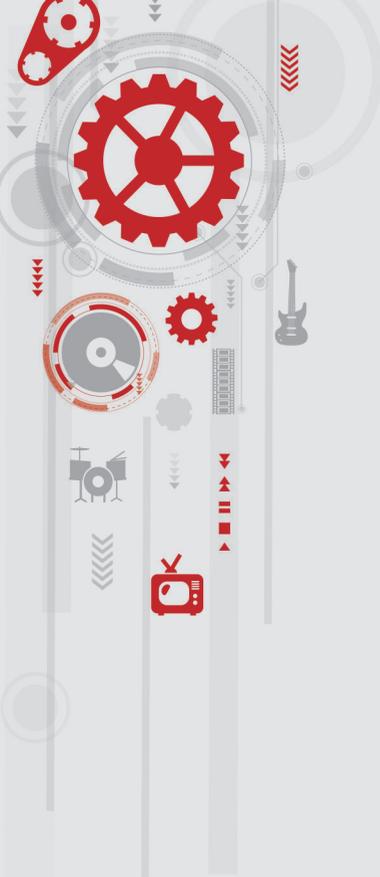


拉近網娛集團有限公司

LAJIN ENTERTAINMENT NETWORK GROUP LIMITED

2018

FIRST QUARTERLY REPORT



Lajin 拉近

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

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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 2018, together with the comparative unaudited figures for the corresponding periods in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the three months ended 31 March	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Revenue	3	1,532	4,249
Cost of sales		(1,612)	(12,269)
Gross loss		(80)	(8,020)
Other income	4	3,493	822
Selling and distribution expenses		(392)	(107)
Administrative expenses		(19,018)	(20,050)
Share-based compensation costs		—	(2,814)
Share of losses of:			
Associates		(1,215)	(796)
A joint venture		(508)	—
Loss before tax	5	(17,720)	(30,965)
Income tax expense	6	—	—
Loss for the period		(17,720)	(30,965)

		For the three months ended 31 March	
		2018	2017
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Notes			
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		23,705	4,683
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX			
		23,705	4,683
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD			
		5,985	(26,282)
Loss for the period attributable to:			
Owners of the parent		(17,428)	(30,965)
Non-controlling interests		(292)	—
		(17,720)	(30,965)
Total comprehensive loss for the period attributable to:			
Owners of the parent		6,295	(26,282)
Non-controlling interests		(310)	—
		5,985	(26,282)
Dividend			
		—	—
Loss per share			
— Basic and diluted	7	HK(0.41) cent	HK(0.79) 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 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 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 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 2017.

3. REVENUE

	For the three months ended 31 March	
	2018	2017
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
TV and internet programme	1,185	4,243
Artists management	347	—
Others	—	6
	1,532	4,249

4. OTHER INCOME

	For the three months ended 31 March	
	2018	2017
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Bank interest income	469	702
Consultancy service income	2,438	—
Rental income	453	—
Imputed interest income on convertible notes receivables	133	120
	3,493	822

5. LOSS BEFORE TAX

Loss before tax is arrived at after charging:

	For the three months ended 31 March	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	3,294	821
Amortisation of other assets	288	—
Operating leases rentals in respect of rented premises	2,278	2,246
Staff costs including directors' remuneration		
— Salaries and allowances	8,543	12,604
— Retirement benefits schemes contributions	770	1,147
— Share-based payment expenses	—	2,814
	9,313	16,565

