



**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 2016**

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

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**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 (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 (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2016, together with the comparative audited figures for the year ended 31 December 2015 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*Year ended 31 December 2016*

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	5	<b>24,143</b>	5,662
Cost of sales		<b>(111,688)</b>	(4,807)
Gross profit/(loss)		<b>(87,545)</b>	855
Other income and gains	5	<b>11,888</b>	12,421
Selling and distribution expenses		<b>(4,220)</b>	(420)
Administrative expenses		<b>(96,616)</b>	(40,976)
Share-based compensation costs		<b>(32,984)</b>	(2,256)
Other expenses		<b>(12,504)</b>	—
Share of profits and losses of associates		<b>(2,182)</b>	—
Share of loss of a joint venture		—	(4)
Loss before tax	6	<b>(224,163)</b>	(30,380)
Income tax expense	7	<b>(93)</b>	—
Loss for the year		<b>(224,256)</b>	(30,380)
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		<b>(30,692)</b>	(2,043)
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX</b>		<b>(30,692)</b>	(2,043)
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(254,948)</b>	(32,423)

	<i>Note</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Loss for the year attributable to:</b>			
Owners of the parent		(224,239)	(30,343)
Non-controlling interests		<u>(17)</u>	<u>(37)</u>
		<b><u>(224,256)</u></b>	<b><u>(30,380)</u></b>
<b>Total comprehensive loss for the year attributable to:</b>			
Owners of the parent		(254,931)	(32,386)
Non-controlling interests		<u>(17)</u>	<u>(37)</u>
		<b><u>(254,948)</u></b>	<b><u>(32,423)</u></b>
<b>Loss per share attributable to</b>			
<b>ordinary equity holders of the parent</b>	<i>8</i>		
Basic and diluted		<b><u>HK(7.97) cents</u></b>	<b><u>HK(1.39) cents</u></b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		25,400	7,267
Convertible notes receivable		5,427	4,971
Conversion options embedded in convertible notes receivable		886	2,586
Investments in associates		39,671	—
Available-for-sale financial assets		19,857	20,026
Deposits paid for investments in associates		—	5,847
Deposits paid for acquisition of property, plant and equipment		39,971	39,135
		<u>131,212</u>	<u>79,832</u>
Total non-current assets			
<b>Current assets</b>			
Trade receivables	9	14,775	—
Film rights and films and TV programmes under production	10	219,596	38,799
Investment in film		16,750	—
Amounts due from related companies	11	47,460	24,000
Amount due from a joint venture		—	12
Prepayments, deposits and other receivables		39,335	26,210
Cash and cash equivalents		493,128	905,836
		<u>831,044</u>	<u>994,857</u>
Total current assets			
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	12	2,773	—
Amount due to a joint venture		—	3
Amount due to a related company		—	602
Amount due to a shareholder		3,133	24,424
Other payables and accruals		11,967	9,475
Receipts in advance		—	300
		<u>17,873</u>	<u>34,804</u>
Total current liabilities			
Net current assets		<u>813,171</u>	<u>960,053</u>
Total assets less current liabilities		<u>944,383</u>	<u>1,039,885</u>
<b>Net assets</b>		<u><u>944,383</u></u>	<u><u>1,039,885</u></u>
<b>EQUITY</b>			
Share capital — ordinary shares		28,147	28,147
Share capital — preferred shares		13,246	13,246
Reserves		902,417	998,526
		<u>943,810</u>	<u>1,039,919</u>
Equity attributable to owners of the parent			
Non-controlling interests		573	(34)
		<u>944,383</u>	<u>1,039,885</u>
<b>Total equity</b>		<u><u>944,383</u></u>	<u><u>1,039,885</u></u>

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.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
HKFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

The adoption of the above new and revised standards has had no significant financial effect on these financial statements.

## 3. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for conversion options embedded in convertible notes receivable which have been measured at fair value. The 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 when otherwise indicated.

#### 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- (a) the artists management segment comprises provision of artists management services;
- (b) the movies, TV programmes and internet contents segment comprises investment, production and distribution of movies, TV programmes and investment in internet contents.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's loss before tax except that share-based compensation costs, impairment loss recognised in respect of other receivables, loss arising on change in fair value in respect of conversion option embedded in convertible notes receivable, gain arising on change in fair value of financial assets classified as held for trading investments, share of loss of a joint venture as well as head office and corporate income and expenses are excluded from such measurement.

