



2019

FIRST QUARTERLY REPORT

拉近網娛集團有限公司

LAJIN ENTERTAINMENT  
NETWORK GROUP LIMITED

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

**GEM has been positioned as a market designed to accommodate small and mid-sized 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.**

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

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*This report, for which the directors (the “Directors”) of Lajin Entertainment Network Group Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or in this report misleading.*

## UNAUDITED QUARTERLY RESULTS

The board of Directors (the “Board”) of Lajin Entertainment Network Group Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2019, together with the comparative unaudited figures for the corresponding periods in 2018 as follows:

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

		For the three months ended 31 March	
		2019	2018
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	Notes		
Revenue	3	2,335	1,532
Cost of sales		(2,086)	(1,612)
Gross loss		249	(80)
Other income	4	409	3,493
Selling and distribution expenses		(37)	(392)
Administrative expenses		(12,993)	(19,018)
Share of losses of:			
Associates		(130)	(1,215)
A joint venture		(232)	(508)
Loss before tax	5	(12,734)	(17,720)
Income tax expense	6	—	—
Loss for the period		(12,734)	(17,720)

**For the three months  
ended 31 March**

	Notes	<b>2019</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2018 (Unaudited) HK\$'000
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		12,394	23,705
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		12,394	23,705
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(340)</b>	<b>5,985</b>
Loss for the period attributable to:			
Owners of the parent		(12,622)	(17,428)
Non-controlling interests		(112)	(292)
		<b>(12,734)</b>	<b>(17,720)</b>
Total comprehensive loss for the period attributable to:			
Owners of the parent		(195)	6,295
Non-controlling interests		(145)	(310)
		<b>(340)</b>	<b>5,985</b>
Dividend		—	—
Loss per share			
— Basic and diluted	7	<b>(0.30) cent</b>	<b>(0.41) cent</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

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

The registered office and principal place of business of the Company are located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Unit 3903A, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong respectively.

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

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

## 2. BASIS OF PREPARATION AND CONSOLIDATION

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

The measurement basis used in the preparation of the Unaudited Condensed Consolidated Results is the historical cost convention, as modified for the revaluation of certain financial instruments which are stated at their fair values.

The preparation of Unaudited Condensed Consolidated Results in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

All significant intercompany transactions, balances and unrealised gain on transaction within the Group have been eliminated on consolidation.

The accounting policies and basis of preparation adopted in the preparation of the Unaudited Condensed Consolidated Results are consistent with those adopted in annual financial statements for the year ended 31 December 2018.

### 3. REVENUE

	For the three months ended 31 March	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Sales of film rights	1,915	—
TV and internet programme	—	1,185
Artists management	413	347
Others	7	—
	<b>2,335</b>	<b>1,532</b>

### 4. OTHER INCOME

	For the three months ended 31 March	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	154	469
Consultancy service income	27	2,438
Rental income	228	453
Imputed interest income on convertible notes receivables	—	133
	<b>409</b>	<b>3,493</b>

## 5. LOSS BEFORE TAX

Loss before tax is arrived at after charging:

	<b>For the three months ended 31 March</b>	
	<b>2019</b>	2018
	<b>(Unaudited) HK\$'000</b>	<b>(Unaudited) HK\$'000</b>
Depreciation of property, plant and equipment	2,663	3,294
Amortisation of other assets	292	288
Operating leases rentals in respect of rented premises	808	2,278
Staff costs including directors' remuneration		
— Salaries and allowances	5,064	8,543
— Retirement benefits schemes contributions	494	770
— Share-based payment expenses	—	—
	<b>5,558</b>	<b>9,313</b>

## 6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made during the period as the Group did not generate any assessable profits arising in Hong Kong or the estimated assessable profit was wholly absorbed by tax losses brought forward during the period under review. (2018: Nil).

No provision for PRC Corporate Income Tax and Korea Corporate income Tax have been made during the period as the Group have no assessable profits arising in PRC and Korea. (2018: Nil).

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

The calculation of the basic loss per share is based on the loss attributable to ordinary equity holders of the parent for the three months ended 31 March 2019 of approximately HK\$12,622,000 (2018: loss attributable to ordinary equity holders of the parent of approximately HK\$17,428,000) and the weighted average of 4,209,131,000 shares in issue during the three months ended 31 March 2019 (2018: 4,209,131,000 shares).

