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April 28, 2017

LiNiu Technology Group Announces Full Year 2016 Financial Results

HONG KONG--(BUSINESS WIRE)-- LiNiu Technology Group (f/k/a Lao Kun Group Holding Company Limited) ("LINU" or the "Company") (NASDAQ:LINU), which operates through its subsidiaries and related promotion entities that act as VIP room gaming promoters and which recently launched the LiNiu Network, its electronic trading platform focused on the Chinese agricultural industry in April 2017, today announced unaudited financial results for the full year ended December 31, 2016. All currency amounts are stated in United States dollars. Please refer to the Annual Report on Form 20-F that will be filed with the Securities and Exchange Commission in April 2017 for the full audited financial statements and related disclosures for the full year ended December 31, 2016.

Full Year 2016 Highlights - Gaming Operations

- 1 Rolling Chip Turnover (a metric used by casinos to measure the aggregate amount of players' bets and overall volume of VIP gaming room business transacted) for 2016 was \$2.4 billion, a decrease of 62%, compared to \$6.4 billion for 2015.
- 1 Net loss for 2016 was \$215.0 million, or \$3.41 net loss per share (basic and diluted), compared to net income of \$5.1 million, or \$0.08 net income per share (basic and diluted), for 2015. During 2016, the Company recognized \$100.4 million in bad debt and a \$97.3 million impairment of intangible assets, while during 2015, the Company incurred a one-time \$17.8 million impairment of goodwill.
- 1 Non-GAAP loss, which is operating loss before amortization of intangible assets, impairment of goodwill and intangible assets and the change in fair value of contingent consideration related to the acquisitions of King's Gaming, Bao Li Gaming and Oriental VIP Room, was \$109.6 million, or \$1.74 net loss per share (basic and diluted), for 2016, as compared to non-GAAP income of \$9.0 million, or \$0.14 net income per share (basic and diluted), for 2015.
- 1 The Company closed four VIP gaming rooms at the Sands Cotai Central Casino, Galaxy Macau, StarWorld and Le Royal Arc in Macau in 2016, terminated its gaming representative agreements with King's Gaming Promotion Ltd., Sang Heng and Sang Lung Gaming Promotion Ltd. and terminated its collaborator agreement with Mr. Lam Chou In relating to those facilities, as the current Rolling Chip Turnover volume did not warrant the operation of any VIP gaming rooms. The Company's current Macau VIP gaming operation is in Altira Complex and provides remuneration at a predetermined fixed rate commission.

Business Developments in 2017

- 1 In March 2017, the Company completed the acquisition of 51% of Jia-Heng Industrial Ltd., the holding company of Guangzhou LiNiu Network Technology Co. Ltd. ("LiNiu Network"), a software technology development company.
- 1 In April 2017, the Company launched the LiNiu Network, an electronic B2C, C2C and O2O trading platform focused on the Chinese agricultural industry. Since its launch, the site has seen traffic of over 50,000 visitors on a daily basis, with more than 130,000 users, more than 20,000 suppliers registered and over 80,000 products currently sold through the platform. The LiNiu Network generates revenue through commissions, advertising, management fees and guarantee deposits.

"2016 was a difficult year for the Company, and as such, the Company took appropriate steps to streamline its operations, and is now completing its transformation into a technology-focused company that is creating solutions to improve the Chinese agricultural industry," said Mr. Wang Shun Yang, co-Chief Executive Officer of LiNiu Technology Group. "We were pleased with the launch of the LiNiu Network earlier this month, and believe that the platform is well positioned to more efficiently bring farmers and agricultural suppliers together to conduct business as well as provide education, medical, insurance, financing and other services to farmers."

Full Year 2016 Results

For the full year ended December 31, 2016, the increase in net loss for 2016 as compared to 2015 was primarily a result of the following:

1. Revenue of \$32.4 million in 2016, a 69% decrease from 2015, primarily due to lower Rolling Chip Turnover and no Rolling Chip Turnover in the fourth quarter, as well as (i) low win rate for 2016; (ii) lower demand due to the ongoing anti-corruption campaign in mainland China; (iii) the Company continuing to tighten gaming credit as a result of lengthened collection period on certain markets; (iv) the DICJ banning proxy betting and (v) the closure of four of the Company's five VIP rooms during 2016 to streamline expenses.

2. \$100.4 million of bad debts and a one-time \$97.3 million impairment of intangible assets in 2016.

These were partially offset by lower Commission to Junket Agents and selling, general and administrative expenses for 2016 compared to 2015, primarily due to lower Rolling Chip Turnover, lower VIP gaming room costs due to the reduced number of junket agents, as well as the closure of VIP rooms in the second half of 2016.

