



## **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)**

#### **FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2023**

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

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## 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 2023, together with the comparative unaudited figures for the corresponding periods in 2022 as follows:

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

|                                   | <i>Notes</i> | <b>For the three months<br/>ended 31 March</b>  |   |
|-----------------------------------|--------------|---|---|
|                                   |              | <b>2023<br/>(Unaudited)<br/><i>HK\$'000</i></b> | <b>2022<br/>(Unaudited)<br/><i>HK\$'000</i></b> |
| Revenue                           | 3            | <b>3,344</b>                                    | 3,455   |
| Cost of sales                     |              | <b>(1,634)</b>                                  | (1,338)   |
| Gross profit                      |              | <b>1,710</b>                                    | 2,117   |
| Other income                      | 4            | <b>(211)</b>                                    | 402   |
| Selling and distribution expenses |              | <b>(4)</b>                                      | (69)  |
| Administrative expenses           |              | <b>(7,811)</b>                                  | (13,529)  |
| Share of loss of:                 |              |   |   |
| Associates                        |              | <b>(353)</b>                                    | (402)   |
| Loss before tax                   | 5            | <b>(6,669)</b>                                  | (11,481)  |
| Income tax expense                | 6            | <b>(3)</b>                                      | –   |
| Loss for the period               |              | <b>(6,672)</b>                                  | (11,481)  |

|   | <b>For the three months<br/>ended 31 March</b> |                           |
|---|--|---------------------------|
|   | <b>2023</b>                                    | <b>2022</b>               |
|   | <b>(Unaudited)</b>                             | <b>(Unaudited)</b>        |
| <i>Note</i>   | <b>HK\$'000</b>                                | <b>HK\$'000</b>           |
| <b>OTHER COMPREHENSIVE INCOME</b>   |  |                           |
| <i>Other comprehensive income to be reclassified to<br/>profit or loss in subsequent periods:</i> |  |                           |
| Exchange differences on translation of foreign operations   | <u>1,287</u>                                   | <u>1,786</u>              |
| <b>OTHER COMPREHENSIVE INCOME/(LOSS)<br/>FOR THE PERIOD</b>                                       |  |                           |
| – Net of tax  | <u>1,287</u>                                   | <u>1,786</u>              |
| <b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>  | <b><u>(5,385)</u></b>                          | <b><u>(9,695)</u></b>     |
| Loss for the period attributable to:  |  |                           |
| Owners of the parent  | (5,633)  | (10,094)                  |
| Non-controlling interests   | <u>(1,039)</u>                                 | <u>(1,387)</u>            |
|   | <b><u>(6,672)</u></b>                          | <b><u>(11,481)</u></b>    |
| Total comprehensive loss for the period attributable to:  |  |                           |
| Owners of the parent  | (4,270)  | (8,216)                   |
| Non-controlling interests   | <u>(1,115)</u>                                 | <u>(1,479)</u>            |
|   | <b><u>(5,385)</u></b>                          | <b><u>(9,695)</u></b>     |
| Dividend  | <u>–</u>                                       | <u>–</u>                  |
| Loss per share  |  |                           |
| – Basic and diluted   | <u>7</u> <b><u>(0.13) cent</u></b>             | <b><u>(0.24) cent</u></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 Condensed 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 artiste 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 the 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 2022.

### 3. OPERATING SEGMENT INFORMATION

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

- (a) the artiste management segment comprises the provision of artiste management service;
- (b) the movies, TV programmes and internet contents segment comprises investment, production and distribution of movies, TV programmes and investment in internet contents;
- (c) the new media segment comprises the promotion and demonstration through live video on the website.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's loss before tax except that impairment loss recognised in respect of trade and other receivables and prepayments, impairment loss on investments in associates, recovery of amount due on an impaired financial assets at FVTPL, share of losses of associates, other income as well as head office and corporate and other unallocated expenses are excluded from such measurement.