As the Company's share options and preferred shares where applicable had an anti-dilutive effect to the basic loss per share calculation for the three months ended 31 March 2019, the conversion of the above potential dilutive shares is not assumed in the calculation of diluted loss per share.

## 8. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent										
	Ordinary Share Capital HK\$'000	Share premium HK\$'000	Fair value reserve HK\$'000	Share- based payment reserve HK\$'000	Contributed surplus HK\$'000	Other reserve HK\$'000	Exchange reserve HK\$'000	Acc- umulated losses HK\$'000	Sub-total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 January 2018 (audited)	42,090	1,138,909	—	21,024	28,294	14,476	2,462	(347,841)	899,414	257	899,671
Net loss for the period	—	—	—	—	—	—	—	(17,428)	(17,428)	(292)	(17,720)
Other comprehensive income for the period	—	—	—	—	—	—	23,723	—	23,723	(18)	23,705
Total comprehensive loss for the period	—	—	—	—	—	—	23,723	(17,428)	6,295	(310)	5,985
<b>At 31 March 2018 (unaudited)</b>	<b>42,090</b>	<b>1,138,909</b>	<b>—</b>	<b>21,024</b>	<b>28,294</b>	<b>14,476</b>	<b>26,185</b>	<b>(365,269)</b>	<b>905,709</b>	<b>(53)</b>	<b>905,656</b>
At 1 January 2019 (audited)	42,090	1,138,909	(11,267)	3,074	28,294	13,786	(28,904)	(565,158)	620,824	(170)	620,654
Net loss for the period	—	—	—	—	—	—	—	(12,622)	(12,622)	(112)	(12,734)
Other comprehensive income for the period	—	—	—	—	—	—	12,427	—	12,427	(33)	12,394
Total comprehensive loss for the period	—	—	—	—	—	—	12,427	(12,622)	(195)	(145)	(340)
Transfer of share-based payment reserve upon expiry of share options	—	—	—	(3,074)	—	—	—	3,074	—	—	—
<b>At 31 March 2019 (unaudited)</b>	<b>42,090</b>	<b>1,138,909</b>	<b>(11,267)</b>	<b>—</b>	<b>28,294</b>	<b>13,786</b>	<b>(16,477)</b>	<b>(574,706)</b>	<b>620,629</b>	<b>(315)</b>	<b>620,314</b>



## **DIVIDEND**

The Board does not recommend the payment of a dividend for the three months ended 31 March 2019 (2018: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

The revenue of the Group was approximately HK\$2,335,000 for the three months ended 31 March 2019 (2018: HK\$1,532,000), representing an increase of 52.4% as compared with the three months period ended 31 March 2018. The increase was mainly due to the increase in revenue generated from the sales of film rights during the period.

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

During the period under review, the revenue contributed by such segment was approximately HK\$1,915,000 (2018: HK\$1,185,000), representing the sales of film rights.

#### **Artists Management**

During the period under review, the revenue contributed by such segment was approximately HK\$413,000 (2018: HK\$347,000).

Cost of sales for the three months ended 31 March 2019 increased to approximately HK\$2,086,000 (2018: HK\$1,612,000), which was mainly attributable to the cost of films rights. Administrative expenses were mainly staff costs, operating leases and other general administrative expenses of the Group incurred during the period under review. Administrative expenses decreased to approximately HK\$12,993,000 from approximately HK\$19,018,000 in the corresponding period. It was mainly attributable to the decrease in expenses on salaries and allowances amounted to approximately HK\$3,479,000 (2018: HK\$8,543,000) due to the cost control of the Group.

Loss for the period attributable to owners of the parent was approximately HK\$12,622,000 (2018: HK\$17,428,000). The reduction in loss was primarily due to the decrease in administrative expenses.

## **BUSINESS REVIEW**

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

The Group continued to team up with talented creative teams as well as powerful and affluent media companies in the TV/movies industry for its investments in quality TV/movies projects for the sake of effectively managing and mitigating the risks for our investments. Besides, the Group has produced many internet related media contents in the industry, including internet TV dramas, internet movies, thus building Lajin Entertainment's internet media ecosystem.

