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## **Lajin Entertainment Network Group Limited**

### **拉近網娛集團有限公司\***

*(formerly known as China Star Cultural Media Group Limited 中國星文化產業集團有限公司\*)*

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

**(Stock Code: 8172)**

#### **DISCLOSEABLE TRANSACTION**

- (1) SUBSCRIPTION OF NEW SHARES IN JV COMPANY,  
ESTABLISHMENT OF STRUCTURED CONTRACTS ARRANGEMENTS  
AND PROVISION OF LOAN;  
(2) GRANT OF PUT AND CALL OPTIONS;  
AND  
(3) SPECIFIC MANDATE TO ISSUE CONSIDERATION SHARES**

#### **SUBSCRIPTION OF NEW SHARES IN JV COMPANY, ESTABLISHMENT OF STRUCTURED CONTRACTS ARRANGEMENTS AND PROVISION OF LOAN**

On 28 August 2015 (after trading hours), Lajin (a wholly-owned subsidiary of the Company), the JV Partner (a company wholly-owned by Ms. Shang) and Ms. Shang (as the JV Partner's guarantor) entered into the Shareholders' Agreement pursuant to which Lajin has agreed to subscribe for 510 new JV Shares, representing 51% of the issued capital of the JV Company (as enlarged by the new JV Shares) at an aggregate subscription price of US\$510 (equivalent to approximately HK\$4,000). The JV Company currently does not conduct any business or hold any assets other than its investment in Young Film and is intended by the parties to engage in the business of sourcing and production of media contents. Young Film is principally engaged in investment holding and media business.

Pursuant to the terms of the Shareholders' Agreement, Lajin and the JV Partner shall use their best endeavor to procure that the JV Company (through Young Film, its wholly-owned subsidiary) shall set up the WFOE (as a wholly-owned subsidiary). The JV Partner has undertaken to procure that WFOE shall enter into the Structured Contracts with the OPCOs and their respective registered shareholders (including Ms. Shang) within one month from the date of incorporation of the WFOE. WFOE shall, through the Structured Contracts, exercise control over the OPCOs and the financial results, the entire economic benefits and risks of the businesses of the OPCOs will flow to WFOE. The OPCOs are principally engaged in the production and distribution of television series, shows and films.

\* *For identification only*

Pursuant to the terms of the Shareholders' Agreement, Lajin also entered into the Shareholder Loan Agreement with the JV Company (as borrower) and Ms. Shang (as guarantor) pursuant to which Lajin shall provide the Shareholder Loan of RMB50 million (equivalent to approximately HK\$60.5 million) to the JV Company and such proceeds will be advanced to the OPCOs for the conduct of businesses within the respective scope of business as stated in each of the OPCO's business licences.

#### **GRANT OF PUT AND CALL OPTIONS**

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 in relation to the granting of the Shang Put Option and the Company Call Option entitling (subject to satisfaction of certain conditions set out in the Deed which are further detailed below in this announcement) (i) the JV Partner to require the Company to purchase the JV Shares beneficially held by it at the Option Price; or (ii) the Company to require the JV Partner to sell the JV Shares beneficially held by it to the Company at the Option Price (as applicable). The Option Price shall be settled by the allotment and issuance of the Consideration Shares in batches, in accordance with the formula and manner as set out in the Deed.

#### **GEM LISTING RULES IMPLICATIONS**

Given 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 contemplated under the Shareholders' Agreement, the Structured Contracts, 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. An application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares. The SGM will be convened for the Shareholders to consider and, if thought fit, to approve the granting of 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 on the relevant resolution to be proposed at the SGM to grant the Specific Mandate. A circular containing further information on the Shang Put Option will be despatched to Shareholders on or before 18 September 2015.

As the Company Call Option is exercisable at the discretion of the Company and involves the acquisition of JV Shares from the JV Partner, which is an associate of Ms. Shang (which upon completion of the Subscription will become 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 of the Company Call Option.

## **INTRODUCTION**

On 28 August 2015 (after trading hours):

- (i) Lajin (a wholly-owned subsidiary of the Company), the JV Partner (a company wholly-owned by Ms. Shang) and Ms. Shang (as the JV Partner's guarantor) entered into the Shareholders' Agreement pursuant to which Lajin has agreed to subscribe for 510 new JV Shares, representing 51% of the issued capital of the JV Company (as enlarged by the new JV Shares);
- (ii) Lajin entered into the Shareholder Loan Agreement with the JV Company (as borrower) and Ms. Shang (as guarantor) pursuant to which Lajin shall provide the Shareholder Loan of RMB50 million (equivalent to approximately HK\$60.5 million) to the JV Company; and
- (iii) the Company, the JV Partner and Ms. Shang (as the JV Partner's guarantor) entered into the Deed in relation to the Shang Put Option and the Company Call Option.

