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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

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.

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This announcement, for which the directors (the "Directors") of Lajin Entertainment Network Group Limited (formerly known as China Star Cultural Media 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*

ANNUAL RESULTS

The board of directors (the "Board") of Lajin Entertainment Network Group Limited (formerly known as China Star Cultural Media Group Limited) (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015, together with the comparative audited figures for the year ended 31 December 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	**2015**	2014
		HK$'000	*HK$'000*
Revenue	*7*	**5,662**	5,949
Cost of sales		**(4,807)**	(4,429)
Gross profit		**855**	1,520
Other revenue and other income	*8*	**1,123**	685
Administrative expenses		**(42,037)**	(11,682)
Gain arising on change in fair value of financial assets classified as held for trading investments		**9,780**	2,253
Gain on disposal of subsidiaries		**—**	5,261
Loss arising on change in fair value of conversion options embedded in convertible notes receivable		**(97)**	—
Share of results of joint ventures		**(4)**	(638)
Loss before tax	*9*	**(30,380)**	(2,601)
Income tax expense	*10*	**—**	—
Loss for the year		**(30,380)**	(2,601)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations:			
Exchange differences arising during the year		**(2,043)**	—
Other comprehensive loss for the year		**(2,043)**	—
Total comprehensive loss for the year		**(32,423)**	(2,601)

	Notes	**2015**	2014
	Notes	***HK$'000***	*HK$'000*
Loss for the year attributable to:			
Owners of the Company		**(30,343)**	(2,601)
Non-controlling interests		**(37)**	—
		(30,380)	(2,601)
Total comprehensive loss for the year attributable to			
Owners of the Company		**(32,386)**	(2,601)
Non-controlling interests		**(37)**	—
		(32,423)	(2,601)
Loss per share	*11*		
Basic and diluted		**HK(1.39) cents**	HK(0.35) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**7,267**	8
Film rights	*12*	—	592
Interests in joint ventures		—	4
Available-for-sale financial assets	*13*	**20,026**	—
Convertible notes receivable		**4,971**	—
Conversion options embedded in convertible notes receivable		**2,586**	—
Deposit paid for interest in an associate		**5,847**	—
Deposit paid for acquisition of property, plant and equipment		**39,135**	—
Total non-current assets		**79,832**	604
Current assets			
Held for trading investments		—	17,115
Film rights and films in progress	*12*	**38,799**	—
Deposits, prepayments and other receivables	*14*	**50,210**	2,502
Amount due from a joint venture	*15*	**12**	—
Cash and cash equivalents		**905,836**	158,800
Total current assets		**994,857**	178,417
LIABILITIES			
Current liabilities			
Accruals and other payables		**9,475**	1,357
Receipts in advance		**300**	2,875
Amount due to a joint venture	*15*	**3**	3
Amount due to a related company	*15*	**602**	—
Amount due to a shareholder	*15*	**24,424**	—
Convertible loan notes		—	—
Total current liabilities		**34,804**	4,235
Net current assets		**960,053**	174,182
Total assets less current liabilities		**1,039,885**	174,786
Net assets		**1,039,885**	174,786
EQUITY			
Share capital — ordinary shares		**28,147**	9,198
Share capital — preferred shares		**13,246**	—
Reserves		**998,526**	165,588
Equity attributable to owners of the Company		**1,039,919**	174,786
Non-controlling interests		**(34)**	—
Total equity		**1,039,885**	174,786

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital — ordinary shares HK$'000	Share capital — preferred shares HK$'000	Share premium HK$'000 (Note i)	Share-based payment reserve HK$'000 (Note ii)	Contributed surplus HK$'000 (Note iii)	Convertible loan notes reserve HK$'000 (Note iv)	Exchange reserve HK$'000 (Note v)	Acc-umulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2014	5,056	—	47,383	—	28,294	4,265	—	(10,805)	74,193	9	74,202
Loss and total comprehensive loss for the year	—	—	—	—	—	—	—	(2,601)	(2,601)	—	(2,601)
Release of non-controlling interests upon disposal of subsidiaries	—	—	—	—	—	—	—	—	—	(9)	(9)
Placement of new shares	4,000	—	103,000	—	—	—	—	—	107,000	—	107,000
Share issuing expenses	—	—	(3,806)	—	—	—	—	—	(3,806)	—	(3,806)
Conversion of new convertible loan notes	142	—	4,123	—	—	(4,265)	—	—	—	—	—
At 31 December 2014 and at 1 January 2015	9,198	—	150,700	—	28,294	—	—	(13,406)	174,786	—	174,786
Loss for the year	—	—	—	—	—	—	—	(30,343)	(30,343)	(37)	(30,380)
Other comprehensive loss for the year	—	—	—	—	—	—	(2,043)	—	(2,043)	—	(2,043)
Total comprehensive loss for the year	—	—	—	—	—	—	(2,043)	(30,343)	(32,386)	(37)	(32,423)
Subscription of new shares	18,397	13,798	740,495	—	—	—	—	—	772,690	—	772,690
Settlement of share subscription price	—	—	136,325	—	—	—	—	—	136,325	—	136,325
Issue of ordinary shares upon conversion of preferred shares	552	(552)	—	—	—	—	—	—	—	—	—
Recognition of equity-settled share-based payments	—	—	—	2,256	—	—	—	—	2,256	—	2,256
Share issuing expenses	—	—	(13,752)	—	—	—	—	—	(13,752)	—	(13,752)
Non-controlling interests arising on issuing ordinary share of subsidiaries	—	—	—	—	—	—	—	—	—	3	3
At 31 December 2015	**28,147**	**13,246**	**1,013,768**	**2,256**	**28,294**	**—**	**(2,043)**	**(43,749)**	**1,039,919**	**(34)**	**1,039,885**

Notes:

(i) Under the Companies Act 1981 of Bermuda (as amended), the share premium of the Company can be used in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares.

