



# Lajin Entertainment Network Group Limited

(formerly known as China Star Cultural Media Group Limited)

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

(Stock Code: 8172)



**2015** Third Quarterly Report

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

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*This Report, for which the directors (the “Directors”) of Lajin Entertainment Network Group Limited (formerly known as China Star Cultural Media 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 (formerly known as China Star Cultural Media Group Limited) (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 30 September 2015, together with the comparative unaudited figures for the corresponding periods in 2014 as follows:

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

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2015	2014	2015	2014
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Turnover	3	3,160	1,484	4,440	4,350
Cost of sales		(2,869)	(1,070)	(3,843)	(3,173)
Gross profit		291	414	597	1,177
Other revenue and other income	4	186	177	467	491
Impairment loss recognised in respect of goodwill		—	—	—	(9)
Administrative expenses		(14,612)	(1,892)	(27,334)	(9,052)
Gain arising on change in fair value of financial assets classified as held for trading investments		—	—	9,780	—
Share of results of joint ventures		(3)	17	(4)	(630)
Gain on disposal of subsidiaries		—	—	—	5,261
Loss before tax	5	(14,138)	(1,284)	(16,494)	(2,762)
Income tax expense	6	—	—	—	—
Loss for the period		(14,138)	(1,284)	(16,494)	(2,762)

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2015	2014	2015	2014
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Other comprehensive income for the period:					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising from translation of foreign operation		206	—	102	—
<b>Total comprehensive loss for the period</b>		<b>(13,932)</b>	<b>(1,284)</b>	<b>(16,392)</b>	<b>(2,762)</b>
Loss for the period attributable to:					
Owners of the Company		(14,129)	(1,284)	(16,485)	(2,762)
Non-controlling interests		(9)	—	(9)	—
		<b>(14,138)</b>	<b>(1,284)</b>	<b>(16,494)</b>	<b>(2,762)</b>
<b>Total comprehensive loss for the period attributable to:</b>					
Owners of the Company		(13,923)	(1,284)	(16,383)	(2,762)
Non-controlling interests		(9)	—	(9)	—
		<b>(13,932)</b>	<b>(1,284)</b>	<b>(16,392)</b>	<b>(2,762)</b>
Dividend		—	—	—	—
Loss per share	7				
— Basic and diluted		HK(0.72) cent	HK(0.14) cent	HK(0.84) cent	HK(0.40) cent

# 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 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 Room 4203, 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 joint ventures are provision of artist management services, and investment in movie, TV/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.

## 2. Basis of preparation and consolidation (continued)

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 2014.

## 3. Turnover

	For the three months ended 30 September		For the nine months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Sales of film rights	3,160	—	3,160	—
Artist management	—	1,484	1,280	4,350
	<b>3,160</b>	<b>1,484</b>	<b>4,440</b>	<b>4,350</b>

## 4. Other revenue and other income

	For the three months ended 30 September		For the nine months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Bank interest income	127	114	273	302
Consultancy fee income	59	63	185	189
Sundry income	—	—	9	—
	<b>186</b>	<b>177</b>	<b>467</b>	<b>491</b>

## 5. Loss before tax

Loss from operations has been arrived at after charging/(crediting):

	For the three months ended 30 September		For the nine months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	799	2	802	134
Written off of property, plant and equipment	—	—	—	1,579
Minimum lease payments under operating leases on land and buildings	3,699	—	4,419	1,122
Staff costs including directors' remuneration				
— Salaries and allowances	7,205	162	14,418	3,213
— Retirement benefit scheme contributions	597	(15)	1,032	68

## 6. Income tax expense

No provision of Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong or the estimated assessable profit was wholly absorbed by tax losses bought forward during the period under review (2014: nil).

## 7. Loss per share

The calculation of the basic loss per share is based on the loss attributable to owners of the Company for the three months ended 30 September 2015 of approximately HK\$14,129,000 (2014: loss attributable to owners of the Company of approximately HK\$1,284,000) and loss attributable to owners of the Company for the nine months ended 30 September 2015 of approximately HK\$16,485,000 (2014: loss attributable to owners of the Company of approximately HK\$2,762,000) and weighted average of 1,960,974,000 shares in issue during the three months ended 30 September 2015 (2014: 905,649,726 shares) and weighed average of 1,960,974,000 shares in issue during the nine months ended 30 September 2015 (2014: 684,038,004 shares).

