deemed contribution from shareholders. As a result of the vesting of 3,116,216 RSUs during the six months ended June 30, 2016 (see Note (a) above), costs of these RSUs totally approximately RMB480 was transferred out from treasury shares upon vesting of these RSUs.



19. Share-based payments (Continued)

(a) Restricted Share Units ("RSUs") (Continued)

(iii) Fair value of RSUs

The directors used the discounted cash flow method to estimate the underlying equity fair value of the Company and adopted equity allocation method to determine the fair value of the RSUs granted on March 21, 2014. The fair value of the RSUs granted on March 21, 2014 was assessed to be RMB203,925,228.

The key assumptions used in the valuation of RSUs as of the grant date are set out in the table below:

	March 21, 2014
Discount rate used to determine the underlying share value of the Company	20%
Risk-free interest rate	0.08%
Volatility	52.97%

The fair value of RSUs granted on January 21, 2015 and October 9, 2015 was assessed to approximate to the market price of the grant date in the amount of HKD9.80 each (equivalent to RMB17,595,600 in total), and HKD7.18 each (equivalent to RMB118,000 in total), respectively.



19. Share-based payments (Continued)

(b) *Share options*

On November 20, 2014, the shareholders of the Company approved the establishment of a share option scheme (the "Pre-IPO Share Option Scheme") with an objective to incentivize 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 Pre-IPO Share Option Scheme will be valid and effective for a period of ten years commencing from December 30, 2014, (the listing date) unless it is terminated earlier in accordance with the rules of Pre-IPO Share Option Scheme.

The exercise price of the option shall be determined by the Board of Directors of the Company, and which shall not be less than the higher of:

- (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of offer of the option;
- (ii) the average of the closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the option; and
- (iii) the nominal value of the shares.



19. Share-based payments (Continued)

(b) *Share options (Continued)*

(i) Grant of share options

On August 12, 2015, 1,849,192 share options were granted under the Pre-IPO Share Option Scheme with exercise price of HKD8.10 per share option. The vesting period of the share options granted is 4 years: and the vesting schedule is 25% on the date ending 10 months from the grant date and 12.5% each on every six months from 10 months from the grant date.

On October 9, 2015 and June 15, 2016, 6,010,000 share options with exercise price of HKD7.18 per share option and 1,750,000 share options with exercise price of HKD4.336 per share option were granted respectively. The vesting period of the share options granted is 4 years: and the vesting schedule is 25% on the date ending 12 months from the grant date and 12.5% each on every six months from 12 months from the grant date.

The option period shall be ten years commencing from the grant date and the options are vested only if the grantees remain engaged by the Group.

The Group has no legal or constructive obligations to repurchase or settle the options in cash.



19. Share-based payments (Continued)

(b) Share options (Continued)

(i) Grant of share options (Continued)

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Average Exercise Price	Number of share options Six months ended June 30, 2016 (Unaudited)
Beginning of the period		7,709,192
Granted	HKD4.366	1,750,000
Lapsed	HKD7.18	(915,000)
Vested	HKD8.10	(462,298)
End of the period	HKD6.86	<u>8,081,894</u>

As of June 30, 2016 and December 31, 2015, all share options granted will expire in 2026. The share options outstanding as of June 30, 2016 include 1,386,894 (December 31, 2015: 1,849,192) share options, 4,945,000 (December 31, 2015: 5,860,000) share options and 1,750,000 (December 31, 2015: Nil) with the exercise price of HKD8.10, HKD7.18 and HKD4.366 per share option, respectively.



19. Share-based payments (Continued)

(b) Share options (Continued)

(ii) Fair value of share options

Based on the market price of the underlying ordinary share of HKD8.10, HKD7.18 and HKD4.366 on the respective grant date of the share options, the Company has used Binomial option-pricing model to determine the fair value of the share options as of the grant date. The fair value of the share options granted on August 12, 2015, October 9, 2015 and June 15, 2016 was assessed to be HKD8,220,000 (approximately equivalent to RMB6,706,000), HKD20,442,000 (approximately equivalent to RMB16,748,000) and HKD4,028,000 (approximately equivalent to RMB3,425,000), respectively.

The key assumptions used in the valuation of the share options as of the grant date are set out in the table below:

	August 12, 2015	October 9, 2015	June 15, 2016
Risk-free interest rate	1.69%	1.62%	2.50%
Volatility	49.3%	49.7%	52.3%
Dividend yield	—	—	—

The Company estimated the risk-free interest rate based on the yield of HK 10-Year Government Bond with a maturity life equal to the life of the share options. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share options. Dividend yield is based on management estimation at the grant date.



