
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Lajin Entertainment Network Group Limited (“Company”), you should at once hand this circular, together with the accompanying reply slip and form of proxy, to the purchaser or to the transferee or to the bank, or a licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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This circular, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of the Stock Exchange for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular 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 circular misleading.



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)

(I) ISSUE OF CONSIDERATION SHARES UPON EXERCISE OF SHANG PUT OPTION UNDER SPECIFIC MANDATE AND (II) NOTICE OF SPECIAL GENERAL MEETING

A letter from the board of directors of the Company is set out on pages 6 to 24 of this circular.

A notice convening the special general meeting (“SGM”) of the shareholders of the Company to be held at 10:00 a.m. on Thursday, 14 January 2016 at Unit 4203, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong is set out on pages 25 to 26 of this circular.

A form of proxy for the special general meeting is enclosed. Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the meeting. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or at any adjourned meeting(s) should you so wish.

This circular will remain on the “Latest Company Announcement” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the website of the Company at www.irasia.com/listco/hk/lajin/index.htm.

23 December 2015

* for identification purpose only

CHARACTERISTICS OF GEM

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 of Hong Kong Limited and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Accumulated Profit”	the accumulated net profit of the JV Company for the period from the completion of the Subscription up to the Option Price Determination Day as determined with reference to the JV Audited Accounts
“Announcements”	the Company’s announcements dated 28 August 2015 and 21 December 2015 in relation to among other things the Shang Put Option
“associate(s)”	has the same meaning as ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than Saturday or Sunday or public holiday) on which banks in the PRC are open for general banking business
“Company”	Lajin Entertainment Network Group Limited (stock code: 8172), a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the Ordinary Shares of which are listed on GEM
“Company Call Option”	the option granted by the JV Partner to the Company pursuant to the Deed, whereby subject to the satisfaction of certain conditions set out in the Deed (which are further detailed under the paragraph headed “Company Call Option” in this circular), the Company shall have the right to acquire from the JV Partner all but not some of the Option Shares at the Option Price
“connected person(s)”	has the same meaning as ascribed to it under the GEM Listing Rules
“Consideration Shares”	the new Ordinary Shares to be allotted and issued as settlement of the Option Price

DEFINITIONS

“Deed”	the put and call option deed entered into by the Company, the JV Partner and Ms. Shang (as the JV Partner’s guarantor) on 28 August 2015 in relation to the Shang Put Option and the Company Call Option
“Director(s)”	director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Issue Price”	subject to any share subdivision or consolidation, HK\$1.56
“JV Audited Accounts”	the consolidated financial statements of the JV Company for the accounting period ended 31 December of the relevant financial year prepared in accordance with Hong Kong Financial Reporting Standards and audited by the then auditor of the JV Company
“JV Company”	Young Film Company Limited, a company incorporated in the British Virgin Islands
“JV Partner”	Best of Us Company Limited, a company incorporated in the British Virgin Islands and wholly-owned by Ms. Shang
“JV Shares”	voting shares in the capital of the JV Company
“KRW”	South Korean Won, the lawful currency of the Republic of Korea
“Lajin”	Lajin Film Co., Limited, a wholly-owned subsidiary of the Company
“Latest Practicable Date”	18 December 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

DEFINITIONS

“Long Stop Date”	30 days after the day on which the JV Audited Accounts for the year ending 31 December 2018 becomes available
“Master Services Agreement”	the master services agreement entered into by Young Film and the Media Company on 21 December 2015 pursuant to which the Media Company shall provide to the Group services including production and promotion of movies, TV dramas and programmes as requested by the Group
“Media Company”	青島年青時候影視文化傳媒有限公司(Qingdao Young Times Video Cultural Media Company Limited), a company established under the laws of the PRC
“Ms. Shang”	Ms. Shang Na, one of the registered shareholders of the Media Company (as to 99% of the issued shares)
“Option Price”	<p>the consideration for the Option Shares as determined based on the formula below:</p> $\text{Option Price} = \frac{\text{Accumulated Profit}}{\text{Profit}} \times 4 \times \frac{\text{Option Shares}}{\text{Total number of issued JV Shares as at the Option Price Determination Day}}$ <p>and in the event that the Accumulated Profit exceeds RMB150 million, the Option Price shall be calculated as if the Accumulated Profit was RMB150 million</p>
“Option Price Determination Day”	the date for determining the Option Price falling on 31 December, being the financial year end of the JV Company and in any event not later than 31 December 2018
“Option Shares”	490 JV Shares representing 49% of the issued capital of the JV Company (upon completion of the Subscription) which are held by the JV Partner
“Ordinary Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company

DEFINITIONS

“PRC”	the People’s Republic of China (which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan)
“Preferred Shares”	the convertible preferred shares of HK\$0.01 each in the share capital of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	the special general meeting of the Company to be convened at 10:00 a.m. on Thursday, 14 January 2016 at Unit 4203, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong for the Shareholders to consider, and if thought fit, approve the Specific Mandate
“Shang Put Option”	the option granted by the Company to the JV Partner pursuant to the Deed whereby subject to the satisfaction of certain conditions set out in the Deed (which are further detailed under the paragraph headed “Shang Put Option” of this circular), the JV Partner shall have the right to require the Company to purchase from it all but not some of the Option Shares at the Option Price
“Shareholder(s)”	holder(s) of Ordinary Share(s)
“Shareholder Loan”	the loan agreed to be provided by Lajin to the JV Company amounting to RMB50 million (equivalent to approximately HK\$60.5 million) pursuant to the Shareholder Loan Agreement
“Shareholder Loan Agreement”	the shareholder loan agreement entered into by Lajin (as lender), the JV Company (as borrower) and Ms. Shang (as guarantor) on 28 August 2015 (as supplemented on 21 December 2015) in relation to the provision of the Shareholder Loan by Lajin to the JV Company
“Shareholders’ Agreement”	the agreement entered into by Lajin, the JV Partner and Ms. Shang (as JV Partner’s guarantor) on 28 August 2015 (as supplemented on 21 December 2015) in relation to the Subscription