#### A. Segment revenue and results

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

|  | Artiste management                     |                                 | Movies, TV programmes<br>and internet contents |                                 | New media<br>business                  |                                 | Total                                  |                                 |
|--|--|---------------------------------|--|---------------------------------|--|---------------------------------|--|---------------------------------|
|  | For the three months<br>ended 31 March |                                 | For the three months<br>ended 31 March         |                                 | For the three months<br>ended 31 March |                                 | For the three months<br>ended 31 March |                                 |
|  | 2023<br>(Unaudited)<br>HK\$'000        | 2022<br>(Unaudited)<br>HK\$'000 | 2023<br>(Unaudited)<br>HK\$'000                | 2022<br>(Unaudited)<br>HK\$'000 | 2023<br>(Unaudited)<br>HK\$'000        | 2022<br>(Unaudited)<br>HK\$'000 | 2023<br>(Unaudited)<br>HK\$'000        | 2022<br>(Unaudited)<br>HK\$'000 |
| Segment revenue                          |  |                                 |  |                                 |  |                                 |  |                                 |
| Revenue from external customers          | <u>114</u>                             | <u>108</u>                      | <u>3,111</u>                                   | <u>598</u>                      | <u>119</u>                             | <u>2,749</u>                    | <u>3,344</u>                           | <u>3,455</u>                    |
| Segment results                          | <u>(172)</u>                           | <u>(171)</u>                    | <u>(4,601)</u>                                 | <u>(6,673)</u>                  | <u>(637)</u>                           | <u>(3,262)</u>                  | <u>(5,410)</u>                         | <u>(10,106)</u>                 |
| Reconciliation:                          |  |                                 |  |                                 |  |                                 |  |                                 |
| Unallocated other income                 |  |                                 |  |                                 |  |                                 | 11                                     | 27                              |
| Corporate and other unallocated expenses |  |                                 |  |                                 |  |                                 | (917)                                  | (1,000)                         |
| Share of profits/(losses) of associates  |  |                                 |  |                                 |  |                                 | (353)                                  | (402)                           |
| Loss before tax                          |  |                                 |  |                                 |  |                                 | (6,669)                                | (11,481)                        |
| Income tax expense                       |  |                                 |  |                                 |  |                                 | (3)                                    | -                               |
| Loss for the period                      |  |                                 |  |                                 |  |                                 | <u>(6,672)</u>                         | <u>(11,481)</u>                 |

## B. Geographical information

|                                 | Hong Kong                           |             | Mainland China                      |             | Korea                               |             | Total                               |             |
|---------------------------------|-------------------------------------|-------------|-------------------------------------|-------------|-------------------------------------|-------------|-------------------------------------|-------------|
|                                 | For the three months ended 31 March |             | For the three months ended 31 March |             | For the three months ended 31 March |             | For the three months ended 31 March |             |
|                                 | 2023                                | 2022        | 2023                                | 2022        | 2023                                | 2022        | 2023                                | 2022        |
|                                 | (Unaudited)                         | (Unaudited) | (Unaudited)                         | (Unaudited) | (Unaudited)                         | (Unaudited) | (Unaudited)                         | (Unaudited) |
|                                 | HK\$'000                            | HK\$'000    | HK\$'000                            | HK\$'000    | HK\$'000                            | HK\$'000    | HK\$'000                            | HK\$'000    |
| Revenue from external customers | -                                   | -           | 3,344                               | 3,455       | -                                   | -           | 3,344                               | 3,455       |

## 4. REVENUE

|                           | For the three months ended 31 March |              |
|---------------------------|-------------------------------------|--------------|
|                           | 2023                                | 2022         |
|                           | (Unaudited)                         | (Unaudited)  |
|                           | HK\$'000                            | HK\$'000     |
| New media business        | 119                                 | 2,749        |
| TV and internet programme | 2,778                               | 344          |
| Distribution agency fee   | 333                                 | 254          |
| Artiste management        | 114                                 | 108          |
|                           | <u>3,344</u>                        | <u>3,455</u> |

## 5. OTHER INCOME

|                            | For the three months ended 31 March |             |
|----------------------------|-------------------------------------|-------------|
|                            | 2023                                | 2022        |
|                            | (Unaudited)                         | (Unaudited) |
|                            | HK\$'000                            | HK\$'000    |
| Bank interest income       | 18                                  | 27          |
| Income on film investments | -                                   | (13)        |
| Other income               | (229)                               | 388         |
|                            | <u>(211)</u>                        | <u>402</u>  |