For the three months and nine months ended 30 September 2015, diluted loss per share was not presented as the conversion of preferred shares would have anti-dilutive effects.

For the three months and nine months ended 30 September 2014, diluted loss per share was not presented as the conversion of outstanding convertible loan notes would have anti-dilutive effects.

## 8. Condensed consolidated statement of changes in equity

	Share capital-ordinary shares (Unaudited) HK\$'000	Share capital-preferred shares (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Exchange reserve (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Convertible loan notes reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Sub-total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2014	5,056	—	47,383	—	28,294	4,265	(10,805)	74,193	9	74,202
Net loss for the period	—	—	—	—	—	—	(2,762)	(2,762)	—	(2,762)
Other comprehensive income for the period	—	—	—	—	—	—	—	—	—	—
Total comprehensive loss for the period	—	—	—	—	—	—	(2,762)	(2,762)	—	(2,762)
Release of non-controlling interests upon disposal of subsidiaries	—	—	—	—	—	—	—	—	(9)	(9)
Placing of new shares	4,000	—	103,000	—	—	—	—	107,000	—	107,000
Share issue expenses	—	—	(3,806)	—	—	—	—	(3,806)	—	(3,806)
<b>At 30 September 2014</b>	<b>9,056</b>	<b>—</b>	<b>146,577</b>	<b>—</b>	<b>28,294</b>	<b>4,265</b>	<b>(13,567)</b>	<b>174,625</b>	<b>—</b>	<b>174,625</b>
At 1 January 2015	9,198	—	150,700	—	28,294	—	(13,406)	174,786	—	174,786
Net loss for the period	—	—	—	—	—	—	(16,485)	(16,485)	(9)	(16,494)
Other comprehensive income for the period:										
Exchange differences arising from the translation of foreign operations	—	—	—	102	—	—	—	102	—	102
Total comprehensive loss for the period	—	—	—	102	—	—	(16,485)	(16,383)	(9)	(16,392)
Non-controlling interests arising on issuing of shares	—	—	—	—	—	—	—	—	4	4
Subscription of shares	18,397	13,798	876,820	—	—	—	—	909,015	—	909,015
Conversion from preferred shares to ordinary shares	552	(552)	—	—	—	—	—	—	—	—
Share issue expenses	—	—	(14,525)	—	—	—	—	(14,525)	—	(14,525)
<b>At 30 September 2015</b>	<b>28,147</b>	<b>13,246</b>	<b>1,012,995</b>	<b>102</b>	<b>28,294</b>	<b>—</b>	<b>(29,891)</b>	<b>1,052,893</b>	<b>(5)</b>	<b>1,052,888</b>

## **DIVIDEND**

The Board does not recommend the payment of a dividend for the nine months ended 30 September 2015 (2014: Nil).

## **CHANGE OF COMPANY NAME**

On 27 April 2015, the Company proposed to change the English name of the Company from “China Star Cultural Media Group Limited” to “Lajin Entertainment Network Group Limited” and the Chinese name of the Company “**拉近網娛集團有限公司**” will be adopted to replace “**中國星文化產業集團有限公司**” for identification purpose only. An announcement and a circular were published dated 27 April 2015 and 13 May 2015 respectively for the abovementioned purpose in which reference can be made. Special shareholders’ resolution was obtained on 12 June 2015 in the general meeting of the Company. The Certificate of Incorporation on Change of name was issued by the Registrar of Companies in Bermuda on 9 July 2015 certifying the change of Company name. The Change of Company name took effect on 3 July 2015. The Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 29 July 2015. The change of company name will not affect any rights of the holders of securities of the Company. All existing certificates of securities in issue bearing the former name of “China Star Cultural Media Group Limited” will continue to be evidence of title to such securities and the existing share certificates will continue to be valid for trading, settlement, delivery and registration purposes. There will not be any arrangement for exchange of the existing certificates of securities for new certificates bearing the new name of the Company. Thereafter, any new certificates of securities will be issued under the new name of the Company.