As of 31 December 2018, the management reviewed the status of each project and decided to make impairments for seven projects which were considered doubtful and unlikely for further development. Uncertainties or difficulties surrounding these projects include i) the lack of progress in the sales of distribution rights of a TV drama as a result of scandals of some cast members in the drama; ii) the difficulties in developing or sales of some Korea IPs for policies allegedly imposed; iii) the cessation in continuing to develop some projects due to careful business consideration. Due to the dynamic nature of the entertainment business, the abovementioned hiccups may just be temporary and the management may revive them when suitable business opportunities arise.

With the rapid development of video streaming websites and internet movies in the Mainland China, the Group will continue to increase its investment in internet movies in 2019. Given the success of the internet-movie projects in 2018, the Group invested in a series of projects of larger scale and investment including "The Props Master" (《道具師》), "Hey! Tiny Bone" (《嘿！小骨頭》), "The Legend of Zu 2" (《蜀山降魔傳2》), "Swordsmanship and Immortality Cultivation" (《天劍修仙傳》), "Yan Chixia" (《燕赤霞》) and "The Strongest Iron Mr. Nanny" (《最強鐵血奶爸》) in pursuit of "blockbuster" projects to generate considerable profit contributions to the Group. In addition to internet movies, the Group also invested in theatrical films "Pegasus" (《飛馳人生》) and "The Home Front" (《破陣子》). "Pegasus" (《飛馳人生》) was released during the Lunar New Year period and recorded a satisfactory box office in the Mainland China.

The Group is the lead investor and producer in the following key projects, including but not limited to:

### ***“Faithful Dog Hachiko”*** (《忠犬八公》)

The Group has been granted the license for “Hachi: A Dog’s Tale” (《忠犬八公的故事》) (a famous Japanese film with Kaneto Shindo as the scriptwriter) by Jiro Shindo, the licence owner of this film, and has adapted it into the Chinese version, “Faithful Dog Hachiko” (《忠犬八公》). Script adaptation for this movie has been completed and Mr. Xu Ang has confirmed to direct this movie. Director Xu Ang’s representative work include the stage drama “What Makes You Beautiful” (《喜劇的憂傷》), the film “12 Citizens” (《十二公民》) and the TV series “Medical Examiner Dr. Qin” (《法醫秦明》). At this stage “Faithful Dog Hachiko” (《忠犬八公》) has gained a very positive response either in financing or seeking cooperative teams. The Group is now working to advance this project at full force and is expected to start the production in October 2019.

### ***“The Tibet Code”***

The Group has entered into a joint investment and development agreement with Tencent Pictures, Guoying Investment and Dimension Films to collectively produce the film series of “The Tibet Code” (《藏地密碼》) adapted from the best-selling novel of the same name. We have invited Mr. Huang Jianxin, a famous director, executive producer and producer, to be the executive producer of the first film of the “The Tibet Code” (《藏地密碼》) series, who acted as the executive producer of films including “The Warlords” (《投名狀》) and “The Taking of Tiger Mountain” (《智取威虎山》) and the producer of films such as “Bodyguards and Assassins” (《十月圍城》) and “Operation Mekong” (《湄公河行動》). Mr. Huang Hai will lead the scriptwriter team for “The Tibet Code” (《藏地密碼》) whose scripting works include “The Devotion of Suspect X” (《嫌疑人X的獻身》), “Wu Kong” (《悟空傳》) and “Mystery of Antiques” (《古董局中局》). We are now looking for a director for this film series.

### ***“Legend of the Galactic Heroes”***

The project is based on the famous novel written by the distinguished Japanese novelist Tanaka Yoshiki. The Group has entered into a cooperation agreement with “Linghe Media” for the development of this super IP which has extensive experience in producing “super dramas”, in which Bai Yicong, a key person of this company has a nickname of “Internet Dramas No. One”. The last Chinese New Year holiday witnessed the great market potential of Chinese science fiction movies. Therefore, the theatrical film of “Legend of the Galactic Heroes” is actively under study hoping this legendary story can bring new impetus to Chinese science fiction movies.