## 6. LOSS BEFORE TAX

Loss before tax is arrived at after charging:

|  | For the three months<br>ended 31 March |                                 |
|--|--|---------------------------------|
|  | 2023<br>(Unaudited)<br>HK\$'000        | 2022<br>(Unaudited)<br>HK\$'000 |
| Depreciation of property, plant and equipment                      | 1,510                                  | 3,128                           |
| Amortisation of other assets                                       | 8                                      | 9                               |
| Lease payment not included in the measurement of lease liabilities | 216                                    | 493                             |
| Staff costs including directors' remuneration                      |  |                                 |
| — Salaries and allowances  | 4,410                                  | 6,615                           |
| — Retirement benefits schemes contributions                        | 267                                    | 605                             |
|  | <u>4,677</u>                           | <u>7,220</u>                    |

## 7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax and Korea corporate income tax has been made during the period as the Group did not generate any assessable profits arising in Hong Kong and Korea or the estimated assessable profit was wholly absorbed by tax losses bought forward during the period under review (2022: Nil).

During the period, the amount of the PRC enterprise income tax was paid in accordance with the rate at 25% of assessable profit, and the income tax paid was HK\$3,000 (2022: Nil).

## 8. 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 2023 of approximately HK\$5,633,000 (2022: loss attributable to ordinary equity holders of the parent of approximately HK\$10,094,000) and the weighted average of 4,209,131,000 shares in issue during the three months ended 31 March 2023 (2022: 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 2023, the conversion of the above potential dilutive shares is not assumed in the calculation of diluted loss per share.

## 9. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|   | Attributable to owners of the parent |                  |                    |                     |               |                  |                    | Non-controlling interests | Total          |                |
|---|--------------------------------------|------------------|--------------------|---------------------|---------------|------------------|--------------------|---------------------------|----------------|----------------|
|   | Ordinary Share Capital               | Share premium    | Fair value reserve | Contributed surplus | Other reserve | Exchange reserve | Accumulated losses |                           |                | Sub-total      |
|   | HK\$'000                             | HK\$'000         | HK\$'000           | HK\$'000            | HK\$'000      | HK\$'000         | HK\$'000           | HK\$'000                  | HK\$'000       |                |
| At 1 January 2022 (audited)               | 42,090                               | 1,138,909        | (20,006)           | 28,294              | 14,426        | (6,495)          | (911,270)          | 285,948                   | (11,251)       | 274,697        |
| Net loss for the period                   | -                                    | -                | -                  | -                   | -             | -                | (10,094)           | (10,094)                  | (1,387)        | (11,481)       |
| Other comprehensive income for the period | -                                    | -                | -                  | -                   | -             | 1,878            | -                  | 1,878                     | (92)           | 1,786          |
| Total comprehensive loss for the period   | -                                    | -                | -                  | -                   | -             | 1,878            | (10,094)           | (8,216)                   | (1,479)        | (9,695)        |
| At 31 March 2022 (unaudited)              | <u>42,090</u>                        | <u>1,138,909</u> | <u>(20,006)</u>    | <u>28,294</u>       | <u>14,426</u> | <u>(4,617)</u>   | <u>(921,364)</u>   | <u>277,732</u>            | <u>12,730</u>  | <u>265,002</u> |
| At 1 January 2023 (audited)               | <u>42,090</u>                        | <u>1,138,909</u> | <u>(22,708)</u>    | <u>28,294</u>       | <u>14,426</u> | <u>(22,202)</u>  | <u>(1,016,954)</u> | <u>161,855</u>            | <u>(7,778)</u> | <u>154,077</u> |
| Net loss for the period                   | -                                    | -                | -                  | -                   | -             | -                | (5,633)            | (5,633)                   | (1,039)        | (6,672)        |
| Other comprehensive income for the period | -                                    | -                | -                  | -                   | -             | 1,363            | -                  | 1,363                     | (76)           | (1,287)        |
| Total comprehensive loss for the period   | -                                    | -                | -                  | -                   | -             | 1,363            | (5,633)            | (4,270)                   | (1,115)        | (5,385)        |
| At 31 March 2023 (unaudited)              | <u>42,090</u>                        | <u>1,138,909</u> | <u>(22,708)</u>    | <u>28,294</u>       | <u>14,426</u> | <u>(20,893)</u>  | <u>(1,022,587)</u> | <u>157,585</u>            | <u>(8,893)</u> | <u>148,692</u> |



## **DIVIDEND**

The Board does not recommend the payment of a dividend for the three months ended 31 March 2023 (2022: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

The revenue of the Group was approximately HK\$3,344,000 for the three months ended 31 March 2023 (2022: HK\$3,455,000), representing a decrease of 3.21% as compared with the three months ended 31 March 2022. The decrease was mainly due to the decrease in revenue from the Group's new media business.