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. (2017: 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. (2017: 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 2018 of approximately HK\$17,428,000 (2017: loss attributable to ordinary equity holders of the parent of approximately HK\$30,965,000) and the weighted average of 4,209,131,000 shares in issue during the three months ended 31 March 2018 (2017: 3,914,773,000 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 2018, 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										
	Share capital ordinary shares	Share capital preferred shares	Share premium	Share-based payment reserve	Contributed surplus	Other reserve	Exchange reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 January 2017 (audited)	28,147	13,246	1,138,606	35,240	28,294	—	(32,735)	(267,988)	943,810	573	944,383
Net loss for the period	—	—	—	—	—	—	—	(30,965)	(30,965)	—	(30,965)
Other comprehensive income for the period	—	—	—	—	—	—	4,683	—	4,683	—	4,683
Total comprehensive loss for the period	—	—	—	—	—	—	4,683	(30,965)	(26,282)	—	(26,282)
Issue of ordinary shares upon conversion of preferred shares	13,943	(13,246)	(697)	—	—	—	—	—	—	—	—
Recognition of equity-settled share-based payments	—	—	—	2,814	—	—	—	—	2,814	—	2,814
At 31 March 2017 (unaudited)	42,090	—	1,138,909	38,054	28,294	—	(28,052)	(298,953)	920,342	573	920,915
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
At 31 March 2018 (unaudited)	42,090	—	1,138,909	21,024	28,294	14,476	28,185	(365,263)	905,709	(53)	905,656

DIVIDEND

The Board does not recommend the payment of a dividend for the three months ended 31 March 2018 (2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The revenue of the Group was approximately HK\$1,532,000 for the three months ended 31 March 2018 (2017: HK\$4,249,000), representing an decrease of 63.9% as compared with the three months period ended 31 March 2017. The decrease was mainly due to the decrease in revenue from the Group's movies, TV programmes and internet contents business. However, the Group will recognise more revenue from the 2nd quarter onwards as most of our production/investment have been/to be released after this 1st quarter.

Movies, TV programmes and internet contents

During the year under review, the revenue contributed by such segment was approximately HK\$1,185,000 (2017: HK\$4,249,000), representing the licensing income from the internet drama.

Artists Management

During the year under review, the revenue contributed by such segment was approximately HK\$347,000 (2017: Nil).

Cost of sales for the three months ended 31 March 2018 decreased to approximately HK\$1,612,000 (2017: HK\$12,269,000), which was mainly attributed from the cost of films and TV programmes 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\$19,018,000 from approximately HK\$20,050,000 in prior quarter. It was mainly attributed to the decrease in expenses on salaries and allowances amounted to approximately HK\$8,543,000 (2017: HK\$12,604,000) due to the cost control of the Group.

Loss for the period attributable to owners of the parent was approximately HK\$17,428,000 (2017: HK\$30,965,000). The reduction in loss was primarily due to the decrease in production costs and administrative expenses.

BUSINESS REVIEW

Cross Media Project

As disclosed previously, all episodes of the “Birth of the Stars”(明星的誕生) have been fully broadcast in the first quarter of 2017 via a leading video streaming platform “IQiyi”(愛奇藝). The program was a huge success with a total hit rate of 300 million times. The Company has identified various talented contestants to join our team, leveraging on the Group’s platform and expertise to foster celebrities by our team hired from Korea, we strived to foster our own creative artist team all with different specialties.

As such, the Group continues to proceed with the production of the sequel to the program, which is tentatively named “Birth of the Bands”(樂隊的誕生). “Birth of the Bands”, the completely upgraded version of “Birth of the Stars”, has been in its preparation stage since 2017. It is a variety show featuring the nurturing of artists developed by the Company, with its shooting done at Lajin Star Factory. Combined with the most advanced multi-media live interactive technology today, it will be fully launched in 2018.

Artists Management

An artists’ management team has been built, with the “Birth of the Stars”, our Company has identified and signed new artists management contracts with a couple of contestants who have impressive potentials. Furthermore, our subsidiary company, Xin Mei Xing Xiu has further enriched our artists base, both in terms of quantity and exposure. The artists under Xin Mei Xing Xiu’s management include key opinion leaders and online celebrities with huge number of followers and fans, some of them have already been gaining popularity. To date, our team comprises more than 20 artists, many of which have already been active in the TV/movies and commercial advertising industry, and have gained popularity with increased exposure. The Company will provide them with necessary trainings and shooting/production environment leveraging on the facilities provided in our Lajin Star Factory, to enable these future stars to sparkle.