DEFINITIONS

“Specific Mandate”	the mandate to be sought from Shareholders at the SGM for the issue and allotment of the Consideration Shares upon exercise of the Shang Put Option
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of 510 new JV Shares by Lajin pursuant to the terms of the Shareholders’ Agreement
“Transactions”	collectively, the transactions contemplated under the Shareholders’ Agreement, the Shareholder Loan Agreement, the Master Services Agreement and the Deed
“US\$”	United States dollars, the lawful currency of the United States of America
“Young Film”	Young Film Culture Media Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the JV Company
“%”	percentage

For illustration purposes, RMB is translated into HK\$ at an exchange rate of RMB1.00 = HK\$1.21, US\$ is translated into HK\$ at an exchange rate of US\$1.00 = HK\$7.80 and KRW is translated into HK\$ at an exchange rate of HK\$1.00 = KRW150, unless stated otherwise.

LETTER FROM THE BOARD



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)

Executive Director:

Ms. Wu Li

Mr. Chan Kam Kwan, Jason

Non-executive Directors:

Mr. Zou Xiao Chun

Mr. Zhou Ya Fei

Mr. Luo Ning

Independent non-executive Directors:

Mr. Wang Ju

Mr. Ng Wai Hung

Mr. Lam Cheung Shing Richard

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head Office and Principal place of
business:*

Unit 4203

Far East Finance Centre

16 Harcourt Road

Admiralty

Hong Kong

23 December 2015

To the Shareholders

Dear Sir or Madam,

**(I) ISSUE OF CONSIDERATION SHARES UPON EXERCISE OF
SHANG PUT OPTION UNDER SPECIFIC MANDATE
AND
(II) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcements.

On 28 August 2015 (after trading hours), the Company entered into the Deed with the JV Partner and Ms. Shang pursuant to which, among other things, the Company granted the Shang Put Option to the JV Partner which subject to satisfaction of the conditions set out in the Deed which are further detailed below, entitles the JV Partner to require the Company to purchase the JV Shares beneficially held by it at the Option Price.

* for identification purpose only

LETTER FROM THE BOARD

The Option Price is to be settled by the allotment and issuance of the Consideration Shares in batches, in accordance with the formula and manner as set out in the Deed. The Consideration Shares to be issued pursuant to the exercise of the Shang Put Option will be allotted and issued under the Specific Mandate to be approved by the Shareholders at the SGM. The purpose of this circular is to provide you with the relevant information relating to the Shang Put Option and to seek approval from the Shareholders for the ordinary resolution set out in the notice of the SGM on pages 25 to 26 of this circular.

BACKGROUND

The Shang Put Option was granted as part of the Group's engagement in the entertainment business in the PRC through the JV Company. Details of the Subscription, the Shareholder Loan and the Master Services Agreement are set out below.

Shareholders' Agreement

Date: 28 August 2015 (as supplemented on 21 December 2015)

Parties: (i) Lajin, a wholly-owned subsidiary of the Company;

(ii) the JV Partner, a company wholly-owned by Ms. Shang; and

(iii) Ms. Shang (as the JV Partner's guarantor).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save that Ms. Shang is engaged by the Group as Group Vice President and CEO of the Group's TV and movie business and apart from the Master Services Agreement, the JV Partner, the JV Company and Ms. Shang are third parties independent of the Company and its connected persons.

Subscription

Pursuant to the Shareholders' Agreement, Lajin has subscribed for 510 new JV Shares, representing 51% of the issued capital of the JV Company as enlarged by the new JV Shares, and has paid an aggregate subscription price of US\$510 (equivalent to approximately HK\$4,000). The subscription price was determined after arm's-length negotiations between the parties based on the registered capital of the JV Company. Following completion of the Subscription, the JV Partner now holds the remaining 49% of the issued capital of the JV Company.

LETTER FROM THE BOARD

Business scope

The JV Company was incorporated in the British Virgin Islands on 6 August 2015 and other than its investment in Young Film, the JV Company currently does not conduct any business or hold any assets. Young Film was incorporated in Hong Kong on 10 June 2015 and is principally engaged in investment holding and media business. As at 31 July 2015, Young Film had total assets of RMB1,987,000 (equivalent to approximately HK\$2,404,270) and total liabilities of RMB2,003,382 (equivalent to approximately HK\$2,424,092), resulting in deficiency of net assets of RMB16,382 (equivalent to approximately HK\$19,822). Pursuant to the Shareholders' Agreement, it is intended by the parties that the JV Company and its subsidiaries shall engage in the business of sourcing and production of media contents.