On December 12, 2016, the first civil court of the Macao Special Administrative Region Court of First Instance publicly announced that Sang Heng and Sang Lung were summoned by such court to respond to a request for bankruptcy filed by Galaxy Casino in connection with its desire to liquidate Sang Heng and Sang Lung. The outstanding balance for Sang Heng and Seng Lung as of December 31, 2016 was HKD312 million (approximately \$40.4 million) and is included in lines of credit payable in the Consolidated Balance Sheet. The lines of credit for Sang Heng and Sang Lung are guaranteed by Mr. Lam or Mr. Vong and are secured by their personal checks and a deposit paid by Mr. Lam. Additionally, as a result of the default, the Company is subject to monthly interest of 1.5% and potential losses and expenses caused by the default.

On March 13, 2017, the court ruled in favor of Sang Heng (the defendant) in the case. However, on the same day, the court ruled in favor of the plaintiff in the Sang Lung case. The Company's management, upon receipt of further legal advice, filed an appeal to the Macau First Instance Court. Currently, the bankruptcy process will be stopped in the stage of liquidation. However, if the appeal is not successful, the plaintiff may claim the relevant credits against the debtors of Sang Lung which may equal the entire default of lines of credit in the amount of approximately \$26.9 million (HKD 203.8 million). The debtors of Sang Lung include LINU, Asia Gaming & Resort Limited and AERL Company Limited and the junket agents.

About LiNiu Technology Group

LiNiu Technology Group (NASDAQ: LINU) recently launched the LiNiu Network, a Business to Customer ("B2C"), Customer to Customer ("C2C") and Online to Offline ("O2O") electronic trading platform focused on the Chinese agricultural industry. The Company also currently participates in the promotion of VIP gaming at the Altira Macau. For more information on the LiNiu Network, please visit www.liniuyang.com.

Forward-Looking Statements

This press release includes forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. Forward-looking statements are statements that are not historical facts. Such forward-looking statements, based upon the current beliefs and expectations of the Company's management, are subject to risks and uncertainties, which could cause actual results to differ from the forward-looking statements. Factors that could cause actual results to differ materially from management's current expectations include but not limited to those risks and uncertainties relating to future business development; ability to maintain the reputation and brand; privacy and regulatory concerns; competition; security breaches; the continued growth of the e-commerce market in China; and fluctuations in general economic and business conditions in China and assumptions underlying or related to any of the foregoing. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations or any changes in events, conditions or circumstances on which any such statement is based, except as required by law. Investors and potential investors should consult all of the information set forth herein and should also refer to the risk factors set forth in the Company's Annual Report on Form 20-F to be filed in April 2017, and other reports filed or to be filed from time-to-time with the Securities and Exchange Commission.

LINIU TECHNOLOGY GROUP
(f/k/a IAO KUN GROUP HOLDING COMPANY LIMITED)
CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31,

	2016	2015
Revenue from VIP Gaming Operations	\$ 32,366,660	\$105,002,184
Total Revenues	32,366,660	105,002,184

Expenses		
- Commission to Junket Agents	26,569,582	76,979,677
- Selling, General and Administrative Expenses	14,212,578	18,351,625
- Special Rolling Tax	241,414	642,268
- Impairment of Goodwill	-	17,757,113
- Amortization of Intangible Assets	8,136,369	16,369,467
- Restructuring charges	518,381	-
- Impairment of Intangible Assets	97,279,517	-
- Bad debts	100,391,631	-
Total Expenses	<u>247,349,472</u>	<u>130,100,150</u>
Operating (loss) income attributable to ordinary shareholders before change in fair value of contingent consideration	(214,982,812)	(25,097,966)
Change in Fair Value of Contingent Consideration for the Acquisitions of King's Gaming, Bao Li Gaming and Oriental VIP Room	-	30,215,735
Net (Loss) Income Attributable to Ordinary Shareholders	<u>(214,982,812)</u>	<u>5,117,769</u>
Other Comprehensive (Loss) Income		
Foreign Currency		
- Translation Adjustment	(330,605)	89,182
Total Comprehensive (Loss) Income	<u>\$(215,313,417)</u>	<u>\$ 5,206,951</u>
Net (Loss) Income Per Share		
Basic	<u>\$ (3.41)</u>	<u>\$ 0.08</u>
Diluted	<u>\$ (3.41)</u>	<u>\$ 0.08</u>
Weighted Average Shares Outstanding		
Basic	<u>63,103,781</u>	<u>62,116,749</u>
Diluted	<u>63,103,781</u>	<u>62,292,834</u>

