



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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (THE “GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors (the “Directors”) of Lajin Entertainment Network Group Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, 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 in this announcement misleading.

* For identification only

UNAUDITED QUARTERLY RESULTS

The board of Directors (the “Board”) of Lajin Entertainment Network Group Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 30 September 2017, together with the comparative unaudited figures for the corresponding periods in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	For the three months ended 30 September		For the nine months ended 30 September	
		2017 (Unaudited) <i>HK\$'000</i>	2016 (Unaudited) <i>HK\$'000</i>	2017 (Unaudited) <i>HK\$'000</i>	2016 (Unaudited) <i>HK\$'000</i>
Revenue	3	13,559	278	63,692	6,453
Cost of sales		(13,113)	(226)	(65,709)	(41,031)
Gross (loss)/profit		446	52	(2,017)	(34,578)
Other income and gains	4	2,535	393	4,829	1,273
Selling and distribution expenses		(478)	(342)	(730)	(3,166)
Administrative expenses		(19,020)	(23,128)	(56,579)	(67,208)
Share-based compensation costs		(2,697)	(5,285)	(8,178)	(15,563)
Share of profits and losses of associates		(1,146)	2,736	(2,585)	2,500
Share of profits and losses of a joint venture		(161)	—	(407)	—
Loss before tax	5	(20,521)	(25,574)	(65,667)	(116,742)
Income tax expense	6	—	(17)	—	(38)
Loss for the period		<u>(20,521)</u>	<u>(25,591)</u>	<u>(65,667)</u>	<u>(116,780)</u>

	For the three months ended		For the nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
OTHER COMPREHENSIVE INCOME/(LOSS):				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	9,634	(1,503)	23,012	(11,909)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	9,634	(1,503)	23,012	(11,909)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(10,887)</u>	<u>(27,094)</u>	<u>(42,655)</u>	<u>(128,689)</u>
Loss for the period attributable to:				
Owners of the parent	(20,132)	(25,591)	(65,150)	(116,769)
Non-controlling interests	(389)	—	(517)	(11)
	<u>(20,521)</u>	<u>(25,591)</u>	<u>(65,667)</u>	<u>(116,780)</u>
Total comprehensive loss for the period attributable to:				
Owners of the parent	(10,498)	(27,094)	(42,138)	(128,678)
Non-controlling interests	(389)	—	(517)	(11)
	<u>(10,887)</u>	<u>(27,094)</u>	<u>(42,655)</u>	<u>(128,689)</u>
Dividend	—	—	—	—
Loss per share attributable to ordinary equity holders of the parent				
— Basic and diluted	7 <u>HK(0.48) cent</u>	<u>HK(0.91) cent</u>	<u>HK(1.58) cent</u>	<u>HK(4.15) cent</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 11 June 2001 and continued in Bermuda on 16 March 2009. The Company's shares have been listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 26 March 2002.

The registered office and principal place of business of the Company are located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Unit 4203, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong, respectively.

The unaudited condensed consolidated statement of profit or loss and other comprehensive income (the "Unaudited Condensed Consolidated Results") are presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (HK\$'000) except otherwise indicated.

The Company's principal activity is investment holding and the principal activities of the Group are provision of artists management services, and investment in movies, TV programmes and internet contents.

2. BASIS OF PREPARATION

The Unaudited Condensed Consolidated Results have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants. In addition, the Unaudited Condensed Consolidated Results include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

The accounting policies and basis of preparation adopted in the preparation of the Unaudited Condensed Consolidated Results are consistent with those adopted in annual financial statements for the year ended 31 December 2016. These Unaudited Condensed Consolidated Results should be read in conjunction with the annual financial statement of the Group for the year ended 31 December 2016.

3. REVENUE

	For the three months ended 30 September		For the nine months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
TV and internet programme	10,862	—	60,543	—
Sales of film rights	2,213	274	2,213	6,001
Artists management	460	—	906	300
Others	24	4	30	152
	<u>13,559</u>	<u>278</u>	<u>63,692</u>	<u>6,453</u>

4. OTHER INCOME AND GAINS

	For the three months ended 30 September		For the nine months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
<u>OTHER INCOME</u>				
Interest income on film investment	1,926	—	1,926	—
Bank interest income	438	281	1,642	938
Imputed interest income on convertible notes receivable	123	112	365	334
Others	48	—	63	1
	<u>2,535</u>	<u>393</u>	<u>3,996</u>	<u>1,273</u>
<u>GAINS</u>				
Gain on disposal of an associate	—	—	790	—
Others	—	—	43	—
	<u>—</u>	<u>—</u>	<u>833</u>	<u>—</u>
	<u>2,535</u>	<u>393</u>	<u>4,829</u>	<u>1,273</u>

5. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting):

	For the three months ended 30 September		For the nine months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	1,425	790	3,115	2,115
Amortisation of other intangible assets	372	—	421	—
Loss on disposal of items of property, plant and equipment	2	22	533	37
Operating lease rentals in respect of office premises	2,360	2,465	6,827	6,840
Exchange loss/(gain), net	86	(1,142)	655	(5,571)
Staff costs including directors' remuneration				
— Salaries and allowances	9,778	13,461	32,614	36,368
— Pension scheme contributions	840	1,395	2,793	3,229
— Share-based payment expenses	2,697	5,285	8,178	15,563
	<u>13,315</u>	<u>20,141</u>	<u>43,585</u>	<u>55,160</u>

6. INCOME TAX EXPENSE

	For the three months ended 30 September		For the nine months ended 30 September	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Current tax:				
People's Republic of China Corporate Income Tax	—	17	—	38
	<u>—</u>	<u>17</u>	<u>—</u>	<u>38</u>

Under the Law of the People's Republic of China on Corporate Income Tax (the "CIT Law") and Implementation Regulation of the CIT Law, the tax rate of the PRC subsidiaries is 25%.

No provision for Hong Kong profits tax and Korea corporate income tax have been provided as the Group did not generate any assessable profits arising in Hong Kong and Korea or the estimated assessable profit was wholly absorbed by tax losses bought forward during the period under review. (for the nine months ended 30 September 2016: Nil).

No provision for PRC Corporate Income Tax has been made during the period under review as the Group has no assessable profits arising in PRC (for the nine months ended 30 September 2016: HK\$38,000).

7. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share is based on the loss attributable to ordinary equity holders of the parent for the three months ended 30 September 2017 of approximately HK\$20,132,000 (2016: loss attributable to ordinary equity holders of the parent of approximately HK\$25,591,000) and loss attributable to ordinary equity holders of the parent for the nine months ended 30 September 2017 of approximately HK\$65,150,000 (2016: loss attributable to ordinary equity holders of the parent of approximately HK\$116,769,000) and weighted average of 4,209,130,000 shares in issue during the three months ended 30 September 2017 (2016: 2,814,802,000 shares) and weighed average of 4,112,090,000 shares in issue during the nine months ended 30 September 2017 (2016: 2,814,802,000 shares).

As the Company's share options and preferred shares where applicable had an anti-dilutive effect to the basic loss per share calculation for the three months and nine months ended 30 September 2017, the conversion of the above potential dilutive shares is not assumed in the calculation of diluted loss per share.

8. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent									Total HK\$'000
	Share capital- ordinary shares HK\$'000	Share capital- preferred shares HK\$'000	Share premium HK\$'000	Share- based payment reserve HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Accumul- ated losses HK\$'000	Sub-total HK\$'000	Non- controlling interests HK\$'000	
At 1 January 2016 (Audited)	28,147	13,246	1,013,768	2,256	28,294	(2,043)	(43,749)	1,039,919	(34)	1,039,885
Loss for the period	—	—	—	—	—	—	(116,769)	(116,769)	(11)	(116,780)
Other comprehensive loss for the period:										
Exchange differences arising from the translation of foreign operations	—	—	—	—	—	(11,909)	—	(11,909)	—	(11,909)
Total comprehensive loss for the period	—	—	—	—	—	(11,909)	(116,769)	(128,678)	(11)	(128,689)
Settlement of share subscription price of preferred shares	—	—	125,838	—	—	—	—	125,838	—	125,838
Recognition of equity-settled share-based payment	—	—	—	15,563	—	—	—	15,563	—	15,563
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	—	—	624	624
At 30 September 2016 (unaudited)	28,147	13,246	1,139,606	17,819	28,294	(13,952)	(160,518)	1,052,642	579	1,053,221
At 1 January 2017 (Audited)	28,147	13,246	1,139,606	35,240	28,294	(32,735)	(267,988)	943,810	573	944,383
Loss for the period	—	—	—	—	—	—	(65,150)	(65,150)	(517)	(65,667)
Other comprehensive income for the period:										
Exchange differences arising from the translation of foreign operations	—	—	—	—	—	23,012	—	23,012	—	23,012
Total comprehensive loss for the period	—	—	—	—	—	23,012	(65,150)	(42,138)	(517)	(42,655)
Issue of ordinary shares upon conversion of preferred shares	13,943	(13,246)	(697)	—	—	—	—	—	—	—
Recognition of equity-settled share-based payment	—	—	—	8,178	—	—	—	8,178	—	8,178
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	57	57
At 30 September 2017 (unaudited)	42,090	—	1,138,909	43,418	28,294	(9,723)	(333,138)	909,850	113	909,963