Shareholder Loan

Pursuant to the terms of the Shareholder Loan Agreement, Lajin has agreed to provide the Shareholder Loan of RMB50 million (equivalent to approximately HK\$60.5 million) to the JV Company. It was initially contemplated that the Group would establish certain structured contracts arrangements with two operating companies (including the Media Company) (details of which were set out in the Company's announcement dated 28 August 2015) and the proceeds of the Shareholder Loan would be advanced to such operating companies. An amount of RMB19.8 million (equivalent to approximately HK\$24.0 million) of the Shareholder Loan has been advanced by Lajin to the JV Company and then advanced by the JV Company to the Media Company. In view of the potential implications of the draft PRC Foreign Investment Law proposed by the Ministry of Commerce over structured contracts arrangements in the PRC, the parties have decided to enter into the Master Services Agreement in lieu of the structured contracts arrangements and entered into a supplemental agreement to the Shareholder Loan Agreement to the effect that the proceeds from the Shareholder Loan shall be used solely for payment including prepayment to the Media Company for the services provided under the Master Services Agreement. The aforesaid amount of RMB19.8 million already advanced to the Media Company shall represent prepayment by Young Film under the Master Services Agreement. The parties have agreed that the remaining balance of the Shareholder Loan amounting to RMB31.2 million shall be advanced by Lajin to the JV Company on demand by the JV Company. It is expected that such remaining amount of the Shareholder Loan will be advanced to the JV Company in the first quarter of 2016. The Shareholder Loan provided by Lajin to the JV Company is unsecured, interest-free and repayable within one month after 31 December 2018, or the occurrence of the following events (the "**Specified Events**"), whichever is earlier:

- (a) the JV Company fails to apply the Shareholder Loan in accordance with the purpose described in the Shareholder Loan Agreement (as supplemented on 21 December 2015) or other purposes as Lajin agrees to;

LETTER FROM THE BOARD

- (b) Young Film and the Media Company fail to enter into the Master Services Agreement; or
- (c) the Media Company fails to duly perform or breaches any of its contractual obligations under the Master Services Agreement.

Ms. Shang shall procure the Media Company to repay all amounts advanced by the JV Company to the Media Company within 2 weeks of the occurrence of the Specified Events to enable the JV Company to fulfill its repayment obligation under the Shareholder Loan Agreement. In the event that the JV Company fails to fulfill its repayment obligation as a result of the Media Company's failure, Ms. Shang shall on Lajin's demand in writing indemnify and keep indemnified fully Lajin against any loss or damage (including all reasonable costs and expenses) Lajin may have suffered or incurred as a result of such failure.

If the JV Company fails to pay any amount payable by it under the Shareholder Loan Agreement on its due date, interest shall accrue on the unpaid sum from the due date to the date of actual payment at a rate of 18% per annum.

The subscription price for the Subscription and the Shareholder Loan amounting to US\$510 and RMB50 million (equivalent to approximately HK\$60.5 million in aggregate) respectively have been and will be (in respect of the remaining Shareholder Loan yet to be advanced) financed by the Group's internal resources.

Following the decision by the parties to enter into the Master Services Agreement with the Media Company in lieu of the structured contracts arrangements, the Company will not enter into any agreement with Ms. Shang on the management or operation of 年青時候影視文化傳媒(北京)有限公司 (Young Times Video Cultural Media (Beijing) Company Limited) (previously defined as OPCO 1 in the Company's announcement dated 28 August 2015). Ms. Shang has undertaken that during the period that she is employed by the Company, its subsidiaries, related companies and controlled companies (the "**Subject Companies**") and during the period that the JV Partner holds shares in the JV Company, she, companies in which she holds shares, such companies' subsidiaries and related companies and entities controlled by her shall not directly or indirectly engage in any business competing with or similar to the business of the Subject Companies.

LETTER FROM THE BOARD

Board composition

The board of directors of the JV Company shall comprise not more than five directors. Lajin and the JV Partner shall be entitled to nominate three and two directors respectively to the board. As at the Latest Practicable Date, the board of directors of the JV Company comprised Mr. Chan Kam Kwan, Jason and Ms. Wu Li, who were nominated by Lajin, and Ms. Shang, who was nominated by the JV Partner. Below are details of Mr. Chan and Ms. Wu. Details of Ms. Shang are set out in the section headed “Reasons for the Transactions”.

Mr. Chan Kam Kwan, Jason is an executive Director and the Company Secretary of the Company. Mr. Chan graduated from the University of British Columbia in Canada with a Bachelor of Commerce Degree and he holds a certificate of Certified Public Accountant issued by the Washington State Board of Accountancy in the United States of America. Mr. Chan has extensive experience in corporate finance.

Ms. Wu Li is an executive Director of the Company. Ms. Li graduated from the University of Electronic Science and Technology of China ((中國)電子科技大學)) with a bachelor’s degree in English for Science and Technology and has completed the Post Graduate Courses in Integrated Marketing Communications (IMC) in the Institute for China Business of The University of Hong Kong School of Professional and Continuing Education. Ms. Wu has over 14 years of experience in cultural and media sector and has extensive marketing experience. She was a senior officer in Jingwen Records Co., Ltd. responsible for the production, promotion and copyrights management of audio and video products from 2000 to 2006. She joined Beijing Hwellso Pharmaceutical Co., Ltd. (北京華素製藥股份有限公司) in 2006 and was the Brand Director and an assistant to the chairman of the company when she left the company in 2013. Currently she is also a director and vice president of the Cultural Entertainment Division of an entertainment-related company controlled by Mr. Wong Kwong Yu.

Guarantee by Ms. Shang

In consideration of Lajin entering into the Shareholders’ Agreement, Ms. Shang has provided guarantees as to the due observance and performance by the JV Partner of all the agreements, stipulations, terms and conditions contained in the Shareholders’ Agreement. In the event that the JV Partner fails to observe and perform such agreements, stipulations, terms and conditions in accordance with the Shareholders’ Agreement, Ms. Shang shall on demand in writing by Lajin (a) make good or rectify such default and (b) indemnify and keep Lajin fully indemnified against any loss or damage (including all reasonable costs and expenses) Lajin may have suffered or incurred as a result of such failure on the part of the JV Partner.