The above projects are the main focus of our investments in the coming 2-3 years which will receive the Group’s full support and plan to release or distribute in or after 2020.

Furthermore, the previously invested projects like “The Dynasty Warriors” (《真•三國無雙》), “Fagara in Mara” (《花椒之味》), “Theory of Ambition” (《風再起時》), “I’m Livin’ It” (《麥路人》), “Ori Princess, the Elf is Coming” (《甜心格格之精靈來了》), “If You are Happy” (《學區房83弄》) and “In Winter” (《藍色列車》) are either under post-production or scheduled for release and expected to be released in 2019.

### **Artists Management**

The Group continuously optimizes the portfolio of artists. The Group provides customized performance opportunities for the development of our new artists through the media and music projects produced or invested by the Group. On the other hand, the Group has developed a new source of advertising income for artists via various channels such as online marketing and e-commerce.

Amongst all artists under our management, Chen Xinzhe (陳信喆) shows enormous potential and has been put in the limelight quickly. Chen Xinzhe, a new-born and post-95 generation star, develops his career on multiple fronts: movie, television and music. He has published 10 singles and performed in 14 movies/ TV since his debut two years ago. The first single of Chen Xinzhe "I Miss You Again" (《我又想你了》), which recorded over 50,000 comments in the NetEase Cloud Music (網易雲音樂) music platform has entered the Tik Tok Music new song chart shortly after its release online, and subsequently entered the hit song chart of Tik Tok Music also. His debut movie "Exorcism Master"\* (《鎮魂法師》) has recorded over 60 million click-rates within 3 months after the exclusive release in Youku. This result has broken many industry records of internet movie production and captured the first championship of profit-sharing in the industry which has become a milestone production in the development of internet movie production. Chen Xinzhe is also the first artist who marked 60 million click-rates in the internet movie industry, and the movie "Exorcism Master2"\* (《鎮魂法師2》) in which he is the leading actor has finished shooting and will be released in mid-2019. In addition, "The Evil Thief's White Bone Clothes" (《魔盜白骨衣》), an Internet drama produced by Youku, will be released soon. The satellite TV series "Crazy Troupe" (《瘋狂劇團》) will also be released in 2019. Chen Xinzhe was honoured with "The Most Popular Actor" award with his outstanding performance delivered in the movie "Exorcism Master"\* (《鎮魂法師》) at "The 3rd Golden Seagull International New Media Film Week" organized by the Communication Centre of Chinese Communist Youth League (共青團中央網絡影視中心), China Film Association, the New Media Research Institute of Communication University of China, Chinese Film Association of Malaysia and Thailand National Film Association on 29 September 2018.

Although Chen Xinzhe has started his career for only a short period of two years, he has already starred in 14 TV/movie productions. Apart from his impressive achievements in the TV/movie and music sectors, his accomplishment also extended to charitable events through participation in the "Charity Walk for Tibet"\* (《千里西藏助學行》) of "Xiantou Commonwealth"\* (線頭公益) and the "Support! Free Lunch"\* (《支持·免費午餐》) of Tencent Foundation, supporting the children in needs with actions.

\* for illustration purpose only

In addition, Lajin's artists including Yang Xiaodong (楊曉東) and Xu Junjie (徐俊杰) have shot the "The Next Top Bang" (《中國夢之聲·下一站傳奇》), a key programme of Dragon Television. The show is a "large-scale variety competition show featuring dancing and singing for youth talents", with Chan Waiting (陳偉霆), Tang Tszkei (鄧紫棋), Wu Haiquan (胡海泉), Zhou Bichang (周筆暢), Song Qian (宋茜) and Kris Wu (吳亦凡) being the initial artists for the show. Moreover, our artist Xu Junjie (徐俊傑) took part in "Avenue of Stars" (《星光大道》), a large-scale variety show held by CCTV, on March 7, 2019 and gave outstanding performance in the four rounds of competition to become the champion of the week. He won the first runner-up of the monthly competition held on April 11 for his remarkable singing performance. In addition, Ye Zicheng (葉子誠) acted as Lin Yimu (林一木), the leading actor in the theatre movie "Twentys" (《二十歲》) invested by Lajin, Zhao Shanshan (趙閃閃) and Zhang Linyue (張琳悅) acted as the leading actress Yuan Youqing (原幼清) and main villain Yun Juyan (雲居雁) in the internet movie "The Legend of Zu" (《蜀山降魔傳》) respectively. All of them demonstrated remarkable performance.