Further, pursuant to the terms of the Shareholders' Agreement, the JV Company (through Young Film, its wholly-owned subsidiary) will set up WFOE (as a wholly-owned subsidiary) which will enter into the Structured Contracts with the OPCOs and their respective registered shareholders (including Ms. Shang).

## **SHAREHOLDERS' AGREEMENT**

Date: 28 August 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, as at the date of this announcement, save that Ms. Shang is engaged by the Group as Group Vice President and CEO of the Group's TV and movie business, the JV Partner, the JV Company and Ms. Shang are third parties independent of the Company and its connected persons.

## Subscription

Upon the passing of the relevant resolutions by the JV Company, Lajin shall subscribe for 510 new JV Shares, representing 51% of the issued capital of the JV Company as enlarged by the new JV Shares, and pay 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. Upon completion of the Subscription, the JV Partner will hold the remaining 49% of the issued capital of the JV Company.

## Business scope

The JV Company, 100% owned by the JV Partner as at the date of this announcement, 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 shall provide the Shareholder Loan of RMB50 million (equivalent to approximately HK\$60.5 million) to the JV Company within 15 Business Days after the date of the Shareholder Loan Agreement provided that (i) the Shareholders' Agreement has been duly signed by the parties and there has been no material breach since then; and (ii) the Subscription has been completed. The proceeds of the Shareholder Loan will be advanced to the OPCOs for the conduct of businesses within the respective scope of business as stated in each of the OPCO's business licences. The Shareholder Loan shall be 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 or other purposes as Lajin agrees to; or
- (b) the WFOE fails to exercise control of the OPCOs by way of the Structured Contracts.

Ms. Shang shall procure the OPCOs to repay all amounts advanced by Lajin to the OPCOs 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 OPCOs' 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. Ms. Shang's obligation under the Shareholder Loan Agreement shall lapse upon the WFOE starting to exercise control of the OPCOs by way of the Structured Contracts.

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.

Lajin intends to finance the subscription price payable for the Subscription and the Shareholder Loan amounting to US\$510 and RMB50 million (equivalent to approximately HK\$60.5 million in aggregate) respectively from the Group's internal resources.

### **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.

### **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 the Shareholders' Agreement.

## **CONTRACTUAL ARRANGEMENTS UNDER THE STRUCTURED CONTRACTS**

### **PRC rules and regulations**

On 25 December 2001, the State Council promulgated the Regulations on the Administration of Films (《電影管理條例》), which came into force on 1 February 2002. Pursuant to the Regulations on the Administration of Films, foreign organizations or individuals are prohibited to engage in the film production within the territory of the PRC without a PRC partner.

On 7 March 2005, the State Administration of Radio, Film and Television (國家廣播電影電視總局) (the "SARFT", which was one of the predecessors for the State Administration of Press, Publication, Radio, Film and Television) and the Ministry of Commerce (the "MOFCOM") jointly promulgated the Supplementary Provisions to the Interim Provisions on Operation Qualification Access for Film Enterprises (《<電影企業經營資格准入暫行規定>的補充規定》), which came into force on 8 May 2005. Pursuant to such provisions, (i) after the approval of competent authorities in the mainland PRC, the Hong Kong service providers are permitted to establish wholly owned companies in the mainland PRC to engage in the distribution of domestic films on a pilot scheme basis; (ii) such Hong Kong service providers shall satisfy the definition of "Service Provider" in the Mainland and Hong Kong Closer Economic Partnership Arrangement (《內地與香港關於建立更緊密經貿關係的安排》) (the "CEPA") and the requirements set in the CEPA.

On 6 July 2005, the Ministry of Culture (the “**MOC**”), the State Administration of Press, Publication, Radio, Film and Television, the General Administration of Press and Publication (新聞出版總署) (the “**GAPP**”, which is one of the predecessors for the SARFT), the National Development and Reform Commission (the “**NDRC**”) and the MOFCOM jointly promulgated the Several Opinions on Introduction of Foreign Investment into the Cultural Sector (《關於文化領域引進外資的若干意見》), which came into force on 6 July 2005. Pursuant to such opinions, foreign investment is prohibited to establish and operate companies for production and broadcast of radio and television program, film production, and film import and distribution.

On 10 March 2015, the NDRC and the MOFCOM jointly promulgated the Catalogue of Industries for Guiding Foreign Investment (2015 Revision) (《外商投資產業指導目錄(2015年修訂)》) (the “**Catalogue**”), which came into force on 10 April 2015. Pursuant to the Catalogue, (i) the foreign investment is restricted to engage in the production of radio and television programs and the film production by way of cooperation with domestic investors; (ii) the companies for production and operation of radio and television programs are prohibited from foreign investment; (iii) the foreign investment is not allowed in film production, film distribution and film theater. The Catalogue also states that where the CEPA and its supplement agreements provides otherwise, such other provisions in the CEPA shall prevail.