LETTER FROM THE BOARD

Master Services Agreement

Principal terms of the Master Services Agreement

Date: 21 December 2015

Parties: (i) the Media Company; and
(ii) Young Film.

The Media Company is 99% owned by Ms. Shang and 1% owned by Ms. Song Tao. Ms. Song was Ms. Shang's colleague at Sohu as one of the senior editors of Sohu Video.

Term: Three years from the date of the Master Services Agreement. The Master Services Agreement provides that the parties may, prior to the expiration of the initial term, further extend the term of the Master Services Agreement subject to compliance with the relevant requirements of the GEM Listing Rules. The Company will consider among others the relevant PRC regulations applicable then before it decides to extend the term of the Master Services Agreement.

Subject: 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 may invite other parties to co-invest in the production of movies, TV dramas and programmes, and the terms of such co-investment including the proportion to be invested by the co-investor and the Group respectively will be subject to negotiation and agreement between the parties. In case other parties are co-investing and share the costs under the Master Services Agreement with the Group, the copyright of the products produced under the Master Services Agreement will be shared by such investor(s) in accordance with the proportion of investments by the Group and such investor(s).

LETTER FROM THE BOARD

Pricing and payment terms: 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. In case of the budgeted amount in excess of the actual costs, the Media Company shall return the excess amount to the Group and in case of the budgeted amount falling short of the actual costs, the Group shall reimburse the shortfall to the Media Company. In case other parties are co-investing and sharing the costs under the Master Services Agreement with the Group, the payment of the services under the Master Services Agreement will be shared by the Group and such investor(s) accordingly.

Annual caps

The table below sets out the annual caps for the transactions contemplated under the Master Services Agreement as follows:

Period	Annual caps <i>RMB in millions</i>
For the period commencing from the date of the Master Services Agreement to 31 December 2015	19.8
For the year ending 31 December 2016	190.9
For the year ending 31 December 2017	182.6
For the year ending 31 December 2018	247.1

The annual caps are determined with reference to the following major factors:

- the amount of RMB19.8 million, being part of the Shareholder Loan, already advanced to the Media Company as prepayment for the services under the Master Services Agreement;
- the movies, internet dramas and TV dramas (the “**Movies and Dramas**”) already identified by the Group with initial story prepared and the relevant film rights secured (if applicable) and targeted to be produced by the Media Company for the year ending 31 December 2016. The numbers of Movies and Dramas to be produced for each of the years ending 31 December 2017 and 2018 are based on the numbers of Movies and Dramas targeted to be produced for the year ending 31 December 2016;

LETTER FROM THE BOARD

- the budgets for the Movies and Dramas taking into account the casts, the directors, the numbers of episodes with regard to internet and TV dramas and other production costs and with reference to the production costs of typical movies or dramas comparable to those of the Movies and Dramas to be made by the Media Company having regard to Ms. Shang's past experience and knowledge in making movies and dramas; and
- the proportion of the investment costs targeted to be shared by the Group.

THE SHANG PUT OPTION AND THE COMPANY CALL OPTION

On 28 August 2015 (after trading hours), the Company, the JV Partner and Ms. Shang (as the JV Partner's guarantor) entered into the Deed, pursuant to which (i) the Company granted the Shang Put Option to the JV Partner; and (ii) the JV Partner granted the Company Call Option to the Company.

Shang Put Option

Pursuant to the terms of the Deed, upon satisfaction of all of the following conditions:

- (i) the warranties given by Ms. Shang under the Deed remaining true and accurate in all respects;
- (ii) the Company not having exercised the Company Call Option;
- (iii) the accumulated net profit of the JV Company for the period from the completion of the Subscription up to 31 December 2018 as determined with reference to the JV Audited Accounts being not less than RMB50 million, or the Accumulated Profit as determined with reference to the JV Audited Accounts being not less than RMB150 million;
- (iv) the listing committee of the Stock Exchange having granted its approval for the listing of and permission to deal in the Consideration Shares and such approval not having been revoked; and
- (v) the approval of the Shareholders for the allotment and issue of the Consideration Shares having been obtained;
- (vi) the JV Partner may exercise the Shang Put Option by delivery of a written notice to the Company during the 6-month period after the Option Price Determination Day.

If the JV Company records accumulated losses for the period up to 31 December 2018, the condition precedent (iii) above will not be met and hence the JV Partner will not be entitled to exercise the Shang Put Option.

LETTER FROM THE BOARD

Upon exercise of the Shang Put Option, the Company shall purchase the Option Shares from the JV Partner at the Option Price to be satisfied by way of issuing the Consideration Shares as follows:

$$\text{Option Price} = \frac{\text{Accumulated Profit}}{4} \times \frac{\text{Option Shares}}{\text{Total number of issued JV Shares as at the Option Price Determination Day}}$$

where the Accumulated Profit exceeds RMB150 million, the Option Price shall be calculated as if the Accumulated Profit were RMB150 million. The total number of Consideration Shares to be issued by the Company (the “**Total Consideration Shares**”) shall be calculated as follows:

$$\text{Total Consideration Shares} = \frac{\text{Option Price}}{\text{Issue Price}}$$

based on an exchange rate of RMB0.825 = HK\$1.00. The Issue Price of HK\$1.56 represents (i) approximately 14.7% premium over the closing price of the Ordinary Shares on the date of the Deed of HK\$1.36 per Ordinary Share; (ii) approximately 16.9% premium over the average closing price of the Ordinary Shares for the five trading days immediately before the date of the Deed of HK\$1.334 per Ordinary Share; (iii) approximately 8.3% premium over the average closing price of the Ordinary Shares for the ten trading days immediately before the date of the Deed of HK\$1.44 per Ordinary Share; and (iv) approximately 67.7% premium over the closing price of the Ordinary Shares as at the Latest Practicable Date. The Issue Price was determined after arm’s-length negotiation between the parties having regard to the share prices of the Ordinary Shares during the course of negotiation.

