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Lajin Entertainment Network Group Limited
拉近網娛集團有限公司*

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8172)

VOLUNTARY ANNOUNCEMENT
EXEMPTED CONNECTED TRANSACTION

Reference is made to the circular of the Company dated 23 December 2015 (the “Circular”). Capitalised terms used herein shall have the same meaning as defined in the Circular.

THE DEED AND THE CO-OPERATION

Pursuant to the Shareholders’ Agreement, Lajin and the JV Partners (wholly-owned by Ms. Shang Na) has formed the JV Company and Lajin and the JV Partners respectively holds 51% and 49% of the JV Company. Lajin has contributed USD510 (approximately HKD4,000) and the JV Partner has contributed USD490 (approximately HKD3,800) to the JV Company. The JV Company is accounted for as a subsidiary of the Company and is engaged in the investment of movies and other media contents.

Pursuant to the Deed, the Company has granted the Shang Put Option to the JV Partner and the JV Partner has granted the Company Call Options to the Company. Upon satisfaction of certain conditions, including that the accumulated net profit of the JV Company for the period from the completion of the Subscription up to 31 December 2018 as determined with reference to the JV Audited Accounts being not less than RMB50 million, or the Accumulated Profit as determined with reference to the JV Audited Accounts being not less than RMB150 million, the JV Partner may exercise the Shang Put Option for the Option Price. The Company can also exercise the Company Call Option if the Shang Put Option is not exercised.

* *For identification purpose only*

THE TERMINATION OF THE DEED, THE MASTER SERVICE AGREEMENT AND THE REASON

The management has reviewed the latest development of the business of the JV Company and has also discussed its prospect with Ms. Shang. As it is not expected that the profit of the JV Company can reach at least RMB50 million, it is considered that neither the Shang Put Option can be, nor the Company Call Option will be exercised before the expiry of such options. Therefore, Ms. Shang resigned as a director of the JV company and all the position of the Group and both the JV Partner and the Company have mutually agreed to terminate the Deed (“Termination”). The Termination gives the market a clear message that no Consideration Shares will be issued in the future. The Resignation of Shang and Termination of the deed will significantly reduce the fair value of the non-cash share-based payment expenses. Accordingly, the recognised share-based payment expenses of HK\$14,392,000 in 2016 and HK\$10,698,000 in 2017 will be reversed by the end of 2017, and give rise to a credit to profit or loss in 2017. The accounting impact will be further discussed with the auditor of the Company in annual audit. As the cooperation with Ms. Shang has changed as a result of the Termination, it is also mutually agreed that the Master Service Agreement is terminated. Save as disclosed above, the termination of the Deed and the Master Service Agreement do not have material impact to our financial position. The directors also consider that the operation and business of the Group are not materially affected.

ACQUISITION OF THE 49% OF THE JV COMPANY

As the Deed is terminated, the JV Partner has agreed to dispose of its 49% of the JV Company for a consideration of HK\$1 to Lajin. The Shareholders’ Agreement shall cease to have effect accordingly.

Below is the basic financial information of the JV Company based on its management accounts for the years ended 31 December 2016 and 2017:

	For the year ended	
	2017	2016
	HK\$	HK\$
Loss before and after tax	<u>3,624,116</u>	<u>988,144</u>
		As at 31 December 2017 HK\$
Net liabilities		<u>4,841,032</u>

The net liabilities mainly represents the amount due to the Groups’ other subsidiaries.

INFORMATION OF THE GROUP

The Group is principally engaged in the business of investment and production of movie and media contents, and the provision of artist management services.

LISTING RULES IMPLICATION

Ms. Shang is the substantial shareholder and a director of the JV Company which is a subsidiary of the Company and therefore Ms. Shang is a connected person of the Company at the subsidiary level. Each of the termination of the Company Call Option, and the acquisition of the 49% of the JV Company constitutes a connected transaction of the Company, but such are exempted from the connected transaction requirement under Rule 20.74(1)(c) of the GEM Listing Rules. No director of the Company has any material interest in the transaction described herein, and the Directors, including the independent directors of the Company, consider the Termination and the terms of the acquisition of the JV Company are fair and reasonable and are in the interests of the Shareholders as a whole.

For and on behalf of
Lajin Entertainment Network Group Limited
Wu Li
Executive Director

Hong Kong, 9 February 2018

As at the date of this announcement, the executive directors are Ms. Wu Li and Mr. Chan Kam Kwan, Jason; the non-executive directors are Mr. Luo Ning, Mr. Zou Xiao Chun and Mr. Zhou Ya Fei and the independent non-executive directors are Mr. Ng Wai Hung, Mr. Lam Cheung Shing, Richard and Mr. Wang Ju.

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

This announcement will be published on the GEM website on the “Latest Company Announcement” page for at least 7 days from the date of publication and on the Company’s website at www.irasia.com/listco/hk/lajin/index.htm.