### **The Structured Contracts arrangements**

Given the aforementioned prohibition/restriction of foreign investments in the production and distribution of media contents in the PRC, the WFOE will enter into contractual arrangements with the OPCOs and their registered shareholders to engage in production of television programs and film production and distribution, TV series, cartoons, special topic film and TV shows business in the PRC (the “**Businesses**”) as follows.

Lajin and the JV Partner shall use their best endeavor to procure that the JV Company shall remain the shareholder of 100% interest in Young Film and Young Film shall set up WFOE as its wholly-owned subsidiary in the PRC. The JV Partner has undertaken to procure that WFOE shall enter into the Structured Contracts with the OPCOs and their respective registered shareholders (including Ms. Shang) within one month from the date of incorporation of the WFOE. WFOE shall, through the Structured Contracts, exercise control over the OPCOs and the financial results, the entire economic benefits and risks of the businesses of the OPCOs will flow to WFOE. Where losses occur to the OPCOs, the WFOE will not share the losses directly.

OPCO 1 was incorporated in the PRC on 18 May 2015 and is principally engaged in the production of television programs. OPCO 2 was incorporated in the PRC on 21 May 2015 and is principally engaged in the production and distribution of films, TV series, cartoons, special topic film and TV shows. As at 31 July 2015, (i) OPCO 1 had total assets of approximately RMB656,734 (equivalent to approximately HK\$794,648) and total liabilities of approximately RMB2,677,373 (equivalent to approximately HK\$3,239,621), resulting in a deficiency of net assets of approximately RMB2,020,639 (equivalent to approximately HK\$2,444,973); and (ii) OPCO 2 had total assets of RMB5,920,045 (equivalent to approximately HK\$7,163,254) and total liabilities of RMB5,926,000 (equivalent to HK\$7,170,460), resulting in a deficiency of net assets of approximately RMB5,955 (equivalent to approximately HK\$7,206).