We will strive to secure more commercial advertisement jobs for our artists and leverage on the facilities available in our Lajin Base to provide them with necessary trainings and shooting/production environment, enabling these future stars to shine.

## Music

The Group has put enormous effort in building the Huo Miao Original Music Service Platform "Huo Miao" (火喵). Huo Miao is an incubation project focused on the creation of original music which aims to help musicians to get rewarded and realize their value through restructuring the mechanism for profit sharing, and in turn stimulates the creativity of musicians in order to nurture more new artists to produce in the music industry. Huo Miao is committed to building the biggest new ecosystem of original music in China.

The musician team of Huo Miao is continuously expanding with young song producers, composers, lyricists and arrangers and has augmented the copyright of a large number of high quality original music compositions, covering a variety of mainstream and non-mainstream music in styles of pop, rock, classical, folk, electronic, rap, etc.

Huo Miao has developed a relatively comprehensive music promotion and distribution network and commenced copyright operation in full swing: Huo Miao collaborated with various domestic mainstream music platforms, such as QQ Music, KuGou Music, Kuwo Music, NetEase Cloud Music and Xiami Music and gradually opened overseas issuance channels. It also established strategic partnerships with nearly 100 radio stations and internet radio channels in China. The mobile platforms developed by Huo Miao have been successfully launched.

During the current period, Lajin Music (拉近音樂) and Huo Miao provided support to the Group's film and artist management businesses with its music creation, and also produced and distributed music products for several movies/TV dramas and artists. Lajin Music/Huo Miao has become one of the three interrelated industry chains of the Group. We firmly believe in the originality of music and such brand new concept of tailor-made music production will prosper in the future.

## **Lajin Base**

Lajin Base (the "Base") located in Yi Zhuang (亦莊), Beijing comprises two 6-storey buildings of approximately 5,600 square metres in total and houses various facilities and functionalities, including top-tier recording studios, dance studios, band rooms, styling salons, theatres, live broadcasting facilities, intelligent programmes productions, talents development, media postproductions and copyrights management.

Lajin Base is the most strategic and forward-looking business framework of Lajin Entertainment Network. Equipped with first-class facilities of the country, it possesses independent intellectual property rights and high-tech connectivity combining first-class functions such as Internet entertainment, stars nurturing, movie and video production, interaction with fans and master's studios.

Lajin Base supplies both front stage and backstage talents for the domestic movie, television, music and performing arts industries. It also produces high-quality cultural and entertainment content of positive energy and values for the market.

The Base has signed the joint production agreement with several production houses in relation to the provision of the Base's venue and facilities and the advanced programmes productions technology for the production of some specific variety shows, for example "Chao Yin Zhan Ji" (《潮音戰紀》), a variety show produced by Tencent Video (騰訊視頻). In addition, the Base will cooperate with various platforms, such as providing venues for nurturing "internet celebrity" anchor, and expect to generate sustainable revenue starting from 2019. The Base also cooperated with Huo Miao Music to launch short music video projects, aiming to create quality short music videos together.

The Group will continue to promote the Base's competitive edge and will strive to secure cooperation of similar nature so as to deepen the cooperative relationship with the leading streaming platforms in the industry through quality content production in forms of livestreaming, short videos, music, artists and variety entertainment, to increase the stable income stream, as well as to ensure the maximum utilization of our facilities. The management will regularly evaluate the utilization and positioning of The Base and formulate the best strategy of its deployment in order to maximize the return of the Company and its shareholders.

## **CAPITAL STRUCTURE**

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

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

At 31 March 2019, no interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code were held by the Directors and chief executives and their respective associates.