### **Change of Stock Short Name**

With effect from 7 August 2015, the Shares were traded on the Stock Exchange under the new stock short name of “LAJIN ENT” in English and “**拉近網娛**” in Chinese, instead of “CHINASTARCMG” in English and “**中國星文化產業**” in Chinese respectively.

### **Change of Company Website**

The website of the Company has been changed to [www.irasia.com/listco/hk/lajin/index.htm](http://www.irasia.com/listco/hk/lajin/index.htm) with effect from 7 August 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Business Review**

After the new management was appointed in March 2015, the Group continues to restructure the existing business and to build up the framework for its integrated entertainment business platform.

### ***Artist Management***

During the 9-month period under review, the revenue contributed by such segment was approximately HK\$1,280,000 (2014: HK\$4,350,000), representing a decrease of approximately 70.6%. The Group is currently restructuring its artist management business including signing more high potential artists, designing a new training program and to explore new source of income from artists beyond performance in traditional media.

### ***Sales of Film Rights***

During the 9-month period under review, the revenue contributed by such segment was approximately HK\$3,160,000 (2014: Nil), representing the sales of film rights owned by the Group.

The gross profit margin of the Company decreased to approximately 13.4% (2014: 27.1%).

### ***Pending Litigation***

On 30 May 2011, Hong Kong Xuanhe Management Limited (formerly known as China Star Management Limited), an indirect wholly-owned subsidiary of the Company, issued a Writ of Summons to claim against Tang's Workshop Limited ("Tang's Workshop") for the sum of HK\$127,500, being the fees charged for the services rendered and material supplied to Tang's Workshop. At the date of this Report, the litigation has yet to be settled.

## Financial Review

The revenue of the Group was approximately HK\$4,440,000 for the nine months ended 30 September 2015 (2014: HK\$4,350,000), and it was generated from the provision of artist management and sales of film rights, representing an increase of 2.1% as compared with the nine months ended 30 September 2014.

Administrative expenses were mainly the staff costs, operating leases and other general administrative expenses of the Group incurred during the 9-month period under review. Administrative expenses increased by 202.0% to approximately HK\$27,334,000 from approximately HK\$9,052,000 in prior period. It was mainly attributed to the increase in expenses on operating leases amounted to approximately HK\$4,419,000 (2014: HK\$1,122,000) and salaries and allowances amounted to approximately HK\$14,418,000 (2014: HK\$3,213,000) due to the expansion of offices and increased number of employees to cope with the business development of the Group.

During the 9-month period under review, loss for the period attributable to owners of the Company was approximately HK\$16,485,000 (2014: loss of HK\$2,762,000), which was mainly attributed to the increase in administrative expenses amounted to approximately HK\$27,334,000 (2014: HK\$9,052,000).

## Event after the Reporting Period

There is no significant events occurred subsequently after the reporting period.

## CAPITAL STRUCTURE

On 16 March 2015, a special general meeting was held and independent shareholders' approval in relation to the subscription and the increase in authorised share capital have been sought. The authorised share capital of the Company was increased from HK\$30,000,000 to HK\$100,000,000 by (i) the creation of an additional 5,000,000,000 ordinary shares and (ii) the creation of 2,000,000,000 new preferred shares, such that the authorised share capital of the Company was HK\$100,000,000 divided into 8,000,000,000 ordinary shares and 2,000,000,000 preferred shares. The completion of the subscription has taken place on 19 March 2015. Pursuant to the subscription agreement, 1,379,804,865 new ordinary shares (with a nominal value of HK\$13,798,048.65) of the Company have been duly allotted and issued as fully paid to the subscribers, at an issue price of HK\$0.2 per share, and 1,379,804,862 new preferred shares (with a nominal value of HK\$13,798,048.62) have been duly allotted and issued to the subscribers as 5% partly paid.