(ii) Share-based payment reserve represents the fair value of services estimated to be received in exchange for the grant of the relevant share options over the relevant vesting periods, the total of which is based on the fair value of the share options at grant date. The amount for each period is determined by spreading the fair value of the share options over the relevant vesting period (if any) and is recognised as staff costs and related expenses with a corresponding increase in the share-based payment reserve.

(iii) The contributed surplus of the Company represents the capital reduction and capital reorganisation of share capital and reserves of the Company during the year ended 31 December 2010. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus if: (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.

(iv) Under Hong Kong Accounting Standard ("HKAS") 32 *Financial Instruments: Presentation*, convertible loan notes issued are split into their liability and equity components at initial recognition by recognising the liability component at its fair value which is determined using a market interest rate for similar non-convertible debts and attributing to the equity component the difference between the proceeds from issue and the fair value of the liability component. The liability component is subsequently carried at amortised cost.

The equity component is recognised in the convertible loan notes reserve until the convertible loan notes are either converted (in which case it is transferred to share premium) or the convertible loan notes are redeemed (in which case it is released directly to accumulated losses).

(v) Exchange reserve represents exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollar) are recognised directly in other comprehensive income and accumulated in the exchange reserve. Such exchange differences accumulated in the exchange reserve are reclassified to accumulated losses on the disposal of the foreign operations.

Notes:

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 Growth Enterprise Market (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 consolidated financial statements 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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new and revised standards and interpretations (collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning from 1 January 2015. A summary of the new and revised HKFRSs adopted by the Group is set out as follows:

HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on the Group's consolidated financial statements as the defined benefit plans operated by the Group are wholly funded by contributions from the Group and do not involve contributions from employees or third parties.

Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24 *Related Party Disclosures* has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

3. ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKAS 1 (Amendments)	Disclosure Initiative[1]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants[1]
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle[1]
HKFRS 9	Financial Instrument[3]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception[1]
HKFRS11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]

[1] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

[2] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

[3] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

[4] Effective for annual periods beginning on or after a date to be determined.

Amendments to HKAS 16 and HKAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to HKAS 16 *Property, Plant and Equipment* prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 *Intangible Assets* introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, which have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in the fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated at fair value through profit or loss is presented in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors anticipate that the application of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities. However, in the opinion of the directors, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 ***Revenue from Contracts with Customers***

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract(s)
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract(s)
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The directors do not anticipated that the application of other new and revised HKFRSs will have material impact on these consolidated financial statements.

4. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by the HKICPA and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules") and by the disclosure requirements of the Hong Kong Companies Ordinance.

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) ("new CO") regarding preparation of consolidated financial statements and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the GEM Listing Rules regarding annual financial statements have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor Companies Ordinance or GEM Listing Rules but not under the new CO or amended GEM Listing Rules are not disclosed in these consolidated financial statements.

5. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis except for conversion options embedded in convertible notes receivable and held for trading investments that are measured at revalued amounts or fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

6. SEGMENT INFORMATION

Information reported to the directors, being the chief operating decision maker ("CODM"), for the purpose of resource allocation and assessment of segment performance focuses on the types of goods and services delivered or provided. In respect of the "artists management" and "movies, TV programs and internet contents" operations, the information reported to the CODM is further broken down into different sales channels. No operating segments identified by the CODM have been aggregated in arriving at the reportable segment of the Group.

The Group's reportable and operating segments under HKFRS 8 are as follows:

(i)	Artists management	Service income from provision of artists management
(ii)	Movies, TV programs and internet contents	Investment, production and distribution of movies, TV programs and investment in internet contents

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment.

	Artists Management		Movies, TV programs and internet contents		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue						
Revenue to external customers	**2,429**	5,939	**3,233**	10	**5,662**	5,949
Segment results	**(185)**	(1,392)	**213**	(484)	**28**	(1,876)
Unallocated other revenue and other income					**900**	308
Unallocated expenses					**(40,987)**	(7,909)
Gain arising on change in fair value of financial assets classified as held for trading investments					**9,780**	2,253
Gain on disposal of subsidiaries					**—**	5,261
Loss arising on change in fair value of conversion options embedded in convertible notes receivable					**(97)**	—
Share of results of joint ventures					**(4)**	(638)
Loss before tax					**(30,380)**	(2,601)
Income tax expense					**—**	—
Loss for the year					**(30,380)**	(2,601)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in both years.

Segment results represents the (loss)/profit (suffered)/earned by each of segment without allocation of central administration costs including directors' emoluments, share of results of joint ventures, gain on disposal of subsidiaries, gain arising on change in fair value of financial assets classified as held for trading investments, loss arising on change in fair value of conversion options embedded in convertible notes receivable, other revenue and other income and income tax expense. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

(b) Segment assets and liabilities

	Artists management		Movies, TV programs and internet contents		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**1,255**	2,407	**76,688**	2,072	**77,943**	4,479
Unallocated assets					**996,746**	174,542
Total assets					**1,074,689**	179,021
Segment liabilities	**364**	3,181	**5,029**	—	**5,393**	3,181
Unallocated liabilities					**29,411**	1,054
Total liabilities					**34,804**	4,235

For the purposes of resource allocation and performance assessment between segments:

All assets are allocated to reportable segment other than convertible notes receivables, conversion options embedded in convertible notes receivable, interests in joint ventures, deposit paid for interest in an associate, deposits paid for acquisition of property, plant and equipment, held for trading investments, unallocated head office and corporate assets, partial deposits, prepayment and other receivables, amount due from a joint venture and partial cash and cash equivalents as these assets are managed on a group basis. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segments; and

All liabilities are allocated to reportable segments other than partial accruals and other payables, amount due to a joint venture, amount due to a related company and amount due to a shareholder as these liabilities are managed on a group basis. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

(c) Other segment information

	Artists managements		Movies, TV programs and internet contents		Unallocated		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Depreciation of property, plant and equipment	**5**	5	**2**	—	**1,244**	129	**1,251**	134
Written off of property, plant and equipment	—	—	—	—	—	1,579	—	1,579
Impairment loss recognised in respect of film rights	—	—	—	320	—	—	—	320
Bank interest income	—	(377)	**(8)**	—	**(795)**	(56)	**(803)**	(433)
Share of results of joint ventures	—	—	—	—	**4**	638	**4**	638
Interests in joint ventures	—	—	—	—	—	4	—	4

(d) Geographical information

In determining the Group's geographical information, revenue information is based on the location of the customers, and asset information is based on the location of the assets.

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets*	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
People's Republic of China ("PRC")	**3,682**	2,560	**4,806**	—
Hong Kong	**1,980**	3,359	**1,466**	600
Others	—	30	**995**	—
	5,662	5,949	**7,267**	600

* Non-current assets excluded those relating to interests in joint ventures, available-for-sale financial assets, convertible notes receivable, conversion options embedded in convertible notes receivable, deposit paid for interest in an associate and deposit paid for acquisition of property, plant and equipment.

(e) **Information about major customers**

Revenue from customers for the year ended 31 December 2015 and 2014 contributing over 10% of the total revenue of the Group are as follows:

	Reporting segment	2015 HK$'000	2014 HK$'000
Customer A	Sales of film rights	**2,506**	N/A
Customer B	Artists management	**1,049**	N/A
Customer C	Artists management	**1,000**	N/A
Customer D	Sales of film rights	**600**	N/A
Customer E	Artists management	**N/A**	1,261
Customer F	Artists management	**N/A**	684
Customer G	Artists management	**N/A**	597

No other customer contributed 10% or more to the Group's revenue for the year ended 31 December 2015 and 2014.

7. REVENUE

Revenue represents the net amount received and receivables from services rendered.

	2015 HK$'000	2014 HK$'000
Artists management	**2,429**	5,939
Sales of film rights	**3,106**	—
Services income	**127**	—
Film production and distribution	**—**	10
	5,662	5,949

8. OTHER REVENUE AND OTHER INCOME

	2015 HK$'000	2014 HK$'000
Bank interest income	**803**	433
Consultancy fee income	**185**	252
Sundry income	**30**	—
Imputed interest income on convertible notes receivable	**105**	—
	1,123	685

9. LOSS BEFORE TAX

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

	2015	2014
	HK$'000	*HK$'000*
Auditors' remuneration	**823**	760
Depreciation of property, plant and equipment	**1,251**	134
Written off of property, plant and equipment	**—**	1,579
Impairment loss recognised in respect of film rights	**—**	320
Gain arising on change in fair value of financial assets classified as held for trading investments	**(9,780)**	(2,253)
Loss arising on change in fair value of conversion options embedded in convertible notes receivable	**97**	—
Operating leases rentals in respect of rented premises	**6,191**	1,122
Staff costs (excluding directors' remuneration):		
— Salaries and allowances	**18,509**	3,765
— Retirement benefits schemes contributions	**1,210**	88
— Share-based payment expenses	**1,170**	—
	20,889	3,853

10. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25%. Republic of Korea ("Korea") subsidiary is subject to South Korea Corporate Income Tax at the maximum progressive rate up to 22% of the assessable profit.

No provision for Hong Kong Profits Tax has been made for both years as the Group have no assessable profits arising in Hong Kong.

No provision for PRC Enterprise Income Tax has been made for the year ended 31 December 2015 as the Group have no assessable profits arising in PRC.

No provision for South Korea Corporate Income Tax has been made for the year ended 31 December 2015 as the Group have no assessable profits arising in Korea.

11. LOSS PER SHARE

The computations of basic and diluted loss per share attributable to owners of the Company are based on the following data:

	2015	2014
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(30,343)**	(2,601)

	2015	2014
	'000	*'000*
Weighted average number of ordinary shares in issue	**2,176,185**	742,896

The denominators used are the same as those detailed above for both basic and diluted loss per share.

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 year ended 31 December 2015, the conversion of the above potential dilutive shares is not assumed in the calculation of diluted loss per share.

12. FILM RIGHTS AND FILMS IN PROGRESS

	Film rights	**Films in progress**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Cost:			
At 1 January 2014, at 31 December 2014 and at 1 January 2015	7,958	—	7,958
Additions	—	41,117	41,117
Disposal	(10,276)	—	(10,276)
Transfer from films in progress to film rights	38,634	(38,634)	—
At 31 December 2015	36,316	2,483	38,799
Accumulated impairment:			
At 1 January 2014	7,046	—	7,046
Impairment loss recognised	320	—	320
At 31 December 2014 and at 1 January 2015	7,366	—	7,366
Disposal	(7,366)	—	(7,366)
At 31 December 2015	—	—	—
Carrying amounts:			
At 31 December 2015	**36,316**	**2,483**	**38,799**
At 31 December 2014	592	—	592

For the purpose of impairment testing, film rights have been allocated to the CGU of movies, TV programs and internet contents operation.