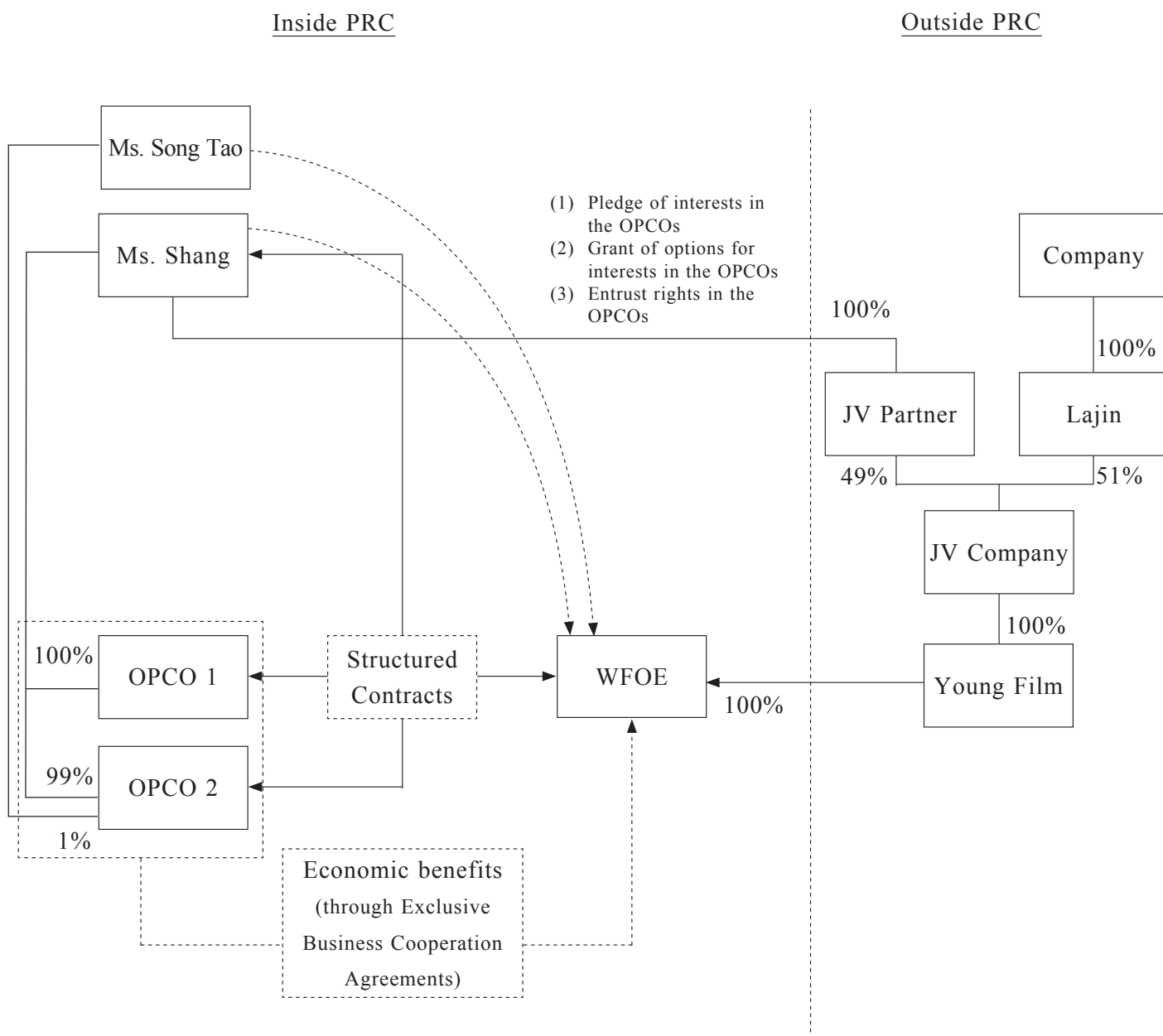


The registered shareholder of OPCO 1 is Ms. Shang while the registered shareholders of OPCO 2 are Ms. Shang (as to 99% of the issued shares therein) and Ms. Song Tao (as to 1% of the issued shares therein). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, save for Ms. Shang acting as Group Vice President and CEO of the Group's TV and movie business, the OPCOs and Ms. Song Tao are third parties independent of the Company and its connected persons.

The Structured Contracts are used solely for addressing the abovementioned foreign ownership restriction. In the event it becomes permissible under the relevant PRC laws, rules and regulations for WFOE to hold the entire equity interests in the OPCOs and to engage in the Businesses in the PRC, WFOE shall exercise the options under the Exclusive Option Agreements as soon as practicable and the relevant Structured Contracts shall be terminated.

### Diagram of the Structured Contracts

The following diagram illustrates the flow of economic benefits from the OPCOs to WFOE as set out under the Structured Contracts:



The principal terms of the Structured Contracts are set out below:

### ***Equity Pledge Agreements***

Parties: (i) the respective OPCOs;

(ii) the respective registered shareholders of the OPCOs; and

(iii) WFOE.

Term: The term shall commence after the Equity Pledge Agreements are signed and the equity pledges are registered with relevant governmental authorities, and shall terminate upon one of the following circumstances (whichever occurs later shall apply) (i) all obligations of the OPCOs and their respective registered shareholders under the Exclusive Option Agreements, Exclusive Business Cooperation Agreements, the Shareholder's Entrustment Letters and such other agreements as concluded to supplement the abovementioned agreements are fully performed or are terminated, or (ii) all obligations of the OPCOs and their respective registered shareholders under the Equity Pledge Agreements are fully performed. WFOE shall be entitled to unilaterally terminate the Equity Pledge Agreements by giving 15 days' notice. Unless the law stipulates otherwise, the OPCOs and their respective registered shareholders shall not be entitled to unilaterally terminate the Equity Pledge Agreements.

Subject: The registered shareholders of the OPCOs shall pledge all of their respective equity interests in the OPCOs to WFOE, as security for the performance of their obligations and/or that of the OPCOs under the Exclusive Option Agreements, Exclusive Business Cooperation Agreements, the Shareholder's Entrustment Letters and such other agreements as concluded to supplement the abovementioned agreements.

### ***Shareholder's Entrustment Letters***

Parties: (i) the respective registered shareholders of the OPCOs; and

(ii) WFOE.

Term: The term shall commence from the date of signing of the Shareholder's Entrustment Letters and shall remain in full force and effect during the time period when the respective registered shareholders of the OPCOs remain to be the respective registered shareholders of the OPCOs, and shall terminate upon the termination of the Exclusive Option Agreements, Exclusive Business Cooperation Agreements, Equity Pledge Agreements and such other agreements as concluded to supplement the abovementioned agreements.



**Subject:** The respective registered shareholders of the OPCOs shall irrevocably authorise WFOE, to the extent permitted under PRC laws, to act on their behalf in all matters in relation to their respective equity interests in the OPCOs, including attending shareholders' meeting, exercising voting rights in the shareholders' meeting, signing minutes of shareholders' meeting and shareholders' resolutions, filing documents with the relevant governmental authorities or regulatory bodies, appointing the legal representatives, directors, supervisors and senior management officers, making decisions in relation to sell or dispose the equity interests as held by the respective registered shareholders of the OPCOs, making decisions in relation to liquidation or dissolution of the OPCOs, making profit distribution plans, exercising all other rights of the shareholders under the respective articles of association of the OPCOs and applicable PRC laws and regulations.