The Total Consideration Shares will be issued subject to the following:

- (i) 40% of the Total Consideration Shares (“**Batch 1**”) shall be allotted and issued to the JV Partner within 1 month from the date of exercise of the Shang Put Option (the “**Exercise Date**”);

LETTER FROM THE BOARD

- (ii) at the end of the financial year immediately following the Exercise Date (“**FY1**”), the second batch of Consideration Shares (“**Batch 2**”) to be allotted and issued to the JV Partner shall be calculated as follows:

$$\frac{\text{the lower of } \left(\begin{array}{l} \text{Accumulated Profit} \\ \text{and of the JV Company for FY1} \end{array} \right) \text{ and } \left(\begin{array}{l} \text{Consolidated net profits} \\ \text{of the JV Company for FY1} \end{array} \right) / 2}{\text{Accumulated Profit} / 2} \times 30\% \text{ of the Total Consideration Shares}$$

- (iii) at the end of the second financial year immediately following the Exercise Date (“**FY2**”), the third batch of Consideration Shares (“**Batch 3**”) to be allotted and issued to the JV Partner shall be calculated as follows:

$$\frac{\text{the lower of } \left(\begin{array}{l} \text{Accumulated Profit} \\ \text{and} \end{array} \right) \text{ and } \left(\begin{array}{l} \text{Accumulated consolidated net profits} \\ \text{of the JV Company for FY1 and FY2} \end{array} \right)}{\text{Accumulated Profit}} \times 60\% \text{ of the Total Consideration Shares} \text{ less } \left(\begin{array}{l} \text{the number of Consideration Shares issued under Batch 2} \end{array} \right)$$

- (iv) at the end of the third financial year immediately following the Exercise Date (“**FY3**”), the fourth batch of Consideration Shares (“**Batch 4**”), if any, to be allotted and issued to the JV Partner shall be calculated as follows:

$$\frac{\text{the lower of } \left(\begin{array}{l} \text{Accumulated Profit} \\ \text{and} \end{array} \right) \text{ and } \left(\begin{array}{l} \text{Accumulated consolidated net profits} \\ \text{of the JV Company for FY1, FY2 and FY3} \end{array} \right)}{\text{Accumulated Profit}} \times 60\% \text{ of the Total Consideration Shares} \text{ less } \left(\begin{array}{l} \text{the number of Consideration Shares issued under Batch 2 and Batch 3} \end{array} \right)$$

LETTER FROM THE BOARD

If the aggregate number of Consideration Shares under Batches 1, 2, 3 and 4 is less than the Total Consideration Shares (the “**Shortfall**”), the parties agree that the Company shall not be required to issue the Shortfall of the Consideration Shares.

In the event that Jiaxuan Group Company Limited (being the controlling shareholder of the Company) together with the persons acting in concert with it hold less than 20% of the issued share capital of the Company (the “**Event**”), instead of issuing the Consideration Shares in batches, the Company shall issue all of the outstanding Consideration Shares (being the number of the Total Consideration Shares calculated based on the Accumulated Profit before exercise of the Shang Put Option less any Consideration Shares which have been issued since exercise of the Shang Put Option based on the above formulas) to the JV Partner within 10 days after the date of the Event.

On the basis of an Accumulated Profit of RMB150 million and that there is no change to the total number of JV Shares in issue as at the Option Price Determination Day (the only situation which would reduce the total number of issued JV Shares is a majority of the shareholders of the JV Company passing a resolution to reduce the number of issued JV Shares while the Company (through Lajin), being the majority shareholder of the JV Company, does not intend to pass any such resolution), the maximum Option Price shall be RMB294 million (equivalent to approximately HK\$356.36 million based on an exchange rate of RMB0.825 = HK\$1.00 as stipulated in the Deed) and the Total Consideration Shares would be 228,438,228 Ordinary Shares, subject to any Shortfall as calculated above. The Total Consideration Shares of 228,438,228 represent (i) approximately 8.12% of the issued Ordinary Shares as at the Latest Practicable Date; (ii) approximately 7.51% of the issued Ordinary Shares as enlarged by the allotment and issue of the aforesaid Total Consideration Shares; and (iii) approximately 5.15% of the issued Ordinary Shares as enlarged by the allotment and issue of the aforesaid Total Consideration Shares and the conversion in full of the Preferred Shares (based on the prevailing conversion price). If the Accumulated Profit exceeds RMB150 million, the Option Price will be calculated as if the Accumulated Profit were RMB150 million. Therefore, the Option Price (and the number of Consideration Shares to be issued by the Company) will be capped based on the Accumulated Profit of RMB150 million. Such maximum Accumulated Profit was determined after arm’s-length negotiation between the parties having regard to the development potential of the JV Company.

The Option Price was determined after arm’s length negotiations between the parties taking into account that it is based on the amount of the Accumulated Profit, the allotment and issue of the Consideration Shares by installment based on the amount of net profits achieved by the JV Company in subsequent years following the exercise date of the Shang Put Option, other potential business opportunities Ms. Shang can bring to the Group and

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the team of professionals (including producers and artists) which Ms. Shang can recruit for the Group. The issue of the Consideration Shares in batches in accordance with the above formulas provides incentive to Ms. Shang to continue to develop the JV Company and achieve the Accumulated Profit again in the three financial years following exercise of the Shang Put Option. In agreeing to the formulas in relation to the Option Price and the issue and allotment of the Total Consideration Shares in batches, the Company takes into account that the maximum Option Price of RMB294 million is based on an Accumulated Profit of no less than RMB150 million and the Total Consideration Shares will be issued in full only if such Accumulated Profit is achieved again in the next three financial years following exercise of the Shang Put Option or the Company Call Option. Issuing consideration shares in lieu of cash consideration would preserve the Group's liquidity and introduce Ms. Shang as a shareholder of the Company contributing to the long-term development of the Group.