In light of the circumstances of film industry, the Group regularly reviewed its library of film rights to assess the marketability of film rights and the corresponding recoverable amounts.

At 31 December 2015, the directors of the Company believe that any reasonably possible change in the key assumptions on which the recoverable amount would not cause the carrying amounts of the film rights exceed the aggregate recoverable amount.

At 31 December 2014, the directors assessed the recoverable amount of the film rights with reference to the valuation performed by Grant Sherman Appraisal Limited, an independent qualified professional valuer, and determined impairment loss within the business segment "movies, TV programs and internet contents" due to prevailing marketability circumstances.

The recoverable amount of the film right is present value of expected future revenue arising from the distribution and sub-licencing of the film rights and their residual values, the cash flow are discounted using a discount rate of 14.76% for 2014. The discount rates used are pre-tax and reflect specific risk relating to the segment.

During the year ended 31 December 2014, there is an impairment loss of approximately HK$320,000 recognised in respect of film rights.

The impairment loss recognised during the year ended 31 December 2014 solely related to the Group's film production and distribution activities based in Hong Kong. As the CGU has been reduced to its recoverable amount of approximately HK$592,000, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015	2014
	HK$'000	*HK$'000*
Unlisted investment:		
— Equity securities outside Hong Kong	**20,026**	—

The above unlisted equity investment represents investment in unlisted equity securities issued by private entity incorporated outside Hong Kong. Unlisted equity investment is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors are of the opinion that fair value cannot be measured reliably.

At 31 December 2015, the directors assessed the recoverable amount of unlisted equity security with the basis of past performance, management expectation for market development and certain key assumption. Based on the above assessment, the directors considered that there is no indication that material decline or adverse changes in the market in which investee operated occurred and the directors considered that the cost of investment is still considered to be recoverable, thus no impairment loss was recognised for the year ended 31 December 2015.

14. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Deposits	**2,569**	2,073
Prepayments	**36,268**	416
Other receivables	**11,373**	13
	50,210	2,502

At 31 December 2015, deposits amounted to approximately HK$240,000 (2014: HK$2,059,000) represented the deposits paid for artists management.

15. AMOUNTS DUE FROM/(TO) A JOINT VENTURE/A RELATED COMPANY/A SHAREHOLDER

The amounts due from/(to) a joint venture/a related company/a shareholder are unsecured, interest-free and repayable on demand.

DIVIDEND

No dividend was paid or proposed during 2015, nor has any dividend been proposed since the end of the reporting period (2014: nil).

CHANGE OF COMPANY NAME

On 27 April 2015 the Company proposed to change the English name of the Company from "China Star Cultural Media Group Limited" to "Lajin Entertainment Network Group Limited" and the Chinese name of the Company "拉近網娛集團有限公司" will be adopted to replace "中國星文化產業集團有限公司" for identification purpose only. Please refer to the Company's announcement dated 27 April 2015 and circular dated 13 May 2015 for more details. On 29 July 2015, the Certificate of Registration of Alteration of Name of Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong confirming the registration of the new name "Lajin Entertainment Network Group Limited 拉近網娛集團有限公司*" of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong). With effect from 7 August 2015, the Shares of the Company was traded on the Stock Exchange under the new stock short name of "LAJIN ENT" in English and "拉近網娛" in Chinese instead of the previous trading names. The stock code of the Company remains as 8172.

MANAGEMENT DISCUSSION AND ANALYSIS

Change in Directors and Secretary

On 19 March 2015, Ms. Wu Li has been appointed as executive Director, Mr. Zou Xiao Chun has been appointed as non-executive director, and Mr. Ng Wai Hung and Mr. Lam Cheung Shing Richard have been appointed as independent non-executive directors.

On 26 March 2015, Mr. Chan Kam Kwan Jason has been appointed as the Company Secretary of the Company following Mr. Leung Wai Man's resignation as company secretary.

On 2 April 2015, Ms. Li Yee Mei has resigned as executive director and authorized representative, and Mr. Yip Tai Him and Mr. Law Yiu Sang, Jacky have resigned as independent non-executive directors. On the same date, Mr. Zhou Ya Fei has been appointed as non-executive director of the Company and Mr. Chan Kam Kwan Jason has been appointed as the authorized representative of the Company.

On 30 June, 2015, Mr. Leung Wai Man has resigned as executive director, authorized representative and the compliance officer of the Company and Mr. Fung Wai Ching has resigned as independent non-executive director. On the same date, Mr. Wang Ju has been appointed as independent non-executive director of the Company and Ms. Wu Li, an executive director of the Company, has been appointed as the authorized representative and the compliance officer of the Company.

On 23 November 2015, Mr. Chan Kam Kwan Jason was appointed as executive director of the Company and on the same date, Mr. Luo Ning was appointed as non-executive director of the Company.

Business Review

During the year under review, the Group has experienced a major change in its shareholding structure following the completion of a fund raising transaction on 19 March 2015 whereas a group of new controlling shareholders were introduced and a substantial amount of new capital were raised. Subsequently, while building up the skeleton for the new media businesses, the Group has also issue new shares (approximately 16%) to CITIC as our strategic investor. In the past few months, the Group has also recruited people of high calibre and with extensive experience in the industry to assist us in the building of "Lajin" platform. "Lajin", in Chinese means "to get closer". We hope that our different media platforms can bring different people together, let them stay closer and enjoy what we produce for them.

Our main business focus are (i) Movies and TV/Internet programs; (ii) Music; (iii) Events and Shows; and (iii) Artists Management.