### ***Exclusive Option Agreements***

**Parties:** (i) WFOE;

(ii) the respective registered shareholders of the OPCOs; and

(iii) the respective OPCOs.

**Term:** The term shall commence from the date of signing of the Exclusive Option Agreements and shall be valid for ten years. The term of the Exclusive Option Agreements shall be extended for ten years automatically in the event that the WFOE does not indicate to terminate the Exclusive Option Agreements. Such automatic extension of term shall continue until the WFOE indicates to terminate the Exclusive Option Agreements. Unless the law stipulates otherwise, the respective registered shareholders of the OPCOs and the OPCOs shall not be entitled to unilaterally terminate the Exclusive Option Agreements.

**Subject:** The respective registered shareholders of the OPCOs shall grant to WFOE (or its designated nominee(s)), to the extent permitted under the laws of the PRC, (i) an irrevocable option to acquire all or part of their respective equity interests in the OPCOs; and (ii) an irrevocable option to acquire all or part of the assets of the OPCOs.

The exercise price in respect of each of the above options shall be the minimum price as required by PRC laws and regulations at the time of exercising such options. The respective registered shareholders of the OPCOs and/or the respective OPCOs shall convey any proceeds which they will receive upon the exercise of the aforesaid options in a gratuitous manner to the WFOE or the person as designated by the WFOE.

## ***Exclusive Business Cooperation Agreements***

Parties: (i) the respective OPCOs; and

(ii) WFOE.

Term: The term shall commence from the date of signing of the Exclusive Business Cooperation Agreements and shall be valid for ten years unless terminated in accordance with the provisions under the Exclusive Business Cooperation Agreements or other agreements as agreed between the parties. Upon the expiration of the 10-year term, the term of the Exclusive Business Cooperation Agreements shall be extended for ten years automatically in the event that the WFOE does not indicate to terminate the Exclusive Business Cooperation Agreements. Such automatic extension of term shall continue until the WFOE indicates to terminate the Exclusive Business Cooperation Agreements. The respective OPCOs shall unconditionally consent to the extension of term of the Exclusive Business Cooperation Agreements.

Subject: The OPCOs shall engage WFOE on an exclusive basis to provide consultancy services to the OPCOs, including but not limited to management consultation, technology support and marketing strategies.

In consideration for the provision of the aforesaid consultancy services and subject to compliance with PRC laws and regulations, the OPCOs shall pay WFOE a service fee every year equivalent to 100% of the pre-tax profit of the OPCOs during such period. With the prior written consent of the WFOE, the timing for the payment of the service fees may be adjusted according to the operation demands of the OPCOs.

## **Compliance of Structured Contracts with PRC laws, rules and regulations**

The PRC Legal Adviser confirmed that the proposed terms of the Structured Contracts comply with the PRC laws, rules and regulations including those applicable to the business of the OPCOs and would not be deemed as concealing illegal intentions with a lawful form and void under the PRC contract law. The Company will ensure that the Structured Contracts will comply with the PRC laws, rules and regulations applicable to the business of the WFOE when it is incorporated. On such basis, the Directors believe that the Structured Contracts shall be enforceable under PRC laws and regulations.

## **Arrangements in the event of the winding-up or liquidation of the OPCOs and death, bankruptcy or divorce of the respective registered shareholders of the OPCOs**

As confirmed by the PRC Legal Adviser, relevant arrangements have been made to protect the interests of WFOE in the event of the winding-up or liquidation of the OPCOs and death, bankruptcy or divorce of the respective registered shareholders of the OPCOs. Each of the Structured Contracts contains a provision which sets out that the respective agreement shall be legally binding on the

legal assignees or successors of the parties thereto. In respect of the Structured Contracts with the registered shareholders of the OPCOs as one of the signing parties, the registered shareholders of the OPCOs have undertaken that such Structured Contracts shall prevail over their respective wills, divorce agreements and debt agreements made after the date of such Structured Contracts.

### **Settlement of potential dispute arising from the Structured Contracts**

The Structured Contracts are governed under PRC laws. If a dispute arises under any of the Structured Contracts, the relevant parties thereto shall settle the dispute through negotiation in an amicable manner. In case the dispute cannot be resolved, the Structured Contracts provide that such dispute shall be submitted to the China International Economic and Trade Arbitration Commission (the “CIETAC”) for arbitration to be conducted in Beijing. The decision of such arbitration shall be final and binding on the parties concerned. The Structured Contracts contain dispute resolution clauses that (i) provide that arbitrators may award remedies over the equity interests or assets of the OPCOs, injunctive relief or order the winding-up of the OPCOs; and (ii) provide the courts of competent jurisdictions with the power to grant interim remedies in support of the arbitration pending formation of the arbitration panel. The courts of the PRC, Bermuda and Hong Kong are specified as having jurisdiction for this purpose.