Cost of sales for the three months ended 31 March 2023 increased to approximately HK\$1,634,000 (2022: HK\$1,338,000), which was mainly attributable to the increase in cost from the Group's movies, TV programmes and internet content business. 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\$7,811,000 from approximately HK\$13,529,000 in the corresponding period. It was mainly attributable to the decrease in expenses on staff costs due to the decrease in staff with the decrease in e-commerce business of the Group.

Loss for the period attributable to owners of the parent was approximately HK\$5,633,000 (2022: HK\$10,094,000). The decrease in loss was primarily due to the decrease in administrative expenses.

### **Movies, TV Programmes and Internet Contents**

During the period under review, the revenue contributed by such segment was mainly attributable to the distribution agency fee of approximately HK\$333,000 (2022: HK\$254,000) and its income from TV and internet programmes of approximately HK\$2,778,000 (2022: HK\$344,000).

### **Artiste Management**

During the period under review, the revenue contributed by such segment was approximately HK\$114,000 (2022: HK\$108,000).

### **New Media Business**

During the period under review, the revenue contributed by such segment was approximately HK\$119,000 (2022: HK\$2,749,000).

## **BUSINESS REVIEW**

### **Movies, TV Programmes and Internet Contents**

Under the impact of the volatile COVID-19 pandemic in 2022 and the changes in the revenue-distribution rules of the video streaming platform, the Group experienced substantial decrease in revenue in 2022 and the first quarter in 2023. Seven internet movies and two theatrical movies were released in 2021 in which these projects were mainly invested in 2020 or earlier prior to the pandemic or when the market was still optimistic about its end. Although Dynamic zero-COVID policy was adopted in Mainland China since the early stages of the pandemic which stringent prevention and control measures were taken to contain the spread of the virus, business was still conducted as usual in general and the movie industry remained to operate normal in 2021 to certain extent. The Group recorded HKD31.6 million in revenue for the year ended 31 December 2021.

However, as time goes by, pandemic prevention and control measures had become even more stringent due to the coronavirus variant development. Economic activities were halted or slowed down severely including the censorship process of the China Film Administration (“CFA”) or relevant department under National Radio and Television Administration (“NRTA”) and projects submitted for review and censoring experienced significant delays.

The strict adherence to the Dynamic zero-COVID policy by the government has also caused a lot of stress and restrictions in commercial activities. Production of movies was either delayed or postponed (sometimes cancelled eventually) due to funding, travel restrictions and various reasons. The only internet movie released in 2022 performed far below expectation due to the change in market trend and audience taste (shooting was already completed in late 2020). Worse still, the whole industry suffered and streaming platforms revised the rules in sharing box office for their benefit in April 2022. Some internet movies of the Group which were planned to release earlier have been postponed due to various delays but still decided to hold back for release due to market uncertainty and the unfavorable result of the above movie. Many factors have to be taken into account in order to select the best schedule for release. These considerations are mainly for commercial reasons such as competition around the same time slot, marketing and promotion strategy, market sentiment, to name just a few. Scheduling is very important for the success in box office for a movie and the outcome of a movie can be very different if screening in a different schedule instead. No new internet movie was scheduled to release in the first quarter of 2023 and revenue generated in the three-month period was mainly related to the residual sharing of box office of the previous internet movies. As a result, this segment only generated HKD4.8 million from one internet movie and one TV drama and HKD3.4 million arising from the residual shared box office of previous internet movies for the year ended 31 December 2022 and three-month period ended 31 March 2023 respectively.

The Board considers that the recent decrease in revenue reflected the industry characteristics (high volatility and uncertainty) and has been aggravated by the pandemic. During the pandemic period, the number of new internet movies released dropped from 769 in 2020 to 551 in 2021 and further to 388 in 2022<sup>#</sup>. Shooting of new theatrical movies also dropped from 740 in 2021 to 380 in 2022<sup>@</sup>. New project investments have become very cautious across the whole industry and the sentiment is pessimistic. Being one of the market participants, the Group's business inevitably suffered when the pandemic situation was most severe in 2022. However, the impact is considered to be just temporary.