Movies and TV/Internet programs

The Group has completed its first movie "The Guest" (不速之客) starring Mr. Leon Lai (黎明), Mr. Geng Le (耿樂) and Miss Han Chae Young (韓彩英) and will be released to theatres in April 2016. Our strategy is to focus on small to medium production scale with average investment amount not exceeding RMB50 million for each project. We will invite other investors to co-invest in the projects should we feel appropriate and necessary. We will still participate in movies of higher budget by only sharing a low percentage of investment of such movie. In August, the Group has announced the engagement of Ms. Shang Na to act as the Group's Vice President and CEO of our "Lajin Pictures" and "Young Films", being two of our brands for movies and TV/Internet investments. The Group has also established a joint venture company with Ms. Shang for the investment in this area. Please refer to sectioned headed "Profile of Directors and Senior Management" in the annual report for Ms. Shang's biographical information and the circular of the Company dated 23 December 2015 for the details of joint venture co-operations. Another brand that the Group has established is called "Jiaxuan Global Pictures", which is led by its CEO Mr. Qian Zhongyuan (please refer to sectioned headed "Profile of Directors and Senior Management" in the annual report for Mr. Qian's biographical information). As at the date of this announcement. Lajin Pictures, Young Film and Jiaxuan Global Pictures, in aggregate have more than 21 movies and TV/Internet programs projects on their project pipleline, with average investment budget per project of approximately RMB30 million. These projects are expected to be completed and released during 2016 and 2017.

Besides the local resources, we have actively co-operate with reputable Korean producers as Korean contents and other resources has become very popular in Chinese market. Recently we have reached cooperation agreement with Mr. Jung Hoon-Tak ("Mr. Jung") (鄭勳卓) to form joint ventures in both Korean and China for investment of movies. Mr. Jung is one of the most reputable producers in Korea and has involved in the productions of many popular movies and he has founded IHQ Inc, a company listed on the Korean Stock Exchange, principally engaged in film production, music album production and artists management businesses. Mr. Jung was the former manager of Jun Ji-hyun (全智賢), Jung Woo-sung (鄭宇盛) and Cha Tae-hyun (車太玄) and etc, and he is currently the manager of Kim Woo-bin (金宇彬) and many other artists and singers. We believe that this strategic cooperation will allow us to access to the intellectual properties (content) and artists resources in Korea. And based on the experience of the production team led by Mr. Jung, we hope that we can jointly produce many high quality programs for the audience in China.

In addition to the cooperation with Mr. Jung, in October 2015, the Group has invested in a convertible note of KRW1,123,560,000 (approximately HK$7,549,000), issued by a local Korean production company focusing on the production of TV variety shows. A joint venture company (70% owned by the Group and 30% owned by such Korean company) is being registered in China. The joint venture company will leverage on the expertise and experience of the Korean production team to produce creative variety programs for the Chinese market. Currently the team has already started creating their first program.

Music and Artists Management

The Group is developing an integrated music related platform. Such platform will consist of different elements, aiming at fostering new and talented artists and providing massive high quality entertainment media contents, including but not limited to live broadcast, mobile broadcast, interaction between audiences and artists, marketing and promotion of music related contents and resources & etc. The platform is designed and executed by the top-tier production, artist training and IT professionals from both China and Korea. A small scale trial run of live broadcast programs was conducted successfully, and coming up next would be the audition for potential artists (to be conducted online or offline), which is scheduled to commence in April 2016. As planned, first phrase of such platform will be launched in mid-2016.

Events and shows

The Group is organising a motor car drifting race event in China. The Group will also organise various themed music festivals and concerts. It is intended that these series of events would be held around October 2016, subject to permission granted by local authority. We will continue to seek for opportunities to organise other events and show such as sports-related entertainment events, concerts and music festivals.

Acquisition of production base

In December, 2015, the Group has announced the proposed acquisition of the premises situated in Beijing Economic Technological Area 北京經濟技術開發區 for a total consideration of RMB68,323,440. We intend to turn the premise into a multi-functional base with production studios (both video and audio), live performance stage, artist training centre & etc.

Other Investments

The sourcing of artists is crucial for the entertainment business. The Group has made an investment to a model agency in China in order to help sourcing high potential artists.

Prospects

The Group has committed to develop an integrated and cross-media entertainment platform in China. Although it takes a longer time than expected to lay the ground work for rolling out the business plan, the Group is optimistic of its future going forward. We have paved a clear path of development by formulating the right business strategy and focus, recruiting and co-operating with high calibre personnel, and more importantly, raising sufficient working capital for the time being. In the coming future, we will continue to source for more quality media contents, as well as other acquisition opportunities in China and Korea of reasonable price. We know that competition would be keen in the industry but we are confident that our strategy is right and with the support by our major shareholders, the Group will have a great success.

Challenge

According to the statistics published in January 2016 by the State Administration of Press, Publication, Radio, Film and Television of the People's Republic of China, a 48.7% increase in box office was recorded over last year in 2015, amounting to approximately RMB44.07 billion. Among such, approximately RMB27.1 billion was contributed by domestic releases, representing a 61.58% share of the total box office. Some industry experts have estimated that the total box office will reach RMB100 billion in the next 5 – 10 years. Albeit the market saw staggering growth in recent years, it was not all without challenges. Competition is intense for almost everything related to movies, from sourcing the attractive scripts, artists, directors, production crews, to the allocation of the theatre schedule. Cost of a movie has inevitably increased. Besides, more stringent limitations over the contents of movies and programs, and tighter control over the internet by government policies also create burdens to implement some of our innovative ideas. We must therefore carefully set our strategy right for the market, control our cost and be close enough to follow the ever-changing policies.