The subscribers have been granted a whitewash waiver, waiving the obligation of the subscribers to make a general offer under Rule 26 of the Takeovers Code upon conversion of such preferred shares.

On 15 June 2015, 55,192,194 of the preferred shares have been converted into ordinary shares of the Company upon receipt of the outstanding payment from one of the subscribers, amounted to HK\$10,486,517.

Reference is made to the announcement of the Company dated on 13 July 2015 and 31 August 2015 in relation to the subscription of the ordinary shares by CITIC Investment (HK) Limited. On 14 September 2015, the subscription was completed and 459,934,954 new ordinary shares (with a nominal value of HK\$4,599,349.54) of the Company have been duly allotted and issued as fully paid at an issue price of HK\$1.05 per share, raising a net proceed of approximately HK\$482.9 million.

Subsequent to the completion of the abovementioned subscription, the conversion price of the preferred shares of the company is adjusted to HK\$0.19 per ordinary share.

As at 30 September 2015, the company has in issue a total of 2,814,801,922 ordinary shares, and 1,324,612,668 convertible preferred shares which are convertible to 1,394,329,124 ordinary Shares based on the adjusted convertible preferred shares based on the adjusted conversion price.

## **BUSINESS PLAN**

The Group has committed to become one of the leading entertainment company with various businesses across different traditional and new media. During the quarter, the Group continued to build the framework.

### **Movie and TV business**

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

Shang Na to act as the Group's Vice President and CEO of our TV and movie business. The Group has also established a joint venture company with Ms. Shang for the investment and production of the TV drama and entertainment programs and movies. Ms. Shang has over 12 years of professional experience in the industry, encompassing film, TV/internet drama and entertainment program production. Before joining the Group, 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 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. A total of 5 movies and 3 TV/internet drama programs are currently being planned and their pre-production work (including script writing and the pre-production works) have been commenced and the production of all of which are expected to be commenced in 2016. In addition, we have signed investment agreement with one of the reputable directors in Hong Kong for the investment of a series of 3 movies which will be produced in the next 3 years. We will continue to source suitable movie, TV/internet drama and entertainment program project to invest.

### **Music Platform**

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

### **Korean Business**

The Group has invested in a convertible note of KRW1,123,560,000 (approximately HK\$7,548,000), issued by a local Korean production company focusing on the production of TV variety shows. A joint venture company (70% owned by the Group and 30% owned by such Korean company) is being registered in China. The joint venture company will leverage on the expertise and experience of the Korean production team to produce creative variety programs for China market. Currently the team has already started creating their first program.

## **Sports events and shows**

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

## **Others**

The sourcing of artists and the provision of training are crucial for the entertainment business. The Group is co-operating with an on-line model agency in China in order to help sourcing high potential artists. We have also begun a trial run for a few new artists to live perform on internet platform. We are also establishing our training centre in our new production base in the Beijing Economic Technological Area 北京經濟技術開發區.

## **Prospects**

Although it takes a longer time than expected to lay the ground work for rolling out the business plan, the Group is optimistic of its future going forward. During the 9-month period under review, we have paved a clear path of development by formulating the right business strategy and focus, recruiting and co-operating with high calibre personnel, and more importantly, raising sufficient working capital for the time being. In the coming future, we will continue to source for more quality media contents, as well as other acquisition opportunities in China and Korea of reasonable price. We know that competition would be keen in the industry but we are confident that our strategy is right and with the support by our major shareholders the Group will have a great success.

## USE OF PROCEEDS

The Company has conducted the following fund raising activities during the nine months period ended 30 September 2015.

<b>Date of Completion of the fund raising activities</b>	<b>Fund raising activities</b>	<b>Net proceeds (approximate)</b>
19 March 2015	Subscription of 1,379,804,865 new ordinary shares and 1,379,804,862 new preferred shares ("First Subscription")	HK\$535 million (HK\$411.5 million has been received by the Company as at date of the report)
14 September 2015	Subscription of 459,934,954 new ordinary shares ("Second Subscription")	HK\$482.9 million

As at the date of this Report, the Group had utilised approximately HK\$92.9 million of the net proceeds from the first Subscription as follows:

- (i) As to approximately HK\$35.3 million was used in investment in Movies/ TV programs;
- (ii) As to HK\$15.1 million was used in investment in Korean operation including acquisition of contents, investment in Korean entertainment company and other working capital;
- (iii) As to approximately HK\$30 million for investment the on-line platform; and
- (iv) As to approximately HK\$12.5 million for general working capital and acquisition of fixed assets.