##### (a) Segment revenue and results

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

	Artists management		Movies, TV programmes and internet contents		Consolidated	
	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue</b>						
Revenue to external customers	<u>300</u>	<u>2,429</u>	<u>23,843</u>	<u>3,233</u>	<u>24,143</u>	<u>5,662</u>
<b>Segment results</b>	<u>13</u>	<u>(185)</u>	<u>(117,433)</u>	<u>213</u>	<u>(117,420)</u>	<u>28</u>
<i>Reconciliation:</i>						
Unallocated other income					1,844	900
Corporate and other unallocated expenses					(67,403)	(38,731)
Share-based compensation costs					(32,984)	(2,256)
Impairment loss recognised in respect of other receivables					(6,500)	—
Loss arising on change in fair value in respect of conversion option embedded in convertible notes receivable					(1,700)	(97)
Gain arising on change in fair value of financial assets classified as held for trading investments					—	9,780
Share of loss of a joint venture					—	(4)
Loss before tax					<u>(224,163)</u>	<u>(30,380)</u>

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

(b) Other segment information

	Movies, TV programmes and internet contents							
	Artists management		internet contents		Unallocated		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	2	5	80	2	2,779	1,244	2,861	1,251
Impairment loss recognised in respect of film and TV programmes under production	—	—	6,004	—	—	—	6,004	—
Impairment loss recognised in respect of other receivables	—	—	—	—	6,500	—	6,500	—
Share of profits and losses of associates and a joint venture	—	—	2,182	—	—	4	2,182	4
Investments in associates	—	—	39,671	—	—	—	39,671	—
Capital expenditure*	—	—	18,804	86	3,454	8,610	22,258	8,696

\* Capital expenditure represents addition to property, plant and equipment during the year.

(c) Geographical information

In determining the Group's geographical information, revenue information is based on the locations of the customers, and asset information is based on the locations 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*	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mainland China	23,045	3,682	66,175	43,941
Hong Kong	1,098	1,980	1,053	1,466
Korea	—	—	37,814	995
	<u>24,143</u>	<u>5,662</u>	<u>105,042</u>	<u>46,402</u>

\* Non-current assets represent property, plant and equipment, investments in associates and deposits paid for acquisition of property, plant and equipment.

(d) **Information about major customers**

Revenue from customers for the year ended 31 December 2016 and 2015 contributing over 10% of the total revenue of the Group are as follows:

		<b>2016</b>	2015
	<b>Reporting segment</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Customer A	Movies, TV programmes and internet contents	<b>12,837</b>	—
Customer B	Movies, TV programmes and internet contents	<b>6,650</b>	—
Customer C	Movies, TV programmes and internet contents	<b>1,637</b>	2,506
Customer D	Artists management	—	1,049
Customer E	Artists management	—	1,000
Customer F	Movies, TV programmes and internet contents	—	600

**5. REVENUE, OTHER INCOME AND GAINS**

An analysis of revenue, other income and gains is as follows:

	<b>2016</b>	2015
	<b>HK\$'000</b>	<b>HK\$'000</b>
<u>Revenue</u>		
TV and internet programme	<b>12,837</b>	—
Film distribution	<b>9,215</b>	—
Sales of film rights	<b>1,637</b>	3,106
Artists management	<b>300</b>	2,429
Others	<b>154</b>	127
	<b>24,143</b>	5,662
<u>Other income</u>		
Interest income on film investment	<b>1,982</b>	—
Bank interest income	<b>1,440</b>	803
Imputed interest income on convertible notes receivable	<b>456</b>	105
Others	<b>14</b>	215
	<b>3,892</b>	1,123
<u>Gains</u>		
Loss arising on change in fair value in respect of conversion options embedded in convertible notes receivable	<b>(1,700)</b>	(97)
Gain on disposal of an associate	<b>875</b>	—
Gain arising on change in fair value of financial assets classified as held for trading investments	—	9,780
Exchange differences, net	<b>7,689</b>	1,615
Others	<b>1,132</b>	—
	<b>7,996</b>	11,298
	<b>11,888</b>	12,421