The Group continued to adhere to a prudent investment approach to effectively control and reduce investment risks. At the same time, the Group has fully upgraded the distribution business segment. In addition to the traditional first-round internet media distribution, the Group also carried out businesses such as TV platform distribution, rural cinema distribution, overseas distribution and second-round omni-channel distribution. At present, various types of distribution business are actively underway, and the value output of previous projects is also further explored. Relying on high-quality film and television IP and the peripheral contents of internet film and TV, the Group integrated digital rights technology to actively explore new business growth paths and further improve the Group's diversified, balanced and vertical internet film and TV ecological system.

In terms of film distribution, the production of three reserve projects, namely "Detrimental" (《見怪》), "Dragon Hidden in the Maze" (《龍隱迷窟》) and "Dragon Sparrow Guards: Myrlochar" (《龍雀衛•噬魂蛛》), has been completed and the marketing and distribution work has been started, which are expected to be launched successively in 2023. In addition, the post-production of "Huangmiao Village –Taoist Priest Qianhe" (《黃廟村之千鶴道長》) is also progressing in an orderly manner, and the final stage of the film is about to be completed. The film is produced by the same team of the Tencent's popular IP "Huangmiao Village" (《黃廟村》). As the subject matter is a fantasy folk style which is popular among various platforms and the public at this stage, the film is expected to be the breakout project and is planned to be launched in the third quarter of 2023.

In addition, the Group also pays close attention to the revenue-distribution rules of the platform and changes in the market and timely adjusts the distribution strategy. At the same time, the Group continues to perfect the overall distribution structure, and in addition to the first round of new projects, the Group is also pushing forward the second and third round of overseas work of historical projects and other new media pre-sales work, so as to strive for more profit. Among them, two first-run internet movies, i.e. "Transamerica" (《窈窕老爹》) and "Heroes of Desert" (《大漠神龍》), are expected to be launched on Mango TV in the second quarter of 2023, which are the third round of internet distribution after the launch on iQIYI and Sohu. In addition, 7 internet movies that were launched earlier have entered copyright pre-sales cooperation with a distributor after 8-10 years during the quarter.

<sup>#</sup> 2022 Internet Film Annual Report (《二零二二網絡電影年度報告》)

<sup>@</sup> Annual Review Report of China's Film Market in 2022 (《二零二二年中國電影市場年度盤點報告》)

Besides, the distribution of rural cinemas in the PRC is also progressing steadily and orderly. The Group is in the process of purchasing or acting as an agent for films suitable for release in rural markets as planned. In the future, it will be expanded to more than 300 rural cinemas in 32 provinces, autonomous regions and municipalities across the country.

Moreover, the Group is also focusing on the copyright sales of domestic films to overseas markets, covering East Asia countries and regions, Southeast Asia, South Asia, Europe and South America. Currently, a number of overseas copyright transactions for our own copyright projects have been concluded, and it is planned to gradually expand to other external projects.

Since the continuous optimization of the Dynamic zero-COVID policy and lifting of the stringent prevention and control measures in December 2022, the theatrical movie market picked up gradually in which a theatrical movie “Dog Hachiko” (《忠犬八公》), co-presented by iQiyi and the Group, was shown in cinemas nationwide on 31 March 2023 and recorded a box office of over RMB285 million as of the date of this announcement. For another theatrical movie “The Tibet Code” (《藏地密碼》), 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 “My People, My Country” (《我和我的祖國》), “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 carrying out the project based on the market condition.

“Investment + promotion + distribution” remains the Group’s main business model for internet movies. The involvement in the promotion and distribution business will, on the one hand, increase revenue from marketing and distribution and help recoup the investments timely; on the other hand, allow the Group to deepen project participation, not only strengthening its relationship with the platform, but also broadening the perspective of its investments in project production. As a result, the Group will have the priority in choosing high-quality projects, gradually build up a “C-end” (consumer) mindset, and accumulate resources and experience in marketing and other ends of the industry chain.

## **Artiste Management**

The industry continues to be cautious in developing new film and television projects under the COVID-19 pandemic, the Group continues to cooperate with outstanding talent management teams in the industry, and recruit numerous artists with potentials who have emerged in different projects, which injects new impetus into the business of artiste management segment.

Leveraging its own resources and combining its various business segments, the Group will develop income sources for artists, increase exposure opportunities so as to bring returns and make contributions to the Group through various channels, such as providing customized performance opportunities, conducting online marketing and making use of e-commerce.