LINIU TECHNOLOGY GROUP
(f/k/a IAO KUN GROUP HOLDING COMPANY LIMITED)
CONSOLIDATED BALANCE SHEETS

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 73,305	\$ 3,052,694
Accounts Receivable, Net	669,767	1,460,251
Markers Receivable	-	170,892,037
Prepaid Expenses and Other Assets	1,832,965	1,448,155
Total Current Assets	<u>2,576,037</u>	<u>176,853,137</u>
Markers Receivable (net of allowance for doubtful accounts of \$100,198,392 and \$0 at December 31, 2016 and 2015, respectively)	74,765,307	-
Intangible Assets, net	-	105,645,737
Property and Equipment (net of accumulated depreciation of \$178,989 and \$169,798 at December 31, 2016 and 2015, respectively)	135,920	241,927
TOTAL ASSETS	<u>\$ 77,477,264</u>	<u>\$ 282,740,801</u>

LIABILITIES AND SHAREHOLDERS' EQUITY**CURRENT LIABILITIES**

Lines of Credit Payable	\$ 45,417,314	\$ 41,908,984
Accrued Expenses	3,621,743	6,030,996
Bao Li Gaming Acquisition-Purchase Price Obligation	14,228,500	14,228,500
Loan Payable, current - related parties	12,078,017	2,827,584
Total Current Liabilities	<u>75,345,574</u>	<u>64,996,064</u>
Total Liabilities	<u>75,345,574</u>	<u>64,996,064</u>

COMMITMENTS AND CONTINGENCIES**SHAREHOLDERS' EQUITY**

Preferred Shares, \$0.0001 par value Authorized 1,150,000 shares; none issued	-	-
Ordinary Shares, \$0.0001 par value, Authorized 500,000,000 shares; 62,453,774 and 62,307,794 issued and outstanding at December 31, 2016 and 2015, respectively.	6,245	6,230
Additional Paid-in Capital	133,436,640	133,236,655
Retained (Deficit) Earnings	(131,621,195)	83,861,247
Accumulated Other Comprehensive Income	310,000	640,605
Total Shareholders' Equity	<u>2,131,690</u>	<u>217,744,737</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 77,477,264</u>	<u>\$ 282,740,801</u>

Cash flow information (in thousands) (audited)

	For the Year Ended December 31, 2016	For the Year Ended December 31, 2015
Net cash provided by (used in) operating activities	\$ (11,456)	\$ 29,882
Net cash from (used in) investing activities	13	(2)
Net cash from (used in) financing activities	8,395	(37,966)
Net increase (decrease) in cash and cash equivalents	<u>\$ (3,047)</u>	<u>\$ (8,086)</u>

Non-GAAP Financial Measures

The Company's calculation of Non-GAAP income (operating income before amortization of intangible assets, impairment of goodwill and change in fair value of contingent consideration) and Non-GAAP EPS differs from EPS based on net income because it does not include amortization of intangible assets, impairment of goodwill and change in fair value of contingent consideration. The Company uses this information internally in evaluating its operations and believes this information is important to investors because it provides users of the Company's financial information with additional useful information in evaluating operating performance for the periods and is more consistently comparable to the prior periods. Notwithstanding the foregoing, Non-GAAP income and EPS should not be considered an alternative to, or more meaningful than, net income and EPS as determined in accordance with GAAP. The following is a reconciliation of the Company's net income to Non-GAAP income and GAAP EPS to its Non-GAAP EPS:

	For the Year Ended December 31, 2016	For the Year Ended December 31, 2015
Net (loss) income attributable to ordinary shareholders	\$ (214,982,812)	\$ 5,117,769

Amortization of intangible assets	8,136,369	16,369,467
Impairment of intangible assets	97,279,517	-
Impairment of goodwill	-	17,757,113
Change in fair value of contingent consideration	-	(30,215,735)
Non-GAAP (loss) income (before amortization of intangible assets, impairment of goodwill and intangible assets, and change in fair value of contingent consideration)	<u>\$ (109,566,926)</u>	<u>\$ 9,028,614</u>
Weighted Average Shares Outstanding		
Basic	<u>63,103,781</u>	<u>62,116,749</u>
Diluted	<u>63,103,781</u>	<u>62,292,834</u>

	For the Year Ended December 31, 2016		For the Year Ended December 31, 2015	
	Basic	Fully Diluted	Basic	Fully Diluted
(Loss) Income per share attributable to ordinary shareholders	\$ (3.41)	\$ (3.41)	\$ 0.08	\$ 0.08
Amortization of intangible assets	0.13	0.13	0.26	0.26
Impairment of intangible assets	1.54	1.54	-	-
Impairment of goodwill	-	-	0.29	0.29
Change in fair value of contingent consideration	-	-	(0.49)	(0.49)
Non-GAAP (Loss) Income per share (before amortization of intangible assets, impairment of goodwill and intangible assets, and change in fair value of contingent consideration)	<u>\$ (1.74)</u>	<u>\$ (1.74)</u>	<u>\$ 0.14</u>	<u>\$ 0.14</u>

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