DIVIDEND

The Board does not recommend the payment of a dividend for the nine months ended 30 September 2017 (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The revenue of the Group was approximately HK\$63,692,000 for the nine months ended 30 September 2017 (for the nine months ended 30 September 2016: HK\$6,453,000), and it was generated from the provision of artists management and investment in movies, TV programs and internet contents, representing an increase of 887.0% as compared with the nine months ended 30 September 2016. The increase is mainly from the licensing income of the internet drama.

Movies, TV programmes and Internet Contents

During the period under review, the revenue contributed by such segment was approximately HK\$62,786,000 (for the nine months ended 30 September 2016: HK\$6,153,000), representing the sales of film rights owned by the Group, licensing income from internet drama named “Salaso Bistro” (問題餐廳) and 《我才不會被女孩子欺負呢》(*hereby translated as “I am so Not Going to be Bullied by Girls”, and the advertising income from our flagship project — the “Birth of the stars”.

Artists Management

During the period under review, the revenue contributed by such segment was approximately HK\$906,000 (for the nine months ended 30 September 2016: HK\$300,000), which derived from the newly signed artists management contracts.

Cost of sales for the nine months ended 30 September 2017 increased to approximately HK\$65,709,000 (for the nine months ended 30 September 2016: HK\$41,031,000), which was mainly attributed from the cost of films and TV and Internet programme of approximately HK\$64,692,000 (for the nine months ended 30 September 2016: HK\$40,791,000). Administrative expenses were mainly the staff costs, operating leases expenses and other general administrative expenses of the Group incurred during the period under review. Administrative expenses decreased to approximately HK\$56,579,000 from approximately HK\$67,208,000 in prior period due to the cost control of the Group.

Loss for the period attributable to owners of the parent was approximately HK\$65,150,000 (for the nine months ended 30 September 2016: HK\$116,769,000).

BUSINESS REVIEW

Cross Media Project

As disclosed in our previous reports, all episodes of the “Birth of the Stars” have been fully broadcast in the first quarter of 2017 via a leading video platform “IQiyi” (愛奇藝). The Company has identified various talented contestants to join our team.

The Board is of the view that the production of “Birth of the Stars” concurs with our principal strategy to foster our own talents and artists from scratch, at the same time creating an integrated platform to establish an online/offline business ecosystem. We have successfully established our own brand and therefore the Group is considering producing the sequel to the episode, tentatively named as the “Birth of The Band” (樂隊的誕生). As at the date of the announcement, marketing and investment prospecting have been commenced, and video shooting is expected to commence during the year.

Artists Management

An artists’ management team has been built, with the “Birth of the Stars”, our Company has identified and signed new artists management contracts with a couple of contestants who have impressive potentials. Furthermore, our subsidiary company, Xin Mei Xing Xiu has further enriched our artists base, both in terms of quantity and exposure. The artists under Xin Mei Xing Xiu’s management are mainly key opinion leaders and online celebrities with huge number of followers and fans, some of them have already been gaining popularity.

As at 30 September 2017, our team comprises more than 20 artists, many of which are already active in the TV/movies and commercial advertising industry, and gained popularity with increased exposure. The Company will provide them with necessary trainings and shooting/production environment leveraging on the facilities provided in our Lajin Star Factory, to enable these future stars to sparkle.

The Group saw significant potential in our angel investment in <<Moko!>>. The Group held 7.79% stake in <<Moko!>> www.moko.cc. During the period, after the strategic investment reached between <<Moko!>> and the Company, <<Moko!>> has further reached a strategic investment agreement with an investment company held by the municipality of Gao Xin District in Qingdao Huan Wan. <<Moko!>> will settle and set up its business base in Qingdao and will become the pioneering enterprise in the internet industry headquartering in Qingdao Huan Wan.