Environmental policy and compliance with relevant laws and regulations

Environmental Protection

As a responsible entity, the Group has endeavoured to comply with local laws and regulations in relation to waste disposal. The Group also encourages staff to save energy, minimize the use of natural resources and paper products. The existing businesses of the Group is not expected to create material damages to the environment and therefore the Group has not conducted any statistics in respect of the environment protection. We will continue to ensure in the future that environmental protection is at the top priority when planning any business activities ahead.

Compliance with Laws and Regulations

During the year, to the best knowledge of the management, the Group has complied with the relevant standards, laws and regulations that have a significant impact to our businesses. At the same time, the Group always maintains a safe working environment for staff in accordance with relevant safety policies.

Relationship with Employees, Customers and Suppliers

The Group believes that human resources is the most important asset for the Group's sustainable development. We offer competitive remuneration packages and high quality working environment for our employees. It is our customs to respect each other and to ensure that fairness is applied to everyone. From time to time, we provide relevant on-the-job trainings to enhance employees' professional knowledge. The Group also organises different leisure events and frequent group discussions for the participation of employees to enhance the bonding of the employees and communications with management.

Due to the nature of our businesses, we do not rely on single suppliers or customers. Having said that, we are always trying to build up long term relationships with our existing and potential customers and suppliers and we are not aware of any unresolved disputes with any of the customers and suppliers during the year.

Remuneration Policy

The Group's compensation strategy is to cultivate a pay-for-performance culture to reward employee performance that will maximize shareholder value in the long run. The Group from time to time reviews remuneration packages provided to its employees to ensure that the total compensation is internally equitable, externally competitive and supports the Group's business strategy.

Financial Review

The revenue of the Group was approximately HK$5,662,000 for the year ended 31 December 2015 (2014: HK$5,949,000), and it was generated from the provision of artists management and investment in movies, TV programs and internet contents, representing a decrease of 4.8% as compared with the year ended 31 December 2014. Cost of sales for the year ended 31 December 2015 increased to approximately HK$4,807,000 from approximately HK$4,429,000 as compared with the year ended 31 December 2014.

Artists Management

During the year under review, the revenue contributed by such segment was approximately HK$2,429,000 (2014: HK$5,939,000), representing a decrease of approximately 59.1% due to the tough business competition as compared with the year ended 31 December 2015.

The gross profit margin decreased to approximately 25.1% (2014: 25.5%).

Movies, TV programs and internet contents

During the year under review, the revenue contributed by such segment was approximately HK$ 3,233,000 (2014: HK$10,000), representing the sales of film rights owned by the Group and service income of the internet.

The gross profit margin of the Company decreased to approximately 15.1% (2014: 25.5%).

Administrative expenses were mainly the staff costs, operating leases and other general administrative expenses of the Group incurred during the year under review. Administrative expenses increased by 259.8% to approximately HK$42,037,000 from approximately HK$11,682,000 in prior year. It was mainly attributed to the increase in expenses on operating leases amounted to approximately HK$6,191,000 (2014: HK$1,122,000) and salaries and allowances amounted to approximately HK$18,509,000 (2014: HK$3,765,000) due to the expansion of offices and increased number of employees to cope with the business development of the Group.

During the year under review, loss for the year attributable to owners of the Company was approximately HK$30,343,000 (2014: HK$2,601,000), which was mainly attributed to the increase in administrative expenses amounted to approximately HK$42,037,000 (2014: HK$11,682,000). However, a gain arising on change in fair value of financial assets classified as held for trading investments of HK$9,780,000 should have mitigated part of the loss for the year attributable to owners of the Company.

Pending Litigation

On 30 May 2011, Hong Kong Xuanhe Management Limited (formerly known as China Star Management Limited), an indirect wholly-owned subsidiary of the Company, issued a Writ of Summons to claim against Tang's Workshop Limited ("Tang's Workshop") for the sum of HK$127,500, being the fees charged for the services rendered and material supplied to Tang's Workshop. At the date of this announcement, the litigation has yet to be settled.

Liquidity and Financial Resources

At 31 December 2015, the Group had total assets of approximately HK$1,074,689,000 (2014: HK$179,021,000), including cash and cash equivalents of approximately HK$905,836,000 (2014: HK$158,800,000). During the year under review, the Group financed its operation with the proceeds from fund raising activities.

Capital Structure

Subscription of shares and new preferred shares

Reference is made to the circular of the Company dated 18 February 2015, capitalized terms used shall have the same meanings as those defined in the circular unless the context stated otherwise.

On 24 November 2014, the Company and the Subscribers (including Jiaxuan, Vision Path, First Charm and REORIENT Global) entered into the Subscription Agreement pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 2,759,609,727 Subscription Shares, comprising 1,379,804,865 new Ordinary Shares (with a nominal value of HK$13,798,048.65) and 1,379,804,862 new Preferred Shares (with a nominal value of HK$13,798,048.62) at an issue price of HK$0.20 per Subscription Share. The net proceeds per Subscription Share upon completion of the Subscription and payment in full of the Subscription Price represent a net price of approximately HK$0.19 per Subscription Share. The Subscription Price of HK$0.20 per Share represents a discount of approximately 71.4% to the last trading price (before suspension) of HK$0.70 per Share as quoted on 21 November 2014, being the last trading day when the Subscription Price was fixed. The Directors are of the view that taking into account the experience, expertise and business network in the PRC, in particular the entertainment industry in the PRC, that our substantial shareholder would bring in, the Subscription represents a valuable opportunity for the Group to recruit a solid strategic corporate investor. The Directors considered that entering into the Subscription Agreement represents a good opportunity to (i) raise a substantial amount of additional funds for the Company; (ii) improve the financial position and liquidity of the Group; (iii) provide the Company with the financial flexibility necessary for the Group's future business development and the capability to capture any prospective investment opportunities as and when they arise; and (iv) strengthen the Group's capability to develop the PRC market. Net proceeds of approximately HK$538.4 million was raised and will be used for investment in Korean media resources including scripts, film directors, artists and copyrights, and artists management and training; for organising exhibitions, performance shows and concerts; for the investment and production of TV programmes and movies; and for the establishment of an online platform to provide media contents on the Internet.