## 6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	<i>Note</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Cost of films and TV programmes rights		<b>111,448</b>	2,987
Cost of artists management services		<b>240</b>	1,820
Total cost of sales		<b>111,688</b>	4,807
Auditor's remuneration		<b>910</b>	823
Depreciation of property, plant and equipment		<b>2,861</b>	1,251
Impairment loss recognised in respect of films and TV programmes rights under production*	<i>10</i>	<b>6,004</b>	—
Impairment loss recognised in respect of other receivables*		<b>6,500</b>	—
Gain arising on change in fair value of financial assets classified as held-for-trading investments		—	(9,780)
Loss arising on change in fair value of conversion options embedded in convertible notes receivable		<b>1,700</b>	97
Operating lease rentals in respect of rented premises		<b>9,167</b>	6,191
Foreign exchange differences, net		<b>(7,689)</b>	(1,615)
Staff costs (excluding directors' remuneration):			
— Salaries and allowances		<b>47,703</b>	18,509
— Pension scheme contributions**		<b>4,484</b>	1,210
— Share-based payment expenses		<b>25,424</b>	1,170
		<b>77,611</b>	20,889

\* These items are included in "other expenses" in the consolidated statement of profit or loss and other comprehensive income.

\*\* As at 31 December 2016, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2015: Nil).

## 7. INCOME TAX

Hong Kong profits tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits arising in Hong Kong during the year. The subsidiaries operated in Mainland China are subject to the PRC corporate income tax at 25%. The subsidiary operated in the Republic of Korea ("Korea") is subject to Korea corporate income tax at the maximum progressive rate up to 22% of the assessable profit.

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current tax:		
PRC corporate income tax	<b>93</b>	—

No provisions for Hong Kong profits tax and Korea corporate income tax have been made for both years as the Group did not generate any assessable profits arising in Hong Kong and Korea.

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

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent of HK\$224,239,000 (2015: HK\$30,343,000), and the weighted average number of ordinary shares of 2,814,801,000 (2015: 2,176,185,000) in issue during the year.

As the Company's share options and preferred shares where applicable had an anti-dilutive effect on the basic loss per share calculation for the years ended 31 December 2016 and 2015, the conversion of the above potential dilutive shares is not assumed in the calculation of diluted loss per share.

## 9. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 3 months	<b>12,998</b>	—
3 to 6 months	<b>1,777</b>	—
	<u>14,775</u>	<u>—</u>

As at 31 December 2016, the Group's trade receivables were neither past due nor impaired and relate to customers for whom there was no recent history of default.

## 10. FILM RIGHTS AND FILMS AND TV PROGRAMMES UNDER PRODUCTION

	Film and TV programmes rights <i>HK\$'000</i>	Films and TV programmes under production <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>31 December 2016</b>			
<b>Cost:</b>			
At 31 December 2015 and 1 January 2016	36,316	2,483	38,799
Additions	—	298,406	298,406
Disposals	(1,545)	(88)	(1,633)
Transfer to films and TV programmes rights	66,058	(66,058)	—
Exchange realignment	(2,699)	(9,391)	(12,090)
	<u>98,130</u>	<u>225,352</u>	<u>323,482</u>
<b>At 31 December 2016</b>			
<b>Accumulated amortisation and impairment:</b>			
At 31 December 2015 and 1 January 2016	—	—	—
Amortisation	(100,816)	—	(100,816)
Impairment	—	(6,004)	(6,004)
Exchange realignment	2,686	248	2,934
	<u>(98,130)</u>	<u>(5,756)</u>	<u>(103,886)</u>
<b>At 31 December 2016</b>	<b><u>(98,130)</u></b>	<b><u>(5,756)</u></b>	<b><u>(103,886)</u></b>
<b>Carrying amount</b>	<b><u>—</u></b>	<b><u>219,596</u></b>	<b><u>219,596</u></b>

	Film and TV programmes rights <i>HK\$'000</i>	Films and TV programmes under production <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>31 December 2015</b>			
<b>Cost:</b>			
At 1 January 2015	7,958	—	7,958
Additions	—	41,117	41,117
Disposals	(10,276)	—	(10,276)
Transfer to films and TV programmes rights	38,634	(38,634)	—
	<u>36,316</u>	<u>2,483</u>	<u>38,799</u>
At 31 December 2015	<u>36,316</u>	<u>2,483</u>	<u>38,799</u>
<b>Accumulated amortisation:</b>			
At 1 January 2015	7,366	—	7,366
Disposals	(7,366)	—	(7,366)
	<u>—</u>	<u>—</u>	<u>—</u>
At 31 December 2015	<u>—</u>	<u>—</u>	<u>—</u>
<b>Carrying amount</b>	<u>36,316</u>	<u>2,483</u>	<u>38,799</u>