## SHARE OPTION SCHEME

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

Details of the options outstanding as at 31 March 2019 which have been granted to directors or chief executives under the Share Option Scheme are as follows:

	Option type	Outstanding as at 1 January 2019	Granted	Exercised	Lapsed	Outstanding as at 31 March 2019
Other employees	2016A	15,000,000	—	—	(15,000,000)	—
<b>Total options outstanding</b>		<b>15,000,000</b>	<b>—</b>	<b>—</b>	<b>(15,000,000)</b>	<b>—</b>

Details of the specific categories of options are as follows:

Option type	Date of grant	Vesting period	Exercise period	Exercise price
2016A	21 January 2016	21 January 2016 to 20 January 2017	21 January 2017 to 21 January 2019	HK\$1.088

During the period under review, no options were granted or exercised, and a total of 15,000,000 options were expired under the Share Option Scheme. There is no option outstanding as at 31 March 2019.

The total number of shares of the Company available for issue under the Share Option Scheme amounts to 156,967,477 shares as at the date of this report, representing 3.73% of the issued share capital outstanding.

## **ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES**

Other than the share option scheme, at no time during the three months ended 31 March 2019 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors and chief executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights.

## **SUBSTANTIAL SHAREHOLDERS**

At 31 March 2019, the register of substantial shareholders maintained by the Company under Section 336 of the SFO showed that, other than the interests disclosed above in respect of certain directors, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

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

Name of substantial shareholder	Capacity	Notes	Interest in shares	Interest in underlying shares	Approximate percentage of the Company's issued share capital
Jiaxuan Group Company Limited ("Jiaxuan")	Beneficial owner	(i)	1,982,561,725	—	47.10%
Eagle King Investment Holding Limited	Interest of controlled corporation	(i)	1,982,561,725	—	47.10%
Mr. Wong Kwong Yu	Interest of controlled corporation	(i)	1,982,561,725	—	47.10%
Great Majestic Global Holdings Limited	Interest of controlled corporation	(i)	1,982,561,725	—	47.10%
Mr. Xu Zhong Min	Interest of controlled corporation	(i)	1,982,561,725	—	47.10%
CITIC Group Corporation	Interest of controlled corporation	(ii)	459,934,954	—	10.93%
CITIC Limited	Interest of controlled corporation	(ii)	459,934,954	—	10.93%
Famous Peak Investments Limited	Beneficial owner	(ii)	459,934,954	—	10.93%
Vision Path Limited	Beneficial owner	(iii)	424,834,655	—	10.10%
Ms. Yu Nan	Interest of controlled corporation	(iii)	424,834,655	—	10.10%
First Charm Investments Limited	Beneficial owner	(iv)	311,545,414	—	7.40%
Mr. Ko Chun Shun, Johnson	Interest of controlled corporation	(iv)	311,545,414	—	7.40%

*Notes:*

- (i) Jiaxuan is owned as to 55% by Eagle King Investment Holding Limited (“Eagle King”) and as to 45% by Great Majestic Global Holdings Limited (“Great Majestic”). Mr. Wong Kwong Yu owns 100% of Eagle King and Mr. Xu Zhong Min owns 100% of Great Majestic.
- (ii) Famous Peak Investments Limited is a wholly-owned subsidiary of CITIC Investment (HK) Limited, being one of the wholly-owned subsidiaries of CITIC Limited. CITIC Group Corporation is the holding company of the CITIC Limited.
- (iii) Ms. Yu Nan owns 100% of Vision Path.
- (iv) Mr. Ko Chun Shun, Johnson owns 100% of First Charm.

Save as disclosed above, at 31 March 2019, the Company has not been notified by any persons (other than the Directors and chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which were to be recorded in the register required to be kept under Section 336 of the SFO and/or who were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

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

During the three months ended 31 March 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

## AUDIT COMMITTEE

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

The audit committee has reviewed the first quarterly report and results for the three months ended 31 March 2019 before proposing to the Board for approval.

By order of the Board  
**Lajin Entertainment Network Group Limited**  
**Leung Wai Shun Wilson**  
*Company Secretary*

Hong Kong, 15 May 2019

*As at the date of this report, the executive directors are Ms. Wu Li and Ms. Zhai Shan Shan; the non-executive directors are Mr. Luo Ning, Mr. Zou Xiao Chun and Mr. Zhou Ya Fei and the independent non-executive directors are Mr. Ng Wai Hung, Mr. Lam Cheung Shing, Richard and Mr. Wang Ju.*