The PRC Legal Adviser confirmed that the abovementioned proposed dispute resolution provisions set forth in the Structured Contracts are in compliance with PRC laws, except that the provisions contained in the dispute resolution provisions of the Structured Contracts which set forth that the arbitration body may issue injunctions or winding-up orders. While the courts in Hong Kong and Bermuda are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal, this may not be recognized and enforceable under PRC laws.

### **Measures to mitigate potential conflict of interests between WFOE and the respective registered shareholders of the OPCOs**

Ms. Shang is Group Vice President and CEO of the Group’s TV and movie business. Ms. Shang will undertake that during the period of her employment, save for her interest in the JV Company and the OPCOs, she and her related parties would not, directly or indirectly (either on its/their own account or through other means) participate in, or be interested in, or engage in, acquire or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may potentially be in competition with the business(es) of the OPCOs and any entities owned by it. Furthermore, if there is a conflict of interest, Ms. Shang shall take appropriate remedial actions as directed by WFOE.

### **Internal control measures**

In order to have effective control over and to safeguard the assets of the OPCOs, the Structured Contracts provide that without the prior written consent of WFOE, the OPCOs and their respective registered shareholders shall not at any time sell, transfer, mortgage or dispose of in any manner any assets, whether tangible or intangible, legitimate interests in the business or revenue of the OPCOs or allow the creation of any encumbrance thereon.

## **Unwinding the Structured Contracts**

The Company will unwind the Structured Contracts as soon as the relevant laws allow the Businesses in the PRC to be operated without the Structured Contracts.

### **Accounting treatment**

The Company has discussed with the auditors of the Company and considered that the financial results of the OPCOs (and its subsidiaries) will be accounted for and consolidated in the Company's consolidated accounts as if it were a 51% owned subsidiary of the Group given the Group's control over the OPCOs through the Structured Contracts.

### **Risk factors**

WFOE will not have any direct equity ownership in the OPCOs and will rely on the Structured Contracts to control, operate and be entitled to the economic benefits and risks arising from the Businesses in the PRC conducted through the OPCOs.

***There is no assurance that the Structured Contracts could comply with future changes in the regulatory requirements in the PRC and the PRC government may determine that the Structured Contracts do not comply with applicable regulations***

As set out in the section headed "PRC rules and regulations" above, current PRC laws and regulations place certain prohibition/restrictions on foreign ownership of companies that engage in the Businesses in the PRC. The JV Company is incorporated in British Virgin Islands and as such may not operate the Businesses in the PRC under current PRC laws. As a result, the JV Company will have to conduct the Businesses in the PRC through the Structured Contracts.

There is a possibility that the relevant PRC authorities may have different opinions on the interpretation of the relevant regulations and disagree that the Structured Contracts comply with the current PRC laws, regulations or rules or those that may be adopted in future, and the authorities may deny the validity, effectiveness and enforceability of the Structured Contracts.

If the authorities deny the validity, effectiveness and enforceability of the Structured Contracts, it could result in a material adverse impact on the JV Company's business, financial condition and results of operations.

***The Structured Contracts may not be as effective in providing control over and entitlement to the economic benefits in the OPCOs and entities owned by them as compared to direct ownership***

The Structured Contracts may not be as effective as direct ownership in providing WFOE with control over and entitlement to the economic benefits in the OPCOs and entities owned by them. Under the Structured Contracts, WFOE would have to rely on the OPCOs and their respective

registered shareholders to perform their obligations under the Structured Contracts in order for WFOE to exercise effective control over the OPCOs and any entities owned by them. The OPCOs and their respective registered shareholders may not act in the best interests of WFOE or may not perform their obligations under the Structured Contracts. If any dispute relating to the Structured Contracts remains unresolved, WFOE will have to enforce its rights under the Structured Contracts and seek to interpret the terms of the Structured Contracts in accordance with PRC laws and will be subject to the uncertainties in the PRC legal system.

The Structured Contracts are governed by PRC laws. If any dispute arises under any of the Structured Contracts and cannot be resolved, the parties may have to rely on legal remedies under PRC laws. The Structured Contracts provide that any dispute shall be submitted to the CIETAC for arbitration to be conducted in Beijing. The decision of such arbitration shall be final and binding on the parties to the dispute.

Since the legal environment in the PRC is different from that in Hong Kong and other jurisdictions, the uncertainties in the PRC legal system could limit the ability of WFOE to enforce the Structured Contracts. There is no assurance that any arbitration results will be in favour of WFOE and/or that there will be any difficulties in enforcing any arbitral awards granted, including specific performance or injunctive relief and claiming damages by WFOE.