Company Call Option

Pursuant to the terms of the Deed, upon satisfaction of the following conditions:

- (i) the JV Partner not having exercised the Shang Put Option;
- (ii) the listing committee of the Stock Exchange having granted its approval for the listing of and permission to deal in the Consideration Shares and such approval not having been revoked; and
- (iii) the approval of the Shareholders for the allotment and issue of the Consideration Shares having been obtained;

the Company may exercise the Company Call Option by delivery of a written notice to the JV Partner during the 6-month period after the Long Stop Date.

Upon exercise of the Company Call Option, the JV Partner shall dispose of the Option Shares to the Company at the Option Price which shall be calculated and settled in the same manner as set out under the paragraph headed "Shang Put Option" above.

Specific mandate

The issuance of the Consideration Shares will be subject to approval by the Shareholders. In the event that the Specific Mandate is not approved by the Shareholders, the conditions precedent to the exercise of the Shang Put Option and the Company Call Option will not be satisfied and accordingly neither parties will be able to exercise the Shang Put Option or the Company Call Option (as applicable).

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As stated under the paragraph headed “Reasons for the Transactions” below, given Ms. Shang’s extensive experience, track record and business network with various professionals in the media business in the PRC, the Directors believe that the cooperation with Ms. Shang in the JV Company will be beneficial to the Group in its development of entertainment businesses including the TV/film production business in the PRC. In the event that the issue of the Consideration Shares is not approved by the Shareholders, Ms. Shang and the Group will continue to hold 49% and 51% equity interests respectively in the JV Company and continue to be entitled to the profits of the JV Company in proportion to their respective shareholding interests. Given the benefits of the cooperation with Ms. Shang as set out above, the Directors are of the view that even in the absence of the options arrangement, the transactions contemplated under the Shareholders’ Agreement, the Shareholder Loan Agreement and the Master Services Agreement would still be fair and reasonable and in the interests of the Company and the Shareholders.

Guarantee by Ms. Shang

In consideration of the Company entering into the Deed, Ms. Shang has provided guarantees as to the due observance and performance by the JV Partner of all the agreements, stipulations, terms and conditions contained in the Deed. In the event that the JV Partner fails to observe and perform such agreements, stipulations, terms and conditions in accordance with the Deed, Ms. Shang shall on demand in writing by the Company (a) make good or rectify such default and (b) indemnify and keep the Company fully indemnified against any loss or damage (including all reasonable costs and expenses) the Company may have suffered or incurred as a result of such failure on the part of the JV Partner.

Application for listing

An application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

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EFFECT ON SHAREHOLDING STRUCTURE

The Company had 2,814,801,922 Ordinary Shares in issue as at the Latest Practicable Date. For illustrative purposes only, the table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date, (ii) upon allotment and issue of the maximum number of Total Consideration Shares and (iii) upon allotment and issue of the maximum number of Total Consideration Shares and conversion in full of the Preferred Shares, absent any other changes to the Ordinary Shares:

	As at the Latest Practicable Date		Immediately after allotment and issue of the maximum number of Total Consideration Shares and before the conversion in full of the Preferred Shares		Immediately after allotment and issue of the maximum number of Total Consideration Shares and after the conversion in full of the Preferred Shares ⁽¹⁾	
	<i>Number of Ordinary Shares</i>	<i>%</i>	<i>Number of Ordinary Shares</i>	<i>%</i>	<i>Number of Ordinary Shares</i>	<i>%</i>
Jiaxuan Group Company Limited (“Jiaxuan”) ⁽²⁾	965,863,405	34.31	965,863,405	31.74	1,982,561,725	44.68
CITIC Investment (HK) Limited (“CITIC”) ⁽³⁾	459,934,954	16.34	459,934,954	15.11	459,934,954	10.36
JV Partner	—	—	228,438,228	7.51	228,438,228	5.15
Public Shareholders						
Vision Path Limited (“Vision Path”) ⁽⁴⁾	206,970,730	7.35	206,970,730	6.80	424,834,655	9.57
First Charm Investments Limited (“First Charm”) ⁽⁵⁾	151,778,535	5.39	151,778,535	4.99	311,545,414	7.02
Other public Shareholders	1,030,254,298	36.61	1,030,254,298	33.85	1,030,254,298	23.22
<i>Subtotal</i>	<u>1,389,003,563</u>	<u>49.35</u>	<u>1,389,003,563</u>	<u>45.64</u>	<u>1,766,634,367</u>	<u>39.81</u>
Total	<u>2,814,801,922</u>	<u>100.00</u>	<u>3,043,240,150</u>	<u>100.00</u>	<u>4,437,569,274</u>	<u>100.00</u>

Notes:

- (1) As at the Latest Practicable Date, the Company had 1,324,612,668 Preferred Shares in issue (convertible into 1,394,329,124 new Ordinary Shares (“Conversion Share(s)”) based on the prevailing conversion price of HK\$0.19 per Conversion Share (“Conversion Price”)) which were held by (i) Jiaxuan as

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to 965,863,404 Preferred Shares (convertible into 1,016,698,320 Conversion Shares based on the Conversion Price); (ii) Vision Path as to 206,970,729 Preferred Shares (convertible into 217,863,925 Conversion Shares based on the Conversion Price); and (iii) First Charm as to 151,778,535 Preferred Shares (convertible into 159,766,879 Conversion Shares based on the Conversion Price).