For the purpose of impairment testing, film rights have been allocated to the cash generating unit of movies, TV programmes 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 2016 and 2015, the directors of the Company believe that any reasonably possible change in the key assumptions on which the recoverable amounts would not cause the carrying amounts of the films and TV programmes rights exceed the aggregate recoverable amounts.

During the year ended 31 December 2016, there is an impairment loss of approximately HK\$6,004,000 recognised in respect of films and TV programmes under production, which solely related to the Group's TV programmes under production and distribution activities based in Mainland China.

## 11. AMOUNTS DUE FROM RELATED COMPANIES

On 21 December 2015, Young Film Culture Media Company Limited (“Young Film”), a subsidiary of the Company, entered into a master services agreement (the “Master Services Agreement”) with 青島年青時候影視文化傳媒有限公司 (Qingdao Young Times Video Cultural Media Company Limited) (“Qingdao Young Times”) which is controlled by Ms. Shang Na, a member of the key management personnel of the Group, pursuant to which Qingdao Young Times 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. The services under the Master Services Agreement shall be charged on a cost basis (as incurred by Qingdao Young Times). For more details of the Master Services Agreement, please refer to the announcement of the Company dated 21 December 2015.

As at 31 December 2016, included in amounts due from related companies was an amount of approximately HK\$45,440,000 (2015: HK\$24,000,000) advanced by the Group to Qingdao Young Times as a prepayment for the services under the Master Services Agreement.

## 12. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 3 month	<u><u>2,773</u></u>	<u><u>—</u></u>

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

## 13. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year’s presentation.

## 14. DIVIDEND

No dividend was paid or proposed during 2016, nor has any dividend been proposed since the end of the reporting period (2015: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

During the year under review, the Group has established strong foothold in the China's media industry, our refocused strategy had led us to the realisation of our initial goals, and we are delighted to report to the shareholders that we have made some firm progress in the delivery of our projects.

#### *Cross Media Project*

Firstly, the Company progressed with its flagship project named “Birth of the Stars” (明星的誕生). The marketing of the variety show leveraged on our self-developed mobile application – the “Lajin App”, which allowed the contestants in the “Birth of the Stars” (明星的誕生) to display their talents through live broadcasts and share their latest updates with fans.

The first episode of the “Birth of the Stars” (明星的誕生) had been exclusively broadcasted by the leading video platform “iQiyi” (愛奇藝) on 3rd November 2016, following every Thursday with 12 episodes in total. The marketing of the variety show was a huge success, there recorded an total hit rate of over 300 million for the entire programme. Contestants of the show have also participated physically in various marketing campaigns held in different cities all over the country. “Birth of the Stars” (明星的誕生) is the Group's first ever invested cross-media programme and without any previous track record, we did not derive much sponsorship and advertising income, rather we have built up our brand reputation successfully. With the encouraging hit-rate and positive comments of the programme, we are in the course of planning our next season. We are confident that more sponsors and advertising clients can be attracted next time, thus can generate more income from such programme.

#### *Lajin App — the platform to integrate*

The successful development of the “Lajin App” laid the ground work to realise our business goals. Not only the “Lajin App” has contributed to the great success of our “Birth of the Stars” (明星的誕生), it also serves as a platform for users to gain access to our media contents, including live broadcasting programme. The users of the APP will become a valuable assets of the Group and we will utilise this group of audiences in developing our cross-media business model.

#### *TV/Movies*

During the year, the Group has recognised the revenue of 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), which was released to the market in April 2016. The box office of this movie, disappointedly was only about RMB4 million, Although the Group also derived income from overseas sale of such film rights, the Group still suffered a loss from the investment of this movie.

In 2016, the Group have invested in a TV series named “She is Beautiful” (她很漂亮) and an internet drama series named “Solaso Bistro” (問題餐廳) and the production of which were completed as at the date of announcement. The first episode of “Solaso Bistro” (問題餐廳) was broadcasted via Tencent’s video platform on 23 March 2017. A movie named “Twenty” (二十歲) invested by the Group was also completed and is expected to be put on screen in 2017.