## **Music**

Lajin Music has augmented the copyright of a large number of high quality original music compositions through the efforts over the past few years, covering a variety of mainstream and non-mainstream music in styles of pop, rock, classical, electronic, rap, etc.

The Group has developed a comprehensive music promotion and distribution network and commenced copyright operation in full swing: Lajin Music collaborated with various domestic mainstream music platforms, such as QQ Music, KuGou Music, Kuwo Music, NetEase Cloud Music, Xiami Music as well as TikTok and gradually opened overseas issuance channels. It also established strategic partnerships with nearly 100 radio stations and internet radio channels in China. However, despite the efforts made in an attempt to realize the music copyrights on hand accumulated over the years, estimated recoverable amounts are less than the costs of these assets. As a result, the management made an impairment of the difference accordingly.

Lajin Music initiated a “Searching for Chinese Root Music Program” as a major founder previously. The project is established based on the cultural foundation of the Chinese nation, blended with the most advanced production technology and media communication methods and the professionalism of the music industry, and plans to establish a copyright database of the most outstanding, best-selling, and symbolic root music signifying the Chinese cultural confidence. However, due to the impact of the pandemic and the restrictions of pandemic prevention policies, people’s mobility was restricted and the development of the Chinese Root Music Program has come to a halt. The Group will reboot the program at an appropriate time after taking into consideration of all relevant factors. Nonetheless, the content of the project is in line with the national policy and market direction, and is of special significance. It is expected to be promoted throughout the country after the pandemic easing and the adjustment of pandemic prevention policies.

## **New media business**

Although the management found it promising and be able to expand to other business opportunities with current resources when the new media e-commerce business was first launched, the Group has always been unable to lay a solid foundation on this track due to high marketing costs, high appearance fees and commission sharing requested by well-known internet celebrities, cancellation of subsidies by the platforms and other factors. At present, the e-commerce business model is not considered to be the main driving force in the Group’s new media business segment.

Instead of focusing on e-commerce, the Group has been proactively exploring other opportunities in the development of the new media business segment. With the increasing popularity of the global “digital technology & culture and art” market, the Group is also seeking a business model for mutual empowerment of resource advantages in its own film and television IP, derivative video and digital copyright and visual art copyright to create synergy effects among the Group’s business segments and create new growth points.

At present, there are cases in which the film and television peripheral, behind-the-scenes, and artist customization have been meticulously recreated, making it new content with admiring and collecting value. Encrypted the content through digital copyright and blockchain technology, relying on the blockchain technology and cooperating with other businesses, the Company has built the AMBER APP with strong IP digital assets creation ability and leading virtual vision technology to realize the transformation from video content to collection content. AMBER APP provides comprehensive copyright protection for genuine short videos with self-developed digital watermarking encryption, video search technology and blockchain distributed storage technology. Through in-depth strategic cooperation with China Copyright Chain, a national-level blockchain under the Copyright Society of China headed by the National Copyright Administration, copyright of each short video will be officially registered to obtain a unique identification on the chain of “China Copyright Chain”, which cannot be tampered with. The National Copyright Administration will also issue the Copyright Certification to guarantee the property rights of the authors. The Group believes that with the maturity of technology and the improvement of public awareness, its potential market will become broader and more active, and experience and market response will be increasingly enhanced.

At present, AMBER APP has been launched on major app stores such as Baidu, Huawei, Apple and Android. Through auction of copyright assets, it can discover asset value and form a price consensus. AMBER APP has recently launched the Paid Subscription Service function for High-Quality Content for authors, aiming to gather original high-quality short videos and authors around the world and reshape the production relationship/short video browsing ecosystem. Meanwhile, with Content Channel as the carrier, AMBER will innovate content sales methods to provide authors with the most direct means of monetizing content and other services and allow authors to directly connect with fans. With rich functional modules and strong social attributes of AMBER, authors can establish deep links with fans and obtain fans’ support.

The new business model of “Content Payment & Copyright Auction” strongly empowers content monetization, copyright monetization and personal IP growth of the authors. Under the effect of a series of promotion activities, it is anticipated that registered users will gradually increase together with the transaction volume, and will become the core driving force for the Group’s future business development.