Movies, TV and internet programmes

The Group has created quite a number of internet related media contents, including internet drama, short movies, and interactive media contents & etc., weaving all such into Lajin's web of contents within our interactive business ecosystem has been our main focus. The Group also partners with renowned creative teams and media companies with abundant resources for its investments in TV/Movies projects and will only select and invest in quality projects. Such selection criteria would effectively reduce the risks for our investments. The Group has invested in a 20% stake in an internet movie named 《少女茯苓》 and such internet movie has been screened during January 2018, income has been recognized during the quarter.

Amongst all, an individualistic internet movie named "Bad together" 《太子書院》 has engaged extensively all our artists and talents under Lajin's management, and the respective movie soundtracks are products from Lajin's music platform – Huo Miao (火喵), being sung by Lajin's own artists. This is a project to practice and integrate all our production functions within our business ecosystem. "Bad Together" 《太子書院》 has been released online in February 2018.

The Group has completed the shooting of another internet series drama, 《我才不會被女孩子欺負呢》 (*hereby translated as "I am so Not Going to be Bullied by Girls") and it has been broadcasted exclusively by Youku.com (優酷網) since 12 April 2018. The formerly completed TV series named "She is Beautiful" 《她很漂亮》 has been released on 30 April 2018 via Mango TV (a renowned internet streaming platform in the PRC), with a total of 40 episodes in aggregate.

During the reporting period, all of our invested projects have commenced shooting. Furthermore, projects like "the Dynasty Warriors" 《真·三國無雙》, 《深淵行者》, 《花椒之味》 (*hereby translated as "Fagara in Mara"), "Theory of Ambition" 《風再起時》 and "Europe raiders" 《歐洲攻略》 etc., production of which have either been completed or close to its final stage, these productions are expected to be released in 2018 or 2019.

In 2017, the Group has also acquired the right to produce the most popular expedition movie series in China, “the Tibet Code”《藏地密碼》, and will work together with the top tier cooperation partners such as Tencent Video in production. This is going to be the first of our movie series that will have global market coverage. Currently, a team of American screenwriters have been engaged to write, its plots and screenplays. This project is going to receive the Group’s full support and is expected to commence shooting in 2019, aiming for release and distribution in 2020.

Lajin’s Star Factory

Lajin’s Star Factory is located in Yi Zhuang (亦莊), Beijing. Significant effort has been put in the renovation works for Lajin’s Star Factory in 2016. The premises, comprising two 6-storey buildings of approximately 5,600 square metres in total has become the Group’s centre for artists incubation and nurturing as well as for intelligent entertainment contents production, complete with all functions including internet entertainment contents, stars nurturing, movie and video production and master’s studios, thus cited as a model of absolute advanced level in the industry. Lajin’s Star Factory owns complete independent intelligent property rights, It’s is equipped with top-tier recording studios and applies the world’s latest live broadcast technology, enabling compatibility and cross media interaction and unites all music and audio programs production in a single production base. With the integration of our “Lajin App”, the online and offline experiences of audiences would definitely bring “closer” the distance between artists and fans, and this reinforces Lajin’s core business mission. The Lajin’s Star Factory is currently in use.

Music

The Group has put enormous effort in conceiving the music platform “Huo Miao” (火喵), an incubation project focused on the creation of original music, which is committed to becoming the biggest original music ecosystem. “Huo Miao” (火喵) has aligned with more than a thousand young music producers, composers and lyricists, and has completed the reserve of nearly 300 pieces of original music compositions. It has signed up exclusively with over 60 musicians, producing a variety of mainstream and non-mainstream music in styles of pop, rock, classical, folk, electronic, rap, etc. To date, the early structure of the Huo Miao new internet media platform has been set up, and has been publishing “Huomiao Music Stories” regularly, with visual, audio and text element being the “new media language”, leveraging on the already established network to attract more audiences and music producers, ultimately enriching our collection of original music productions. During the period, the “Huo Miao” music platform has worked in collaboration with some large-scale entertainment programs and renowned brands, and has completed quite a number of tailor-made music productions. It also synergistically provides music contents to the Group’s business operation segments. To date, the music platform has already completed quality music works for a number of our internet dramas.

