



拉近網娛集團有限公司

LAJIN ENTERTAINMENT NETWORK GROUP LIMITED



2021 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 (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 and nine months ended 30 September 2021, together with the comparative unaudited figures for the corresponding periods in 2020 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	
		2021	2020	2021	2020
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	3	21,862	4,059	60,093	5,708
Cost of sales		(37,673)	(7,085)	(69,204)	(7,140)
Gross loss		(15,811)	(3,026)	(9,111)	(1,432)
Other income and gains	4	1,527	46	4,378	686
Selling and distribution expenses		(364)	(277)	(1,027)	(1,689)
Administrative expenses		(14,924)	(8,936)	(38,487)	(26,007)
Finance costs		(23)	(31)	(92)	(103)
Share of profits and losses of associates		473	669	(1,697)	2,377
Loss before tax	5	(29,122)	(11,555)	(46,036)	(26,168)
Income tax expense	6	—	—	(3)	(9)
Loss for the period		(29,122)	(11,555)	(46,039)	(26,177)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
OTHER COMPREHENSIVE INCOME:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations		4,991	13,458	8,168	5,939
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		4,991	13,458	8,168	5,939
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD		(24,131)	1,903	(37,871)	(20,238)
Loss for the period attributable to:					
Owners of the parent		(28,081)	(11,520)	(42,239)	(25,982)
Non-controlling interests		(1,041)	(35)	(3,800)	(195)
		(29,122)	(11,555)	(46,039)	(26,177)
Total comprehensive loss for the period attributable to:					
Owners of the parent		(23,065)	1,997	(34,016)	(20,009)
Non-controlling interests		(1,066)	(94)	(3,855)	(229)
		(24,131)	1,903	(37,871)	(20,238)
Dividend		0	0	0	0
Loss per share attributable to ordinary equity holders of the parent — Basic and diluted	7	(0.66) cent	(0.28) cent	(1.00) cent	(0.62) 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 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 the Group are provision of artists management services, and investment in movies, TV programmes and internet contents.

2. BASIS OF PREPARATION

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 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 2020. These Unaudited Condensed Consolidated Results should be read in conjunction with the annual financial statement of the Group for the year ended 31 December 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. REVENUE

	For the three months ended 30 September		For the nine months ended 30 September	
	2021	2020	2021	2020
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
New media e-commerce business	6,966	—	28,760	—
TV and internet programme	12,472	4,172	25,240	4,237
Distribution agency fee	1,050	(120)	4,230	1,363
Sales of film rights	724	—	1,088	—
Artists management	242	5	355	5
Others	408	55	420	103
	21,862	4,099	60,093	5,708

4. OTHER INCOME AND GAINS/(LOSSES)

	For the three months ended 30 September		For the nine months ended 30 September	
	2021	2020	2021	2020
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
OTHER INCOME				
Gains on investment in films	(1,771)	—	(1,383)	—
Bank interest income	49	170	1,052	586
Rental income	—	—	—	171
	(1,722)	170	(331)	757
GAINS/(LOSSES)				
Compensation income on convertible bonds	—	—	717	—
Exchange differences, net	11	(124)	(23)	(71)
Others	3,238	—	4,015	—
	3,249	(124)	4,709	(71)
	1,527	46	4,378	686

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting):

	For the three months ended 30 September		For the nine months ended 30 September	
	2021	2020	2021	2020
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Depreciation of property, plant and equipment	2,317	2,447	7,374	7,693
Amortisation of other assets	8	183	22	589
Lease payment not included in the measurement of lease liabilities	425	205	754	1,129
Depreciation of right-of-use assets	486	346	1,092	1,030
Exchange loss/(gain), net	11	(18)	(23)	(71)
Staff costs including directors' remuneration				
— Salaries and allowances	7,465	3,098	18,150	8,840
— Pension scheme contributions	788	5	1,805	92
	8,253	3,103	19,955	8,932



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax and Korea corporate income tax have been provided 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 brought forward during the period under review (for the nine months ended 30 September 2020: Nil).

During the period, the amount of the PRC enterprise income tax was paid in accordance with the rate of 25% of assessable profit, and the income tax paid was HK\$3,000 (for the nine months ended 30 September 2020: HK\$9,000).