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

At 30 September 2015, none of the Director, or chief executive of the Company or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which would have to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO); or which were required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules.

### **SHARE OPTION SCHEME**

On 10 June 2014, the Company adopted a new share option scheme ("New Share Option Scheme") and terminated the share option scheme adopted by the Company on 6 March 2002. The purpose of the New 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 scope of the Participants was determined to provide flexibility for the Company to encourage and reward a broad range of the Participants to contribute to the development of the Group. The Board is of the view that the Participants (including employees, directors, supplier, consultants, distributors, agents, customers, partners, joint venture partners, promoter, service providers and advisers to the Group) are persons who may contribute to the growth and development of the Group through their services or investments. The Directors are of the view that the New Share Option Scheme will serve to motivate the Participants to continue to optimise their performance and efficiency for better serving the Group in the future, as well as to attract and retain or otherwise maintain ongoing business or investment relationship with the Participants depending on many factors such as their interest in the shares, their business/working relationship with the Group, and their contribution that has or may have been made to the Group etc.

The details of the New Share Option Scheme were set out in the circular of the Company dated 8 May 2014. During the 9-month period under review, no share options had been granted, exercised, cancelled or lapsed under the New Share Option Scheme.

## ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the share option schemes and employee award plan, at no time during the nine months ended 30 September 2015 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 30 September 2015, 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 (Note vi)	Total interest in shares	Approximate percentage of the Company's issued share capital
Jiaxuan Group Company Limited	Beneficial owner	(i)	965,863,405	1,016,698,320	1,982,561,725	70.43%
Eagle King International Limited	Interest of controlled corporation	(i)	965,863,405	1,016,698,320	1,982,561,725	70.43%
Mr. Wong Kwong Yu	Interest of controlled corporation	(i)	965,863,405	1,016,698,320	1,982,561,725	70.43%

Name of substantial shareholder	Capacity	Notes	Interest in shares	Interest in underlying shares (Note vi)	Total interest in shares	Approximate percentage of the Company's issued share capital
Great Majestic Global Holdings Limited	Interest of controlled corporation	(i)	965,863,405	1,016,698,320	1,982,561,725	70.43%
Ms. Ma Qing	Interest of controlled corporation	(i)	965,863,405	1,016,698,320	1,982,561,725	70.43%
CITIC Group Corporation	Interest of controlled corporation	(ii)	459,934,954	—	459,934,954	16.34%
CITIC Limited	Interest of controlled corporation	(ii)	459,934,954	—	459,934,954	16.34%
Famous Peak Investments Limited	Beneficial owner	(ii)	459,934,954	—	459,934,954	16.34%
Vision Path Limited	Beneficial owner	(iii)	206,970,730	217,863,925	424,834,655	15.09%
Ms. Yu Nan	Interest of controlled corporation	(iii)	206,970,730	217,863,925	424,834,655	15.09%
First Charm Investments Limited	Beneficial owner	(iv)	151,778,535	159,766,879	311,545,414	11.07%
Mr. Ko Chun Shun Johnson	Interest of controlled corporation	(iv)	151,778,535	159,766,879	311,545,414	11.07%
Best of Us Company Limited	Beneficial owner	(v)	228,438,228	—	228,438,228	8.12%
ShangNa	Interest of controlled corporation	(v)	228,438,228	—	228,438,228	8.12%