In addition to platform operation, AMBER APP actively fulfills its social responsibilities. AMBER APP has officially established strategic cooperation relationship with China International Cultural Exchange Foundation, a 3A public fund under China International Cultural Exchange Centre. Part of the proceeds of AMBER will be donated to the Special Fund for Rural Revitalization to implement national policies, support rural revitalization and development, and help build a strong intellectual property country.

In conclusion, learning from the experience in the three-year pandemic, the management endeavors to explore business opportunities and develop a more diversified and sustainable business model to maximize returns and serve the best interest of the shareholders of the Group.

## **CAPITAL STRUCTURE**

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

## **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.

There was no option outstanding as at 31 March 2023.

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

Other than the Share Option Scheme, at no time during the three months ended 31 March 2023 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**

As at 31 March 2023, 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<br>("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%   |
| First Charm Investments Limited              | Beneficial owner                   | (iii) | 311,545,414        | —                             | 7.40%  |
| Mr. Ko Chun Shun, Johnson                    | Interest of controlled corporation | (iii) | 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 CITIC Limited.
- (iii) Mr. Ko Chun Shun, Johnson owns 100% of First Charm.

Save as disclosed above, as at 31 March 2023, 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.



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

None of the Directors and chief executive, nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 March 2023.

## **COMPETING INTEREST**

As at 31 March 2023, none of the Directors, the substantial shareholders nor their respective associates had an interest in any business which competes or may compete with the business of the Group.

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

During the three months ended 31 March 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE PRACTICES**

The corporate governance principles of the Company emphasise a quality Board, sound internal controls, transparency and accountability to all shareholders. By applying rigorous corporate governance practices, the Group believes that its accountability and transparency will be improved thereby instilling confidence to shareholders and the public.

The Company has complied with the code provisions in the Corporate Governance Code (the "CG Code") and Corporate Governance Report as set out in Appendix 15 of the GEM Listing Rules for the three months ended 31 March 2023, with the exception of CG Code Provisions A.2.1 (separation of roles of chairman and chief executive officer), A.4.1 (specific terms of non-executive directors) and A.6.7 (non-executive directors attending general meetings).

### ***a. Chairman and Chief Executive Officer***

Under the CG Code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. As at the date of this announcement, both of the positions of Chairman and Chief Executive Officer of the Company were still left vacant. The Company will continue to look for the appropriate candidate to fill the vacancy as chairman and chief executive officer.

***b. Terms of Non-Executive Directors***

Under the CG Code provision A.4.1, all non-executive directors should be appointed for a specific term, subject to re-election. The term of office for non-executive Directors is subject to retirement from office by rotation and is eligible for re-election in accordance with the provisions of the Company's bye-laws. At each annual general meeting, one-third of the Directors for the time being, (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. As such, the Company considers that such provisions are sufficient to meet the underlying objective of this code provision.

***c. Non-Executive Directors Attending General Meetings***

Under the code provision A.6.7 of CG Code, non-executive directors and independent non-executive directors should attend general meetings. Certain non-executive Directors and independent non-executive Directors were unable to attend the annual general meeting and extraordinary general meeting of the Company due to other business commitments.

**CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

During the three months ended 31 March 2023, the Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, the Company's Directors confirmed they have complied with the required standards of dealings and the code of conduct regarding securities transactions by directors adopted by the Company.

**AUDIT COMMITTEE**

The audit committee consists of three members, namely Mr. Lam Cheung Shing, Richard (chairman of the audit committee), Mr. Zhou Ya Fei and Mr. Ng Wai Hung, all being independent non-executive Directors except for Mr. Zhou Ya Fei who is a non-executive Director of the Company. The primary duties of the audit committee are to review the Company's annual report and financial statements, quarterly reports and interim report and to provide advice and comment thereon to the Board. The audit committee 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 2023 before proposing to the Board for approval.

By order of the Board  
**Lajin Entertainment Network Group Limited**  
**Leung Wai Shun Wilson**  
*Executive Director*

Hong Kong, 15 May 2023

*As at the date of this announcement, the executive directors are Mr. Colin Xu and Mr. Leung Wai Shun Wilson; the non-executive directors are Mr. Zou Xiao Chun, Mr. Zhou Ya Fei and Mr. Li Xue Song; and the independent non-executive directors are Mr. Ng Wai Hung, Mr. Lam Cheung Shing, Richard and Mr. Wang Ju.*