19. Share-based payments (Continued)

(c) *RSUs of a subsidiary*

Pursuant to a resolution passed by the Board of Directors of the Company on December 17, 2015, the Company granted 168,000,000 restricted share units of Creative Ace Limited, a subsidiary of the Company to certain employees of the Group with the objective to stimulate and promote the development of the business in US. These RSUs granted are subject to vesting schedule, service and performance conditions.

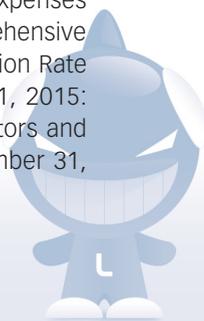
The directors used the discounted cash flow method to estimate the underlying equity fair value of Creative Ace Limited, and determine the fair value of the RSUs granted on March 21, 2014. The fair value of the RSUs granted on December 17, 2015 was assessed to be RMB3,030,300.

The key assumptions used in the valuation of RSUs as of the grant date are set out in the table below:

	December 17, 2015
Discount rate used to determine the underlying share value of the Company	30%
Risk-free interest rate	3.69%
Discount for lack of marketability	20%

(d) *Expected retention rate of grantees*

The Group estimates the expected yearly percentage of RSU and option grantees that will stay within the Group at the end of vesting periods (the "Expected Retention Rate") in order to determine the amount of share-based compensation expenses to be recorded in the consolidated statements of comprehensive (loss)/income. As of June 30, 2016, the Expected Retention Rate of employees was assessed to be 85% (December 31, 2015: 90%) and the Expected Retention Rate of existing directors and senior management was assessed to be 100% (December 31, 2015: 100%).



20. Trade and other payables

	As of June 30, 2016 RMB'000 (Unaudited)	As of December 31, 2015 RMB'000 (Audited)
Trade payables (Note (i))	69,110	53,262
Other taxes payables	2,874	3,475
Salary and staff welfare payables	24,968	27,683
Accrued expenses and liabilities	36,788	20,031
Advance received from licence fees	936	1,097
Advance received from sales of prepaid game cards	495	1,022
Advance from payment vendors	125	902
	135,296	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 June 30, 2016 RMB'000 (Unaudited)	As of December 31, 2015 RMB'000 (Audited)
0-180 days	49,689	45,394
181-365 days	13,223	2,475
1-2 years	2,854	2,667
2-3 years	1,884	1,935
over 3 years	1,460	791
	69,110	53,262



21. Deferred revenue

	As of June 30, 2016 RMB'000 (Unaudited)	As of December 31, 2015 RMB'000 (Audited)
Current		
— License fee and technical support fee	4,254	6,734
— Sales of in-game virtual items (Note (i))	76,099	94,882
— Government subsidies	125	1,733
	80,478	103,349
Non-current		
— License fee and technical support fee	3,569	2,827
— Sales of in-game virtual items (Note (i))	509	384
— Government subsidies	1,605	56
	5,683	3,267

Note:

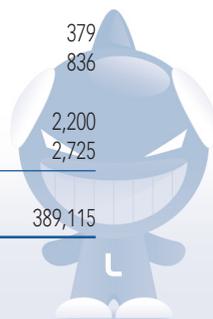
- (i) Deferred revenue from sales of in-game virtual items includes primarily service fees prepaid by the game players for the Group's online games for which the related services had not been rendered as of June 30, 2016 and December 31, 2015. In particular, the Group did not possess relevant information and data to differentiate revenue attributable to permanent ownership virtual items from consumable virtual items of certain games. Accordingly, revenue relating to these games was recognised on an aggregate basis by taking reference to the player relationship period of the respective game or other similar types of games. Including in the deferred revenue balance above, deferred revenue arising from such treatment was approximately RMB6,718,000 as of June 30, 2016 (December 31, 2015: RMB8,086,000).



22. Expenses by nature

Expenses included in cost of revenue, selling and marketing expenses, administrative expenses and research and development expenses are analysed as follows:

	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)
Service charges by game distribution channels	57,873	71,649	117,554	112,174
Content fee to game developers	11,585	30,450	22,689	39,091
Bandwidth and server custody fees	3,822	3,600	7,700	6,194
Payment handling costs	99	260	223	563
Employee benefit expenses (excluding share-based compensation expenses)	43,518	25,348	82,444	53,670
Share-based compensation expenses	6,032	9,536	16,663	41,878
Depreciation of property, plant and equipment (Note 6)	2,000	1,623	4,070	3,169
Amortisation and impairment of intangible assets (Note 7)	7,350	3,218	10,276	6,180
Impairment charges on trade and other receivables	2,872	155	2,891	155
Prepayment write-off	1,933	–	1,933	–
Promotion and advertising expenses	39,059	48,932	87,046	106,256
Traveling and entertainment expenses	1,485	1,482	2,531	2,180
Office rental expenses	3,886	3,697	8,174	6,938
Other professional service fees	3,354	3,478	6,100	4,527
Game development outsourcing costs	3,802	108	8,522	379
Utilities and office expenses	922	480	1,596	836
Auditors' remuneration — Audit services	1,280	1,400	2,080	2,200
Others	1,362	761	3,599	2,725
Total	192,234	206,177	386,091	389,115