***WFOE's ability to acquire the entire equity interests in or assets of the OPCOs may be subject to various limitations and substantial costs***

In the event WFOE exercises its options to acquire all or part of the equity interests and/or assets of the OPCOs under the Exclusive Option Agreements, the acquisitions may only be conducted to the extent permitted by applicable PRC laws and will be subject to necessary approvals and relevant procedures under the applicable PRC laws. In addition, such acquisitions may be subject to a minimum price limitation (such as an appraised value for the entire equity interests in or all assets of the OPCOs) or other limitations imposed by applicable PRC laws. Further, a substantial amount of other costs (if any), expenses and time may be involved in transferring the ownership of the OPCOs, which may have a material adverse impact on the Group's businesses, prospects and results of operation.

***Structured Contracts between the WFOE and the OPCOs may be subject to scrutiny by the PRC tax authorities and any finding that the OPCOs owe additional taxes could substantially reduce the consolidated net income of the OPCOs and the value of the Company's investment in the WFOE***

Under the Exclusive Business Cooperation Agreements, the OPCOs shall pay to the WFOE a service fee that is equal to 100% of the net income (before tax) of the OPCOs after deducting operation expenses. This will substantially reduce the OPCOs' taxable income. Such arrangement is a related party transaction which must be conducted on an arm's length basis under applicable PRC tax rules. In addition, under PRC laws and regulations, arrangements and transactions among related parties

may generally be subject to audit or scrutiny by the PRC tax authorities within 10 years after the taxable year when the arrangements and transactions are conducted. As a result, the determination of the service fees to the WFOE under the Exclusive Business Cooperation Agreements may be challenged and deemed not in compliance with tax rules. The OPCOs could face material and adverse tax consequences if the PRC tax authorities determine that the Exclusive Business Cooperation Agreements were not entered into on an arm's length basis and therefore adjust the taxable income of the OPCOs in the form of a transfer pricing adjustment, which refers to such review, assessment, investigation, adjustment and other work as conducted by the PRC tax authorities to determine whether the related party transactions among an enterprise and its affiliated parties are in conformity with the principle of independent transaction. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by the OPCOs, which could in turn increase the OPCOs' tax liabilities. Any such adjustment could result in a higher overall tax liability of the OPCOs. In addition, the PRC tax authorities may impose late payment fees and other penalties on the OPCOs for any unpaid taxes. The net income of the OPCOs may be materially and adversely affected if the OPCOs' tax liabilities increase or if they are subject to late payment fees or other penalties. As a result, the value of the Company's investment may be materially and adversely affected.

## **Insurance**

The WFOE would not be able to purchase any insurance to cover the risks relating to the Structured Contracts due to the unavailability of such insurance product in the market.

## **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;

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.

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:

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

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; and (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. 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 Ms. Shang within 1 month from the date of exercise of the Shang Put Option (the “**Exercise Date**”);

- (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 Ms. Shang shall be calculated as follows:

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

- (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 Ms. Shang shall be calculated as follows:

$$\frac{\text{the lower of } \left( \begin{array}{l} \text{Accumulated} \\ \text{Profit} \end{array} \text{ and } \begin{array}{l} \text{Accumulated} \\ \text{net profits} \\ \text{of the JV} \\ \text{Company for} \\ \text{FY1 and FY2} \end{array} \right)}{\text{Accumulated Profit}} \times \begin{array}{l} 60\% \text{ of} \\ \text{the Total} \\ \text{Consideration} \\ \text{Shares} \end{array} \text{ less } \left( \begin{array}{l} \text{the number of} \\ \text{Consideration} \\ \text{Shares issued} \\ \text{under Batch 1} \\ \text{and Batch 2} \end{array} \right)$$

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

$$\frac{\text{the lower of } \left( \begin{array}{l} \text{Accumulated} \\ \text{Profit} \end{array} \text{ and } \begin{array}{l} \text{Accumulated} \\ \text{net profits} \\ \text{of the JV} \\ \text{Company for} \\ \text{FY1, FY2 and} \\ \text{FY3} \end{array} \right)}{\text{Accumulated Profit}} \times \begin{array}{l} 60\% \text{ of} \\ \text{the Total} \\ \text{Consideration} \\ \text{Shares} \end{array} \text{ less } \left( \begin{array}{l} \text{the number of} \\ \text{Consideration} \\ \text{Shares issued} \\ \text{under Batch 1,} \\ \text{Batch 2 and} \\ \text{Batch 3} \end{array} \right)$$

If the aggregate number of Consideration Shares under Batch 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, instead of issuing the Consideration Shares in batches, the Company shall issue all of the outstanding Consideration Shares to the JV Partner within 10 days after the date of such event.