Out of the total number of issued Preferred Shares, 662,306,335 Preferred Shares have been fully paid-up whilst the remaining 662,306,333 Preferred Shares have been partly paid-up as to 5% of the subscription price (the remaining 95% of the subscription price shall be payable by 19 March 2016). The conversion of the Preferred Shares into Conversion Shares is subject to the Preferred Shares having been fully paid up and the public float requirements under the GEM Listing Rules and conversion may take place during the period commencing from 19 March 2015 and ending on 19 March 2017. The principal terms of the Preferred Shares were set out in the Company's circular dated 18 February 2015.

- (2) Jiaxuan is an investment holding company incorporated in the British Virgin Islands with limited liability and is owned as to 55% by Eagle King Investment Holding Limited (a company wholly owned by Mr. Wong Kwong Yu) and as to 45% by Great Majestic Global Holdings Limited (a company wholly owned by Ms. Ma Qing). Mr. Wong Kwong Yu is the founder of GOME Electrical Appliances Holding Limited which is a leading chain-store retailer of home appliances and consumer electronic products in the PRC. Ms. Ma Qing is the spouse of Mr. Xu Zhongmin. Mr. Xu is a director of Jiaxuan and was the founder of Jingwen Records Co., Ltd. (京文唱片) which was a music producer and distributor in the PRC.
- (3) CITIC is an investment holding company and an indirect wholly-owned subsidiary of CITIC Limited (a company whose issued shares are listed on the Main Board of the Stock Exchange). CITIC Limited and its subsidiaries are principally engaged in financial services, resources and energy, manufacturing, engineering contracting, real estate and infrastructure and other businesses.
- (4) Vision Path is an investment holding company incorporated in the British Virgin Islands with limited liability and is ultimately wholly owned by Ms. Yu Nan. Ms. Yu Nan is an individual investor focusing on equity and listed securities investment in different sectors including, technology, internet and media. Her investments are mainly in Hong Kong and the PRC.
- (5) First Charm is an investment holding company incorporated in the British Virgin Islands with limited liability and is ultimately wholly owned by Mr. Ko Chun Shun, Johnson. Mr. Ko is a director of, and a shareholder holding 9.55% equity interest in, REORIENT Group Limited, a substantial shareholder, the chairman and a director of Varitronix International Limited, and a shareholder and a director of KuangChi Science Limited, all of which are companies whose shares are listed on the Main Board of the Stock Exchange.

REASONS FOR THE TRANSACTIONS

The Group is principally engaged in the provision of artist management services and film production and distribution. The Group intends to develop more kinds of entertainment business including films, dramas, concerts, sports events, shows, etc. and to establish an online media platform for different media contents.

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Movie and TV business

The Group has completed its first movie “The Guest” (不速之客) starring Mr. Leon Lai (黎明) and Miss Han Chae Young (韓彩英), which was originally planned to be released by end of November. After further evaluation of the theatre schedule taking into account the movies that are expected to be released at the same time, the management considers that it is not the best time to release the movie. The expected release date is therefore postponed to January 2016. In August 2015, the Group has announced the engagement of Ms. Shang to act as the Group’s Vice President and CEO of the Group’s TV and movie business.

Ms. Shang has over 12 years of professional experience in the industry, encompassing the internet, film and television production. During 2006 and 2014, Ms. Shang worked in Sohu, one of the most popular online platform in the PRC. She was the chief editor of Sohu’s entertainment channel (搜狐娛樂頻道) and Sohu Video (搜狐視頻), responsible for content production, distribution and oversight of operation of the Sohu Video Channel. Ms. Shang led a team of 300 members and helped increase the number of audience of Sohu’s Video Channel to over 80 million. She was involved in the production of various popular internet comedies in the PRC including Diors Man (屌絲男士) and Wonder Lady (極品女士). In addition to internet comedies, Ms. Shang also produced high-quality internet drama series and variety shows such as “Back in Time” (匆匆那年) (with hit rate over 1.5 billion for the entire series) and “隱秘而偉大”. Ms. Shang was also in charge of the overall production of the film “A Hero or Not” (煎餅俠) which has achieved box office success of more than RMB1 billion in the PRC.

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 as the Group’s vehicle to engage in the TV/film production business in the PRC. The JV Company (through its wholly-owned subsidiary) will engage the Media Company to produce movies and TV programs pursuant to the Master Services Agreement. A total of 5 movies and 3 TV/internet drama programs are currently being planned (including those to be produced by the Media Company pursuant to the Master Services Agreement) and their pre-production work (including script writing) has commenced and the production of all of them is expected to commence in 2016. In addition, the Group has signed an investment agreement with a renowned director in Hong Kong for the investment in a series of 3 movies which will be produced in the next three years. The Group will continue to source suitable movies, TV/internet dramas and entertainment program projects to invest.

LETTER FROM THE BOARD

Music platform

The Group is developing an integrated music related platform. Such platform will consist of different elements including live broadcast, interaction between audiences and artists, marketing and promotion of music related contents and resources, etc. A small scale trial run of live broadcast programs was conducted successfully. As planned, the first phase of such platform will be launched by mid-2016.

Korean business

The Group has invested in a convertible note of KRW1,123,560,000 (approximately HK\$7,490,000), 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 the expertise and experience of the production team of the Korean company to produce creative variety programs for China's market. The team has already started creating their first program.