The Group also took up investments in minority shares in other movies, both local and international and the return will be recognised from 2017 onward.

### ***Lajin’s Star Base***

Lajin’s production base is located in Yi Zhuang (亦莊), Beijing, significant effort has been put in the renovation works for Lajin’s star base in 2016. The base, comprising two 6-storey buildings of approximately 5,600 square metres in total will become our multi-function media and training centre. The base is equipped with top-tier recording studios (video and music), live broadcasting facilities and different function rooms for artists’ trainings. The base is essential for Lajin to foster future stars in the entertainment sector. The whole facility applies the world’s latest live broadcast technology, enabling compatibility and cross media interaction and unites all music and audio programmes 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.

### ***Artists Management***

During the year, an artists’ management team has been built and we aimed to search for talented artists from all over the world. By “Birth of the Stars” (明星的誕生), the Group also identified and has signed artists management contracts with a couple of contestants who have impressive potentials. We will give necessary trainings to this group of high potential artists and we believe that they will become real stars in the next few years.

### **Music**

During the year, the Group has established its music platform “Huo Miao” (火喵) which forms an essential part of our business model to create another major income stream in the future. We have cooperation agreements with over 200 new song producers, composers and lyricists and have accumulated about 300 original music productions. “Huo Miao” (火喵) is finalising the webpage which can be accessed via internet and wechat in order to attract both audience and music producers. In 2017, we will continue to expand our original songs library and commercialise these productions. We will therefore establish copyright management and sales promotion system. We will also seek integration with our other business segments, including but not limit to, producing music related programs such as interactive variety shows and internet drama, and to provide such resources to other film or TV productions, and artists of the Group.

## **Prospects**

The Group is committed to develop an integrated and cross-media entertainment platform in China, and become one of the renowned players in the entertainment industry in the years to come. We foresee that the flagship cross-media project — “Birth of the Stars” (明星的誕生) would serve as the cornerstone in promoting the Company, as well as kickstarting the synergistic effect derived from our various business strategies. The variety show itself, not only will it foster new talented artists to benefit our artists management business segment, it has also leveraged on our self-developed “Lajin App” which also enhanced marketing effort for the “Lajin App” itself.

With a clear path of development by formulating the right business strategy and focus, recruiting and co-operating with high calibre personnel, we anticipate a promising return in the long run. However, due to the depth of our investment spectrum which requires heavy capital investment, we foresee that the continuing expansion of the group would require significant capital to be raised. The Company will continue to monitor our budget and will carry out fund raising activities when required.

In addition, we will continue to source for more quality media contents, as well as other acquisition opportunities in China and other countries 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.

### **Acquisition of Amazing View Limited**

As announced by the Company on 20 May 2016, Frontier Services Group Limited (“Frontier Services”), as vendor, entered into the Sale and Purchase Agreement with the Company, as purchaser, pursuant to which Frontier Services has agreed to sell and the Company has agreed to acquire the entire issued share capital of Amazing View Limited as at the date of the Sale and Purchase Agreement, at a consideration of HK\$250,250,000. The acquisition was completed on 23 May 2016. The consideration was determined through arm’s length negotiations between Frontier Services and the Company on a commercial basis with reference to the unaudited consolidated net assets of the disposed group as at 30 April 2016.



## **Change of Auditors**

A resolution is passed at the AGM of the Company dated 28 June 2016 to appoint Ernst & Young as external auditor of the Company following the retirement of HLB Hodgson Impey Cheng Limited (“HLB”). HLB retired as the external auditor of the Company with effect from the conclusion of the AGM of the Company dated 28 June 2016. As HLB had continually acted as the external auditor of the Company since 2009, the Board considers that the auditors of the Company should be rotated after an appropriate period of time. Such rotation of auditors will also enhance the independence of the auditors in providing the independence of the auditors in providing the independent professional services.

## **Financial Review**

The revenue of the Group was approximately HK\$24,143,000 for the year ended 31 December 2016 (2015: HK\$5,662,000). It was mainly generated from the provision of artists management and investment in movies, TV programmes and internet contents, representing an increase of 326.4% as compared to the same period last year. The increase was mainly due to the new advertisement fee income from “Birth of the Stars” (明星的誕生).