Movies, TV and internet programmes

The Group has invested in an internet drama series named “Solaso Bistro” 《問題餐廳》 and the production of which has been completed. During the previous reporting period, a total of 20 episodes were broadcasted via Tencent’s video streaming channel, with more than 150 million hit rate in aggregate, and the average number of “bullet screens” (meaning the text messages/comments that audiences sent to overlaid across the screen while watching the video) for each episodes exceeds 100,000 times.

The TV series named “She is Beautiful” 《她很漂亮》 and a movie named “Twenty” 《二十歲》 invested by the Group had finished filming in 2016 and are currently in post-production. The Group has completed the shooting of another internet series drama, 《我才不會被女孩子欺負呢》 (*hereby translated as “I am so Not Going to be Bullied by Girls”), and has successfully reached a cooperation agreement with Youku.com (優酷網), a renowned internet video-streaming channel in China for broadcast arrangements, tentatively expected to be screened during the coming winter vacation.

During the reporting period, shooting for a number of movies/TV series invested by our Company has begun. Artists managed by the Company have participated in the making of these movies/TV series, and these series are expected to be screened during the year. Furthermore, film shooting has commenced for another significant project that the Company has invested in — “the Dynasty Warriors”. It is expected to be put on the big screen in late 2018 to 2019.

To date, the Company has reached a consensus with Tencent Video and Guoying Investment Management Limited to co-invest in the production and marketing of another distinct project of the Group — The Tibet Code (藏地密碼), early stage development of such has been commenced. The Group strives to pursue and support the production in every way we can, and we look forward to screening the series.

Lajin’s Star Factory

Lajin’s Star Factory is located in Yi Zhuang (亦莊), Beijing. Significant effort has been put in the renovation works for Lajin’s Star Factory in 2016. The premise, comprising two 6-storey buildings of approximately 5,600 square metres in total has become our “factory” to incubate and nurture new artists and new internet media contents.

The base is equipped with top-tier recording studios and applies the world’s latest live broadcast technology, enabling compatibility and cross media interaction and unites all music and audio programs production in a single production base. With the integration of our “Lajin App”, the online and offline experiences of audiences would definitely bring “closer” the distance between artists and fans, and this reinforces Lajin’s core business mission. The Lajin’s Star Factory is currently in use.

The Lajin's Star Factory operates in a continuous improvement model with constant progress in technology upgrading and review, so as enhance more online-to-offline cross media contents and variety programs to be produced. The Company's latest cross media production "the Birth of the Band" shall fully utilize all facilities provided in our Lajin Star Factory with various studios for recording, production and broadcasting, such production will be conducted in the format of a "true-man-show", a brand new concept in China. Lajin Star Factory has attracted attention from various production groups and performers from within the country and overseas for rental of its state-of-the-art facilities and performance venues for live broadcasts and production of audio-visual contents. Income derived from the intellectual property rights of these productions, rental income, production and broadcasting income would be another stable source of income anticipated in the near future.

Music

The music platform "Huo Miao" (火喵) is a music sharing platform addressing public needs for original music. "Huo Miao" (火喵) has aligned with nearly a thousand music producers and some 60 of which works exclusively for the platform itself.

To date, the Huo Miao Mobile App has set up its channel through some new internet media platform, publishing "Huomiao" music stories from time to time, leveraging on the network to attract more audiences and music producers, ultimately enriching our collection of original music productions. During the period, the "Huo Miao" music platform has worked in collaboration with some large-scale entertainment programs and renowned brands, and has completed quite a number of tailor-made music productions. It also synergistically provides music contents to the Group's movie/TV segment. To date, the music platform has already completed quality music works for a number of our internet dramas.

The Group considers the Huo Miao music platform as an integrated part of the Group's business model, and we hope the development of such platform will create another income stream in the future.

Coming up, we intend to increase marketing effort to promote and gain publicity for the platform. We aim to become the very first and foremost creator of this original music business ecology in China.

Event after the Reporting Period

There is no significant events occurred subsequently after the reporting period.