On the basis of an Accumulated Profit of RMB150 million the maximum Option Price shall be RMB294 million (equivalent to approximately HK\$355.74 million) 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 9.70% of the existing issued Ordinary Shares; (ii) approximately 8.84% of the issued Ordinary Shares as enlarged by the allotment and issue of the aforesaid Total Consideration Shares; and (iii) approximately 5.85% 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). Such 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 the team of professionals (including producers and artists) which Ms. Shang can recruit for 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.

### **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 the Deed.

## 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 businesses including films, dramas, concerts, sports events, and shows, etc. and to establish an online media platform for different media contents.

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 productions, distribution and oversight of operations of the Sohu Video Channel. Ms. Shang led a team of 300 members and helped increase the number of audience of Sohu 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". Recently, 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 the Group's intention to engage in the entertainment business in the PRC and Ms. Shang's extensive experience and business network in the industry, the Group has agreed to co-invest in the JV Company with Ms. Shang and through the JV Company set up WFOE as the Group's vehicle to engage in the TV/film production business in the PRC. The arrangements under the Structured Contracts are to facilitate the JV Company's engagement in the TV/film production business in the PRC given the current restriction on foreign investment in this industry. The JV Company (and the OPCOs) will engage in the investment and production of movies and TV programs. It is expected that by end of 2015, one movie and one TV program will be produced by the OPCOs. The Group also engages Ms. Shang as Group Vice President and CEO of the Group's TV and movie business.

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. The granting of the Shang Put Option would give incentive to Ms. Shang in achieving profits for the JV Company.

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 and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## GEM LISTING RULES IMPLICATIONS

Given 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 contemplated under the

Shareholders' Agreement, the Structured Contracts, 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. An application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares. The SGM will be convened for the Shareholders to consider and, if thought fit, to approve the granting of 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 on the relevant resolution to be proposed at the SGM to grant the Specific Mandate. A circular containing further information on the Shang Put Option will be despatched to Shareholders on or before 18 September 2015.

As the Company Call Option is exercisable at the discretion of the Company and involves the acquisition of JV Shares from Ms. Shang (which upon completion of the Subscription will become 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.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms 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
“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 (formerly known as China Star Cultural Media 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” of this announcement), 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
“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
“Equity Pledge Agreement(s)”	the respective equity interests pledge contract to be entered into among WFOE, the OPCOs and their respective registered shareholders
“Exclusive Business Cooperation Agreement(s)”	the respective exclusive business cooperation agreements to be entered into between WFOE and the OPCOs
“Exclusive Option Agreement(s)”	the respective exclusive purchase option agreements to be entered into among WFOE, the OPCOs and their respective registered shareholders
“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 and wholly-owned by the JV Partner as at the date of the Shareholders’ Agreement
“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
“Lajin”	Lajin Film Co., Limited, a wholly-owned subsidiary of the Company
“Long Stop Date”	30 days after the day on which the JV Audited Accounts for the year ending 31 December 2018 becomes available
“Ms. Shang”	Ms. Shang Na, the registered shareholder of OPCO 1 and one of the registered shareholders of OPCO 2 (as to 99% of the issued shares)
“OPCOs”	collectively OPCO 1 and OPCO 2
“OPCO 1”	年青時候影視文化傳媒(北京)有限公司(Young Times Video Cultural Media (Beijing) Company Limited), a company established under the laws of the PRC
“OPCO 2”	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
“Option Price”	the consideration for the Option Shares as determined based on the formula below:

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

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

“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
“PRC”	the People’s Republic of China (which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan)
“PRC Legal Adviser”	Guantao Law Firm, the legal adviser to the Company as to the laws of the PRC
“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 for the Shareholders to consider and, if thought fit, to 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 announcement), 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 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 pursuant to which Lajin shall provide the Shareholder Loan to the JV Company

“Shareholder’s Entrustment Letter(s)”	the respective shareholder’s entrustment letters to be entered into between the respective registered shareholders of the OPCOs and the WFOE
“Shareholders’ Agreement”	the agreement entered into by Lajin, the JV Partner and Ms. Shang (as JV Partner’s guarantor) on 28 August 2015
“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
“Structured Contracts”	collectively, the Equity Pledge Agreements, the Exclusive Business Cooperation Agreements, the Exclusive Option Agreements, and the Shareholder’s Entrustment Letters
“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 Structured Contracts and the Deed
“US\$”	United States dollars, the lawful currency of the United States of America
“WFOE”	a company to be established under the laws of the PRC by Young Film as its wholly-owned subsidiary
“Young Film”	Young Film Culture Media Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the JV Company
“%”	percentage

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

Hong Kong, 28 August 2015

*As at the date of this announcement, the executive Director is Ms. Wu Li, the non-executive Directors are Mr. Zou Xiao Chun and Mr. Zhou Ya Fei and the independent non-executive Directors are Mr. Wang Ju, Mr. Ng Wai Hung and Mr. Lam Cheung Shing Richard.*

*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).*

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