On 16 March 2015, a special general meeting was held and independent shareholders' approval in relation to the subscription and the increase in authorised share capital have been sought. The authorised share capital of the Company was increased from HK$30,000,000 to HK$100,000,000 by (i) the creation of an additional 5,000,000,000 ordinary shares and (ii) the creation of 2,000,000,000 new preferred shares, such that the authorised share capital of the Company was HK$100,000,000 divided into 8,000,000,000 ordinary shares and 2,000,000,000 preferred shares. The completion of the subscription has taken place on 19 March 2015.

The Subscribers have been granted a whitewash waiver, waiving the obligation of the Subscribers to make a general offer under Rule 26 of the Takeovers Code upon conversion of such preferred shares.

On 15 June 2015, 55,192,194 of the preferred shares have been converted into ordinary shares of the Company.

CITIC Subscription

Reference is made to the announcement of the Company dated on 13 July 2015 and 31 August 2015 in relation to the subscription of the ordinary shares by CITIC Investment (HK) Limited ("CITIC"). On 14 September 2015, the subscription was completed and 459,934,954 new ordinary shares (with a nominal value of HK$4,599,349.54) of the Company have been duly allotted and issued as fully paid at an issue price of HK$1.05 per share, raising a net proceed of approximately HK$482.9 million. The net Subscription Price of HK$1.05 per share represents a discount of 19.85% of the closing price of HK$1.31 per share as quoted on 31 August 2015, being the date when the subscription price was fixed.

Subsequent to the completion of the abovementioned subscription, the conversion price of the preferred shares of the company is adjusted to HK$0.19 per ordinary share.

The Group intends to develop more kinds of entertainment businesses including films, dramas, concerts, sports events, and shows, etc. and to establish an online media platform for different media contents, carry out acquisition and investment in Korean entertainment companies, develop and establish its production base in the PRC and it requires a generous amount of working capital. Not only that the above subscription provides additional funding for the Group's continuous business development, the Company believes that the Subscription will bring in the Subscriber as a strategic shareholder to contribute to the development of the Group's entertainment business.

As at the date of this announcement, the Company has in issue a total of 2,814,801,922 ordinary shares, and 1,324,612,668 convertible preferred shares which are convertible to 1,394,329,124 ordinary Shares based on the adjusted convertible preferred shares based on the adjusted conversion price.

Use of Proceeds

The Company has conducted the following fund raising activities during the year ended 31 December 2015.

Date of Completion of the fund raising activities	Fund raising activities	Net proceeds (approximate)
19 March 2015	Subscription of 1,379,804,865 new ordinary shares and 1,379,804,862 new preferred shares ("First Subscription")	HK$538.4 million
14 September 2015	Subscription of 459,934,954 new ordinary shares ("Second Subscription")	HK$482.6 million

As at the date of this announcement, the Group had utilised approximately HK$187.7 million of the net proceeds from the first Subscription as follows:

(i) As to approximately HK$100.6 million was used in investment in movies, TV programs and internet contents and other related investments in Korean entertainment companies;

(ii) As to approximately HK$39.3 million for acquisition of properties in PRC; and

(iii) As to approximately HK$47.8 million for general working capital and acquisition of fixed assets.

Specific Mandate to Issue Consideration Shares Due to the JV Co-Operation Arrangement with Ms. Shang

Reference is made to the announcement dated 28 August 2015 and the circular dated 23 December 2015. Capitalised terms therein should contain the same meanings unless otherwise specified. Pursuant to the Subscription Agreement entered into between the Company, Ms. Shang Na, and Best of Us Company Limited (the "JV Partner"), a wholly-owned company by Ms. Shang, 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 the JV Partner. 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 calculated on the basis of an estimated accumulated profit of RMB150 million shall be settled by the allotment and issuance of a maximum of 228,438,228 Consideration Shares in batches, in accordance with the formula and manner as set out in the Deed. Shareholders' approval has been sought on 12 January 2016 for the granting of such Shang Put Option and the Company Call Option, hence the Consideration Issue under specific mandate.

Gearing Ratio

The gearing ratio, expressed as percentage of total liabilities over total assets, was approximately 3.2% (2014: 2.4%). The change in gearing ratio was mainly derived from the increase of current liabilities in accruals and other payables from approximately HK$1,357,000 to HK$9,475,000 as compared with that in prior year. At the same time, the increase of film rights and films in progress from HK$592,000 to HK$38,799,000, deposits, prepayments and other receivables from HK$2,502,000 to HK$50,210,000 and cash and cash equivalents from HK$158,800,000 to HK$905,836,000 also contributed to the change in the Company's gearing ratio.

Charge on the Group's Assets

At 31 December 2015, the Group did not have any charge on its assets.

Foreign Exchange Risk

The Group has not used any foreign currency derivative instruments to hedge its exposure to foreign exchange risk. However, the management closely monitors the exposures and will consider hedging the exposures should the need arise.

Commitments

At 31 December 2015, the Group had capital commitments of approximately HK$15,738,000 (2014: nil).

Contingent Liabilities

At 31 December 2015, the Group had no contingent liabilities (2014: nil).