Termination of the Deed and the Master Services Agreement with Ms. Shang

Reference is made to the voluntary announcement dated 9 February 2018 and the circular of the Company dated 23 December 2015, capitalized terms used herein shall have the same meaning as defined in the above mentioned documents. The management had reviewed the latest development of the business of the JV Company (the cooperation arrangement with Ms. Shang) and had also discussed its prospect with Ms. Shang. As it was not expected that the profit of the JV Company could reach at least RMB50 million, it was considered that neither the Shang Put Option could be, nor the Company Call Option would be exercised before the expiry of such options. Therefore, Ms. Shang and the Company had mutually agreed to terminate the Deed and the Master Services Agreement and Ms. Shang resigned from all position from the JV Company and the Group (“Termination”). The Termination gave the market a clear message that no Consideration Shares would be issued in the future. Accordingly the recognised share-based payment expenses was reversed, giving rise to a credit to the profit and loss account. As the Deed was terminated, the JV Partner had agreed to dispose of its 49% of the JV Company for a consideration of HK\$1 to Lajin. The Shareholders’ Agreement ceased to have effect accordingly.

Event after the Reporting Period

There is no significant event occurred subsequently after the balance sheet date.

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 2018, the interests and short positions of the Directors and chief executives and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) 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 as follows:

(i) Long positions in the ordinary shares of HK\$0.01 each of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Number of share options held	Approximate percentage of the issued share capital of the Company
Ms. Wu Li	Beneficial owner	—	8,000,000	0.19%
Mr. Chan Kam Kwan, Jason	Beneficial owner	—	12,000,000	0.29%
Mr. Zhou Ya Fei	Beneficial owner	—	1,000,000	0.02%
Mr. Zou Xiao Chun	Beneficial owner	—	1,000,000	0.02%
Mr. Ng Wai Hung	Beneficial owner	—	1,000,000	0.02%
Mr. Lam Cheung Shing, Richard	Beneficial owner	—	1,000,000	0.02%
Mr. Wang Ju	Beneficial owner	—	1,000,000	0.02%

Save as disclosed above, none of the Directors and chief executives, 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 2018.

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 2018 which have been granted to directors or chief executives under the Share Option Scheme are as follows:

	Option type	Outstanding as at 1 January 2018	Granted	Exercised	Lapsed	Outstanding as at 31 March 2018
Directors						
Ms. Wu Li	2015A	8,000,000	—	—	—	8,000,000
Mr. Chan Kam Kwan, Jason	2015A	12,000,000	—	—	—	12,000,000
Mr. Zhou Ya Fei	2015A	1,000,000	—	—	—	1,000,000
Mr. Zou Xiao Chun	2015A	1,000,000	—	—	—	1,000,000
Mr. Ng Wai Hung	2015A	1,000,000	—	—	—	1,000,000
Mr. Lam Cheung Shing, Richard	2015A	1,000,000	—	—	—	1,000,000
Mr. Wang Ju	2015A	1,000,000	—	—	—	1,000,000
		25,000,000	—	—	—	25,000,000
Other employees						
	2015A	19,000,000	—	—	—	19,000,000
	2016A	15,000,000	—	—	—	15,000,000
Total options outstanding		59,000,000	—	—	—	59,000,000
Exercisable at the end of the reporting period at HK\$1.088 each						
Weighted average exercise price		HK\$1.088	—	—	—	HK\$1.088

Details of the specific categories of options are as follows:

Option type	Date of grant	Vesting period	Exercise period	Exercise price
2015A	16 November 2015	16 November 2015 to 15 November 2016	16 November 2016 to 16 November 2018	HK\$1.088
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, exercised, lapsed or cancelled under the Share Option Scheme. There are a total of 59,000,000 options outstanding as at 31 March 2018.

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 2018 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 2018, 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 2018, 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 2018, 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 2018 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, 15 May 2018

As at the date of this report, the executive directors are Ms. Wu Li and Mr. Chan Kam Kwan, Jason; 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.