23. Other gains — net

	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)
Government subsidies (Note (a))	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 (Note (b))	-	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 (Note (c))	-	52	-	821
Others	595	594	192	986
	4,283	80,837	26,034	89,638

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.



24. Finance (costs)/income — net

	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)
Finance income				
Interest income on bank deposits	212	1,388	3,656	1,745
Interest income on loans to a third party	-	-	243	-
Finance costs				
Foreign exchange (losses)/ gains, net	(611)	450	(577)	219
Finance (costs)/income — net	(399)	1,838	3,322	1,964

25. 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 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Current income tax	9,147	1,399	9,391	2,304
Deferred income tax	2,568	(3,484)	3,450	(9,367)
Income tax expense/(credit)	11,715	(2,085)	12,841	(7,063)



26. (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)	349,236	343,142	347,905	338,083
Basic (loss)/earnings per share (expressed in RMB per share)	(0.12)	0.19	(0.15)	0.03

(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.



26. (Loss)/earnings per share (Continued)

(b) Diluted (Continued)

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)	65,485	9,828
Weighted average number of ordinary shares in issue (thousand shares)	343,142	338,083
Adjustment for RSUs (thousand shares)	12,204	17,263
Weighted average number of ordinary shares for calculating diluted earnings per share (thousand shares)	355,346	355,346
Diluted earnings per share (expressed in RMB per share)	0.18	0.03



27. Dividends

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

28. Significant related party transactions

In addition to those disclosed elsewhere in the interim financial information, the following significant transactions were carried out between the Group and its related parties during the six months ended June 30, 2016 and 2015. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Balances with related parties

(i) Amount due from related parties

The amount due from the related parties as of June 30, 2016 and December 31, 2015 was unsecured.

	As of June 30, 2016 RMB'000 (Unaudited)	As of December 31, 2015 RMB'000 (Audited)
Zhao Jun	2,308	2,255

Note:

The Group granted a housing loan with amount of RMB2,000,000 to a director in May 2015. The loan is unsecured, fully repayable on December 31, 2017 and with an interest rate of 5% per annum.

The Group granted a housing loan with amount of HKD500,000 (approximately equivalent to RMB410,000) to a director in September 2015. The loan is unsecured, fully repayable before September 23, 2016 and with an interest rate of 3.7% per annum. The housing loan is partially repaid with amount of HKD280,000 (approximately equivalent to RMB235,000) by the director in December 2015.



28. Significant related party transactions (Continued)

(a) *Balances with related parties (Continued)*

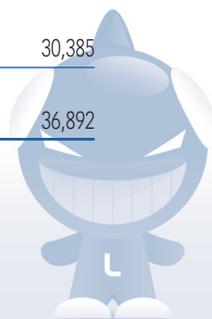
(ii) Amount due to related parties

	As of June 30, 2016 RMB'000 (Unaudited)	As of December 31, 2015 RMB'000 (Audited)
Fuze	—	1,447

(b) *Key management personnel compensations*

The compensations paid or payable to key management personnel (including directors, CEO and other senior executives) for employee services are shown below:

	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)
Wages, salaries and bonuses	3,422	1,989	6,196	6,062
Pension costs — defined contribution plans	126	108	275	202
Other social security costs, housing benefits and other employee benefits	141	130	287	243
Share-based compensation expenses	4,637	9,239	11,166	30,385
	8,326	11,466	17,924	36,892



29. Commitments

Capital commitments

Capital expenditure contracted for at the end of the period but not yet incurred is as follows:

	As of June 30, 2016 RMB'000 (Unaudited)	As of December 31, 2015 RMB'000 (Audited)
Property, plant and equipment	3,025	3,154
Purchase of film rights and production of films	13,200	–
Capital investment in investees	18,000	31,757
	34,225	34,911

There were no other significant commitments authorized but not contracted at the end of each of the reporting dates.

30. Events after the balance sheet date

- (a) On July 5, 2016, 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.



30. Events after the balance sheet date (Continued)

- (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.