Employees

At the date of the report, the Group had 112 employees, including approximately 105 employees in PRC and 7 employees in Hong Kong and Korea. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performances, professional experiences and the prevailing industry practices. The employees in Hong Kong joined the mandatory provident fund scheme. Other benefits include share options granted or to be granted under the share option scheme.

Significant Investment

The Group did not hold any significant investment during the year ended 31 December 2015.

Connected Transaction

Continuing Connected Transaction

Reference is made to the announcements dated 21 December 2015 and 28 August 2015 in relation to the continuing connected transaction constituted by entering into the Master Services Agreement and the subscription of new shares in JV Company. Capitalized terms contained herein shall have the same meanings as set out in the announcement, and the circular in relation to the Shang Put Option dated 23 December 2015.

Having regard to the potential implications of the draft PRC Foreign Investment Law proposed by the Ministry of Commerce and after further negotiations among the parties, in lieu of the structured contracts arrangements as disclosed in the announcement dated 28 August 2015, on 21 December 2015 (after trading hours), Young Film Culture Media Company Limited ("Young Film") (a wholly-owned subsidiary of Young Film Company Limited ("the JV Company") and the 青島年青時候影視文化傳媒有限公司 (Qingdao Young Times Video Cultural Media Company Limited) (the "Media Company") entered into the Master Services Agreements pursuant to which shall provide to Young Film services including the production and promotion of movies, TV dramas and programmes as requested by the Group for a term of three years from the date of the Master Services Agreement.

During the term of the Master Services Agreement, the Media Company shall provide to the Group services including production and promotion of movies, TV dramas and programmes as requested by the Group. The Group shall provide to the Media Company a shareholders' loan (subject to annual caps as detailed below) for its production. The services under the Master Services Agreement shall be charged on cost basis (as incurred by the Media Company). With regard to each production planned by the Group, the Media Company shall prepare a budget for which the Group shall prepay the budgeted amount to the Media Company. Following completion of the production, the parties shall ascertain the actual costs of production and settle outstanding amounts where appropriate.

	Annual Caps *RMB in millions*
From the period commencing from the date of the Master Services Agreement to 31 December 2015	19.8
For the year ended 31 December 2016	190.9
For the year ended 31 December 2017	182.6
For the year ended 31 December 2018	247.1

Following Completion of the Subscription, Ms. Shang has become a substantial shareholder of the JV Company which is a subsidiary of the Company and therefore is a connected person to the Company at the subsidiary level. The Media Company is an associate of Ms. Shang and the entering into of the Master Services Agreement between Young Film (an indirect subsidiary of the Company) and the Media Company constitutes a continuing connected transaction for the Company. As the Master Services Agreement was entered into on normal commercial terms or better, and Ms. Shang is a connected person of the Company at subsidiary level, the entering into of the Master Services Agreement is exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 20.99 of the GEM Listing Rules. The transactions contemplated under the Master Services Agreement is subject to the annual review requirements under Rules 20.53 to 20.57 of the GEM Listing Rules.

Reasons for the transaction

The Group is principally engaged in the provision of artists management services and film production and distribution. The Group intends to develop more kinds of entertainment business including films, dramas, concerts, sports events, and shows, etc. and to establish an online media platform for different media contents. In view of Ms. Shang's extensive experience and business network in the industry, the Group has agreed to co-invest in the JV Company with Ms. Shang and through the JV Company to engage in the TV/film production business in the PRC.

The Directors (including the independent non-executive Directors) consider that the transactions contemplated under the Master Services Agreement are in the ordinary and usual course of business of the Group and the terms of the Master Services Agreement are on normal commercial terms and fair and reasonable and in the interests of the Company and its shareholders as a whole. None of the Directors have a material interest in the Master Services Agreement that requires them to abstain from voting at the Board's resolution regarding the Master Services Agreement.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unqualified letter containing the auditor's findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with GEM Listing Rule 20.54. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

For the year ended 31 December 2015, Films/TV related services provided to Young Film by the Media Company amounted to approximately HK$24,000,000.

As the applicable percentage ratio under the GEM Listing Rules for the transaction is more than 0.1% but less than 5%, the transaction is subject to the reporting and announcement requirements and exempt from the independent shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

Save as disclosed above, during the year ended 31 December 2015, there were no connected transactions or continuing connected transactions under the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements thereunder.

EVENTS AFTER THE REPORTING PERIOD

On 21 January 2016, the Company granted a total of 15,000,000 share options to eligible persons of the Group under the share option scheme adopted by the shareholders of the Company on 10 June 2014.

In March 2016, the Company received the full payment of the remaining Subscription Price for the convertible preferred shares, The Company has received a total of approximately HK$125.8 million.

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

During the year ended 31 December 2015, 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 year ended 31 December 2015, with the exception of CG Code Provisions A.2.1 (separation of roles of chairman and chief executive), A.4.1 (specific terms of non-executive Directors) and A.6.7 (Directors attending general meetings).

(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 at the Group level were still left vacant. However, the Company has appointed a number of Chief Executive Officers at subsidiary level for each business segments, who will be held responsible for the oversight of each business segments' operations. The Company will continue to look for the appropriate candidate to fill the vacancy as chairman and the chief executive officer where appropriate.

(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 CG Code provision A.6.7, non-executive Directors should attend general meetings. During the year, due to directors other commitments and travels, not all of the non-executive directors of the Company attended all general meetings.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 2015, 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 independent non-executive Directors except for Mr. Zhou Ya Fei who is a non-executive director of the Company. 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 is responsible for reviewing and supervising the financial reporting and internal control and risk management procedures of the Group.

The audit committee has reviewed the consolidated financial statement of the Group for the year ended 31 December 2015.

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

Hong Kong, 24 March 2016

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.