CAPITAL STRUCTURE

As at 30 September 2017, the company has in issue a total of 4,209,131,046 ordinary shares.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At 30 September 2017, the interests and short positions of the Directors and chief executives and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange, pursuant to the Model Code were as follows:

Long positions in the ordinary shares of HK\$0.01 each of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Number of share options held	Approximate percentage of the issued share capital of the Company
Ms. Wu Li	Beneficial owner	—	8,000,000	0.28%
Mr. Chan Kam Kwan Jason	Beneficial owner	—	12,000,000	0.43%
Mr. Zhou Ya Fei	Beneficial owner	—	1,000,000	0.04%
Mr. Zou Xiao Chun	Beneficial owner	—	1,000,000	0.04%
Mr. Ng Wai Hung	Beneficial owner	—	1,000,000	0.04%
Mr. Lam Cheung Shing Richard	Beneficial owner	—	1,000,000	0.04%
Mr. Wang Ju	Beneficial owner	—	1,000,000	0.04%

Save as disclosed above, none of the Directors and chief executives, nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 September 2017.

SHARE OPTION SCHEME

On 10 June 2014, the Company adopted a new share option scheme (“New Share Option Scheme”) and terminated the share option scheme adopted by the Company on 6 March 2002. The purpose of the New Share Option Scheme is to enable the Company to grant options to the eligible participants (“Participants”) in order to recognise and motivate the contribution of the Participants to the Group. The Share Option Scheme is effective for 10 years and will be expired in June 2024.

Details of the options outstanding as at 30 September 2017 which have been granted to directors or chief executives under the Share Option Scheme are as follows:

	Option type	Outstanding as at 30 June 2017	Granted	Exercised	Lapsed	Outstanding as at 30 September 2017
Directors						
Ms. Wu Li	2015A	8,000,000	—	—	—	8,000,000
Mr. Chan Kam Kwan, Jason	2015A	12,000,000	—	—	—	12,000,000
Mr. Zhou Ya Fei	2015A	1,000,000	—	—	—	1,000,000
Mr. Zou Xiao Chun	2015A	1,000,000	—	—	—	1,000,000
Mr. Ng Wai Hung	2015A	1,000,000	—	—	—	1,000,000
Mr. Lam Cheung Shing, Richard	2015A	1,000,000	—	—	—	1,000,000
Mr. Wang Ju	2015A	1,000,000	—	—	—	1,000,000
		<u>25,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>25,000,000</u>
Other employees						
	2015A	20,000,000	—	—	—	20,000,000
	2016B	15,000,000	—	—	—	15,000,000
		<u>35,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>35,000,000</u>
Total options outstanding		<u>60,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>60,000,000</u>

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the share option schemes and employee award plan, at no time during the nine months ended 30 September 2017 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors and chief executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2017, the register of substantial shareholders maintained by the Company under Section 336 of the SFO showed that, other than the interests disclosed above in respect of certain directors, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

Long positions in ordinary shares of HK\$0.01 each of the Company

Name of substantial shareholder	Capacity	Notes	Interest in shares	Interest in underlying shares	Approximate percentage of the Company's issued share capital
Jiaxuan Group Company Limited ("Jiaxuan")	Beneficial owner	(i)	1,982,561,725	—	47.10%
Eagle King Investment Holding Limited	Interest of controlled corporation	(i)	1,982,561,725	—	47.10%
Mr. Wong Kwong Yu	Interest of controlled corporation	(i)	1,982,561,725	—	47.10%
Great Majestic Global Holdings Limited	Interest of controlled corporation	(i)	1,982,561,725	—	47.10%
Mr. Xu Zhong Min	Interest of controlled corporation	(i)	1,982,561,725	—	47.10%
CITIC Group Corporation	Interest of controlled corporation	(ii)	459,934,954	—	10.93%
CITIC Limited	Interest of controlled corporation	(ii)	459,934,954	—	10.93%
Famous Peak Investments Limited	Beneficial owner	(ii)	459,934,954	—	10.93%
Vision Path Limited	Beneficial owner	(iii)	424,834,655	—	10.10%
Ms. Yu Nan	Interest of controlled corporation	(iii)	424,834,655	—	10.10%

Name of substantial shareholder	Capacity	Notes	Interest in shares	Interest in underlying shares	Approximate percentage of the Company's issued share capital
First Charm Investments Limited	Beneficial owner	(iv)	311,545,414	—	7.40%
Mr. Ko Chun Shun Johnson	Interest of controlled corporation	(iv)	311,545,414	—	7.40%
Best of Us Company Limited	Beneficial owner	(v)	—	228,438,228	5.43%
Ms. Shang Na	Interest of controlled corporation	(v)	—	228,438,228	5.43%

Notes:

- (i) Jiaxuan is owned as to 55% by Eagle King Investment Holding Limited (“Eagle King”) and as to 45% by Great Majestic Global Holdings Limited (“Great Majestic”). Mr. Wong Kwong Yu owns 100% of Eagle King and Mr. Xu Zhong Min owns 100% of Great Majestic.
- (ii) Famous Peak Investments Limited is a wholly-owned subsidiary of CITIC Investment (HK) Limited, being one of the wholly-owned subsidiaries of CITIC Limited. CITIC Group Corporation is the holding company of the CITIC Limited.
- (iii) Ms. Yu Nan owns 100% of Vision Path.
- (iv) Mr. Ko Chun Shun, Johnson owns 100% of First Charm.
- (v) Pursuant to the Shareholders’ Agreement entered into between the Company and Ms. Shang Na, the Company has agreed to subscribe for 51% interest in a joint venture company, Young Film Company Limited, and the rest 49% interest (the “JV Shares”) is agreed to be held by Best of Us Company Limited (the “JV Partner”), a wholly-owned company by Ms. Shang. The joint venture shall engage in the business of sourcing and production of media contents. The Company has also entered into the Deed in relation to the granting of the Shang Put Option and the Company Call Option entitling (i) the JV Partner to require the Company to purchase the JV Shares beneficially held by it at the Option Price; or (ii) the Company to require the JV Partner to sell the JV Shares beneficially held by it to the Company at the Option Price (as applicable). The Option Price shall be settled by the allotment and issuance of the Consideration Shares in batches, in accordance with the formula and manner as set out in the Deed. The 228,438,228 ordinary shares disclosed above is the maximum number of Consideration Shares to be issued by the Company, with the Option Price being calculated on the basis of an estimated accumulated profit of RMB150 million. Ms. Shang owns 100% of Best of Us Company Limited. Details of this transaction, please refer to the circular of the Company dated 23 December 2015.

Save as disclosed above, at 30 September 2017, the Company has not been notified by any persons (other than the Directors and chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which were to be recorded in the register required to be kept under Section 336 of the SFO and/or who were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

COMPETING INTEREST

At 30 September 2017, none of the Directors, the substantial shareholders nor their respective associates had an interest in any business which competes or may compete with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the nine months ended 30 September 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The corporate governance principles of the Company emphasise a quality Board, sound internal controls, transparency and accountability to all shareholders. By applying rigorous corporate governance practices, the Group believes that its accountability and transparency will be improved thereby instilling confidence to shareholders and the public.

The Company has complied with the code provisions in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules for the nine months ended 30 September 2017, with the exception of CG Code Provisions A.2.1 (separation of roles of chairman and chief executives) and A.4.1 (specific terms of non-executive Directors).

(a) Chairman and Chief Executive Officer

Under the CG Code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. As of the date of this announcement, both of the positions of Chairman and Chief Executive Officer of the Company were still left vacant. The Company will continue to look for the appropriate candidate to fill the vacancy as chairman and the chief executive officer.

(b) Terms of non-executive Directors

Under the CG Code provision A.4.1, all non-executive Directors should be appointed for a specific term, subject to re-election. The term of office for non-executive Directors is subject to retirement from office by rotation and is eligible for re-election in accordance with the

provisions of the Company's bye-laws. At each annual general meeting, one-third of the Directors for the time being, (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. As such, the Company considers that such provisions are sufficient to meet the underlying objective of this Code provision.

(c) Non-executive Directors attending general meeting

Under the Code provision A.6.7 of CG Code, non-executive Directors should attend general meetings. Certain non-executive directors were unable to attend the annual general meeting due to other business commitments.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the nine months ended 30 September 2017, the Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, the Company's Directors confirmed they have complied with the required standards of dealings and the code of conduct regarding securities transactions by directors adopted by the Company.

AUDIT COMMITTEE

The audit committee consists of three members, namely Mr. Lam Cheung Shing Richard (chairman of the audit committee), Mr. Zhou Ya Fei and Mr. Ng Wai Hung, all being non-executive Directors or independent non-executive Directors. The primary duties of the audit committee are to review the Company's annual report and financial statements, quarterly reports and interim report and to provide advice and comment thereon to the Board. The audit committee will also be responsible for reviewing and supervising the financial reporting and internal control procedures of the Group.

The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters with the management team of the Company. The audit committee has reviewed the third quarterly report and results for the nine months ended 30 September 2017 before proposing to the Board for approval.

By order of the Board
Lajin Entertainment Network Group Limited
Chan Kam Kwan Jason
Company Secretary

Hong Kong, 10 November 2017

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.