Cost of sales for the year ended 31 December 2016 increased to approximately HK\$111,688,000 (2015: HK\$4,807,000), which was mainly attributed from the cost of films and TV programmes rights to approximately HK\$111,448,000 (2015: HK\$2,987,000)

During the year, loss for the period attributable to owners of the parent was approximately HK\$224,239,000 (2015: loss of HK\$30,343,000), which was mainly attributed to the production costs for our flagship programme – “Birth of the Stars” (明星的誕生); and the unsatisfactory results from the box office of the movie – “The Guest” (不速之客).

### ***Movies, TV programmes and internet contents***

During the year under review, the revenue contributed by such segment was approximately HK\$23,843,000 (2015: HK\$3,233,000), representing the sales of film rights owned by the Group, internet advertising income and service income from our flagship project – the “Birth of the Stars” (明星的誕生).

### ***Artists Management***

During the year under review, the revenue contributed by such segment was approximately HK\$300,000 (2015: HK\$2,429,000), representing a decrease of approximately 87.6% due to the tough business competition as compared with the corresponding period last year.

The gross profit margin decreased to approximately 20% (2015: 25.1%).

### ***Administrative expenses***

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 136% to approximately HK\$96,616,000 from approximately HK\$40,976,000 in prior year. It was mainly attributed to the increase in expenses as the Group was undergoing rapid expansion during the year. Salary and allowances amounted to approximately HK\$47,703,000 (2015: HK\$18,509,000) was recorded, representing an increase of 157.7%, due to the expansion of offices and increased number of employees to cope with the business development of the Group.

### ***Liquidity and Financial Resources***

At 31 December 2016, the Group had total assets of approximately HK\$962,256,000 (2015: HK\$1,074,689,000), including cash and cash equivalents and time deposits with initial term of over three months of approximately HK\$493,128,000 (2015: HK\$905,836,000). During the year under review, the Group financed its operation with the proceeds from fund raising activities.

### **Capital Structure**

There was no change to the capital structure of the Company.

As at 31 December 2016, 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 conversion price of HK\$0.19.

Subsequent to the year ended 31 December 2016, all Preferred Shares in issue as at 31 December 2016 which have been fully paid-up were converted into ordinary shares of the Company on 20 January 2017. Accordingly, 1,394,329,124 ordinary shares of the Company were issued as a result of the exercise of the conversion rights attached thereto. 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.

As at the date hereof the Company has in issue a total of 4,209,131,046 ordinary shares.

### ***Gearing Ratio***

The gearing ratio, expressed as percentage of total liabilities over total equity attributable to owners of the parent, was approximately 1.9% (2015: 3.3%). The change in gearing ratio was mainly derived from the increase of current liabilities in accruals and other payables from approximately HK\$9,475,000 to HK\$11,967,000 as compared with that in prior year. At the same time, the increase of trade payable from zero to HK\$2,773,000 and the decrease of amount due to a shareholder from HK\$24,424,000 to HK\$3,133,000 also contributed to the change in the Company's gearing ratio.

### ***Charge on the Group's Assets***

At 31 December 2016, the Group did not have any charge on its assets.

### ***Commitments***

At 31 December 2016, the Group had capital commitments of approximately HK\$126,013,000 (2015: HK\$15,738,000).

### ***Contingent Liabilities***

At 31 December 2016, the Group had no contingent liabilities (2015: Nil).

### ***Employees***

At the date of the report, the Group had 135 employees, including approximately 124 employees in PRC and 11 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.

### **EVENT AFTER THE REPORTING PERIOD**

On 20 January 2017, all the outstanding preferred shares at 31 December 2016 were converted into 1,394,329,124 ordinary shares of the Company.

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

During the year ended 31 December 2016, 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.

Throughout the year ended 31 December 2016, the Company complied with the CG Code in Appendix 15 to the GEM Listing Rules, with the exception of CG Code Provisions A.2.1 (separation of roles of chairman and chief executives), 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 report, 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) 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**

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 reports 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 reports 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 statements of the Group for the year ended 31 December 2016.

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

Hong Kong, 24 March 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.*

*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](http://www.irasia.com/listco/hk/lajin/index.htm).*