Sports events and shows

The Group is organizing a motor car drifting race event in China. The Group will also organize an after-party concert, an exhibition and other shows complementary to the main event. Subject to the permission granted by the relevant authorities, the event is expected to be held in the first half of 2016.

Others

The sourcing of artists and the provision of training are crucial for the entertainment business. The Group is co-operating with an on-line model agency in China in order to help source high potential artists. The Group has also begun a trial run for a few new artists to perform live on an internet platform. The Group is establishing a multi-purpose operation base in the Beijing Economic Technological Area (北京經濟技術開發區) and has recently entered into agreements to acquire two properties therein.

The Directors believe that Ms. Shang will bring in significant opportunities to the JV Company given Ms. Shang's extensive experience in the media business in the PRC and the business network she has built up over the years with various professionals in the industry as set forth above under the section headed "Movie and TV business". The granting of the Shang Put Option would give incentive to Ms. Shang in achieving profits for the JV Company.

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The Directors consider that the Transactions are in the ordinary and usual course of business of the Group and the terms of the Transactions are on normal commercial terms. Although the Media Company is newly set up in 2015, given Ms. Shang's extensive experiences and networks in the PRC's entertainment industry, the Directors consider that the Transactions will further develop the Group's TV and movie business division and taking into account the calculation of the Total Consideration Shares (as set out under the section headed "The Shang Put Option and the Company Call Option") and the pricing of the services under the Master Services Agreement on cost basis, the Directors consider that the Transactions are fair and reasonable and in the interests of the Company and its shareholders as a whole. The Company intends to finance the above development by its existing internal financial resources and has no plans to conduct equity fund raisings.

GEM LISTING RULES IMPLICATIONS

Ms. Shang is the Group Vice President and CEO of the Group's TV and movie business which is one of the Group's four business segments namely, TV and movie business, music business, sports and shows segment, and online platform segment. Each of the heads of the aforesaid respective business segments reports directly to the two executive Directors, namely, Ms. Wu Li and Mr. Chan Kam Kwan, Jason. 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 the 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. The JV Company will enter into a directors' service contract with Ms. Shang in respect of her appointment as a director of the JV Company. Such service contract is fully exempt from the connected transaction requirements under Rule 20.93 of the GEM Listing Rules. Save as aforesaid and disclosed in this circular, the Company is not contemplating any other continuing connected transactions with Ms. Shang.

Given that the exercise of the Shang Put Option is not at the discretion of the Company, the Shang Put Option will be treated as if it was exercised for the purposes of compliance under the GEM Listing Rules. Based on the applicable percentage ratios, the transactions

LETTER FROM THE BOARD

contemplated under the Shareholders' Agreement, the Shareholder Loan Agreement and the Shang Put Option constitute a discloseable transaction for the Company and is subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement under Chapter 19 of the GEM Listing Rules. The Consideration Shares to be issued pursuant to the exercise of the Shang Put Option will be allotted and issued under the Specific Mandate to be approved by the Shareholders at the SGM.

As the Company Call Option is exercisable at the discretion of the Company and involves the acquisition of JV Shares from Ms. Shang (a connected person of the Company), the Company will comply with the relevant requirements under Chapter 20 of the GEM Listing Rules when it determines to exercise the Company Call Option.

SGM

The SGM will be convened and held at Unit 4203, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong on Thursday, 14 January 2016 at 10:00 a.m. for the purposes of considering and, if thought fit, approving the Specific Mandate. As Ms. Shang or her associates do not hold any interest in Ordinary Shares, no Shareholder has a material interest in the Specific Mandate. If Ms. Shang or her associates hold any Ordinary Shares on the date of the SGM, they will be required to abstain from voting at the SGM on the resolution relating to the Specific Mandate.

A notice convening the SGM is set out on pages 25 to 26 of this circular. A proxy form for use at the SGM is enclosed herewith. Whether or not you intend to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the meeting. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or at any adjourned meeting(s) should you so wish.

RECOMMENDATION

The Directors consider that the Shang Put Option and the Specific Mandate are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution as set out in the notice of the SGM.

Yours faithfully,
By order of the Board
Lajin Entertainment Network Group Limited
Wu Li
Executive Director

NOTICE OF SGM



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)

NOTICE OF SGM

NOTICE IS HEREBY GIVEN THAT a special general meeting (the “SGM”) of Lajin Entertainment Network Group Limited (the “Company”) will be held at 10:00 a.m. on Thursday, 14 January 2016 at Unit 4203, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong for the purpose of considering and if thought fit passing with or without amendments, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT**

- (a) the Specific Mandate (as defined and described in the Company’s circular dated 23 December 2015 (the “Circular”)) be and is hereby approved and the board of directors of the Company (the “Directors”) be and is hereby granted a specific mandate to allot and issue up to 228,438,228 new ordinary shares of HK\$0.01 each in the Company (“**Consideration Shares**”) upon exercise of the Shang Put Option (as defined and described in the Circular); and
- (b) the Directors be and is hereby authorized to exercise all the powers of the Company and take such actions or execute such documents to effect the allotment and issue of the Consideration Shares and to do such other things and to take all such action the Directors may consider necessary or desirable for the purpose of giving effect to the allotment and issue of the Consideration Shares.”

Yours faithfully,

By order of the Board

Lajin Entertainment Network Group Limited

Wu Li

Executive Director

Hong Kong, 23 December 2015

* *for identification purpose only*

NOTICE OF SGM

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:

Unit 4203
Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

Notes:

1. A member entitled to attend and vote at the SGM convened by the above notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company but must be present in person at the SGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the SGM or any adjournment thereof, should he so wish.
3. Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
4. In order to be valid, a form of proxy must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.