*Notes:*

- (i) Pursuant to the Subscription Agreement between the Company (as the issuer), Jiaxuan Group Company Limited (“Jiaxuan”), Vision Path Limited (“Vision Path”), First Charm Investments Limited (“First Charm”) and Reorient Global Limited (“Reorient Global”) (together being the “Subscribers”) dated 24 November 2014, which has been completed on 19 March 2015), Jiaxuan has subscribed for 965,863,405 ordinary shares and 965,863,404 convertible preferred shares of the Company. On 14 September 2015, a subsequent subscription by CITIC Investment (HK) Limited was duly completed. As a result, the adjusted conversion price for the preferred shares was HK\$0.19 per ordinary share bringing about the change to the interest in underlying shares of the preferred shares subscribed. 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 Ms. Ma Qing owns 100% of Great Majestic.
- (ii) Pursuant to the Subscription Agreement dated 10 July 2015 and the Supplemental Agreement dated 31 August 2015 entered into between the Company and CITIC Investment (HK) Limited, in which the subscription of shares was completed on 14 September 2015, the subscriber has agreed to subscribe for 459,934,954 subscription shares of the Company. 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 Group of companies.
- (iii) Pursuant to the Subscription Agreement as mentioned in note (i), Vision Path has subscribed for 206,970,730 ordinary shares and 206,970,729 convertible preferred shares of the Company. Following the completion of subscription as mentioned in Note (ii), the change in conversion price of the preferred Shares has brought about the increase to the interest in underlying shares of the preferred shares subscribed. Ms. Yu Nan owns 100% of Vision Path.
- (iv) Pursuant to the Subscription Agreement as mentioned in note (i), First Charm has subscribed for 151,778,535 ordinary shares and 151,778,535 convertible preferred shares of the Company. Following the completion of subscription as mentioned in Note (ii), the change in conversion price of the preferred Shares has brought about the increase to the interest in underlying shares of the preferred shares subscribed. Mr. Ko Chun Shun, Johnson owns 100% of First Charm.

- (v) Pursuant to the Shareholders' Agreement entered into between the Company and Ms. Shang Na, the Company has agreed to subscribe for 51% interest in a joint venture company, Young Film Company Limited, and the rest 49% interest (the "JV Shares") is agreed to be held by Best of Us Company Limited (the "JV Partner"), a wholly-owned company by Ms. Shang. The joint venture shall engage in the business of sourcing and production of media contents. The Company has also entered into the Deed in relation to the granting of the Shang Put Option and the Company Call Option entitling (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. The 228,438,228 ordinary shares disclosed above is the maximum number of Consideration Shares to be issued by the Company, with the Option Price being calculated on the basis of an estimated accumulated profit of RMB150 million. The granting of such Shang Put Option and the Company Call Option is subjected to shareholders' approval and has yet to be obtained as at the date of this Report.

Ms. Shang owns 100% of Best of Us Company Limited.

- (vi) The underlying shares represent the number of shares in which preferred shares can be converted into as mentioned in Note (i) to (iv) above. Assuming such preferred shares are fully paid up and converted, a total of 1,394,329,124 new ordinary shares of the Company will be issued accordingly (subject to applicable adjustments). The Subscribers have been granted a whitewash waiver, waiving the obligation of the Subscribers to make a general offer under Rule 26 of the Takeovers Code upon conversion of such preferred shares.

Save as disclosed above, at 30 September 2015, 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.

## COMPETING INTEREST

At 30 September 2015, 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 nine months ended 30 September 2015, 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 and Corporate Governance Report (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules for the nine months ended 30 September 2015, with the exception of CG Code Provisions A.2.1 (separation of roles of chairman and chief executives) and A.4.1 (specific terms of non-executive Directors).

### (a) Chairman and Chief Executive Officer

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

Under the Code provision A.6.7 of CG Code, non-executive Directors should attend general meetings. Certain non-executive directors were unable to attend the annual general meeting and special general meeting of the Company held on 12 June 2015 due to other business commitment.

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

During the nine months ended 30 September 2015, 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 non-executive Directors or independent non-executive Directors. 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 accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters with the management team of the Company. The audit committee has reviewed the third quarterly report and results for the nine months ended 30 September 2015 before proposing to the Board for approval.

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

Hong Kong, 13 November 2015

*As at the date of this Report, 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.*