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 30 September 2021 of approximately HK\$28,081,000 (2020: loss attributable to ordinary equity holders of the parent of approximately HK\$11,520,000) and loss attributable to ordinary equity holders of the parent for the nine months ended 30 September 2021 of approximately HK\$42,239,000 (2020: loss attributable to ordinary equity holders of the parent of approximately HK\$25,982,000 and weighted average of 4,209,130,000 shares in issue during the three months ended 30 September 2021 (2020: 4,209,130,000 shares) and weighted average of 4,209,130,000 shares in issue during the nine months ended 30 September 2021 (2020: 4,209,130,000 shares)).

The Group had no potentially dilutive ordinary shares in issue for the nine months ended 30 September 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2021

	Attributable to owners of the parent										
	Share capital —		Fair value				Accumulated		Non —		Total
	Ordinary shares	Share premium	reserve	Contributed surplus	Other reserve	Exchange reserve	losses	Sub-total	controlling interests		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 30 September 2019 (Unaudited)	42,090	1,138,909	(11,267)	28,294	6,174	(44,813)	(581,625)	577,762	(385)	577,377	
At 1 January 2020	42,090	1,138,909	(12,744)	28,294	14,072	(35,898)	(649,672)	525,051	(1,736)	523,315	
Loss for the period	—	—	—	—	—	—	(25,982)	(25,982)	(195)	(26,177)	
Other comprehensive (loss)/income for the period	—	—	—	—	—	5,973	—	5,973	(34)	5,939	
Total comprehensive loss for the period	—	—	—	—	—	5,973	(25,982)	(20,009)	(229)	(20,238)	
At 30 September 2020 (Unaudited)	42,090	1,138,909	(12,744)	28,294	14,072	(29,925)	(675,654)	(505,042)	(1,965)	(503,077)	
At 1 January 2021	42,090	1,138,909	(18,858)	28,294	14,055	(17,180)	(780,011)	407,299	(2,530)	404,769	
Loss for the period	—	—	—	—	—	—	(42,239)	(42,239)	(3,800)	(46,039)	
Other comprehensive (loss)/income for the period	—	—	—	—	—	7,523	—	7,523	(55)	7,468	
Total comprehensive loss for the period	—	—	—	—	—	7,523	(42,239)	(34,716)	(3,855)	(38,571)	
At 30 September 2021 (Unaudited)	42,090	1,138,909	(18,858)	28,294	14,055	(9,657)	(822,250)	372,583	(6,385)	366,198	



DIVIDEND

The Board does not recommend the payment of a dividend for the nine months ended 30 September 2021 (2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The revenue of the Group was approximately HK\$60,093,000 for the nine months ended 30 September 2021 (for the nine months ended 30 September 2020: HK\$5,708,000), representing an increase of 952.8% as compared with the nine months ended 30 September 2020. The increase was mainly due to the increase in revenue from movies, TV programmes, internet content business and new media e-commerce business of the Group.

Cost of sales for the nine months ended 30 September 2021 increased to approximately HK\$69,204,000 (for the nine months ended 30 September 2020: HK\$7,140,000), which was mainly due to the increase in the cost relating to movies, TV programmes and internet content business of the Group and the increase in the cost of new media e-commerce business. Administrative expenses were mainly the staff costs, depreciation and other general administrative expenses of the Group incurred during the period under review. Administrative expenses increased to approximately HK\$38,487,000 from approximately HK\$26,007,000 in the prior period. It was mainly attributable to the increase in staff salaries and related expenses to approximately HK\$19,955,000 (for the nine months ended 30 September 2020: HK\$8,932,000) resulting from the increase in staff of the Group to develop e-commerce business.

Loss for the period attributable to owners of the parent was approximately HK\$42,239,000 (for the nine months ended 30 September 2020: HK\$25,982,000).



MOVIES, TV PROGRAMMES AND INTERNET CONTENTS

During the period under review, the revenue contributed by such segment was approximately HK\$30,558,000 (for the nine months ended 30 September 2020: HK\$5,600,000), representing the income from movie distribution agency fee, shared revenue from internet movies and revenue from sales of film rights.

ARTISTE MANAGEMENT

During the period under review, the revenue contributed by such segment was approximately HK\$355,000 (for the nine months ended 30 September 2020: HK\$5,000).

NEW MEDIA E-COMMERCE BUSINESS

During the period under review, the revenue contributed by such segment was approximately HK\$28,760,000 (for the nine months ended 30 September 2020: Nil).



BUSINESS REVIEW

Movies, TV Programmes and Internet Contents

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

With the rapid development of video streaming websites and internet movies in Mainland China, the Group continued to implement its investment strategy of internet movies and invested in projects including "The Legend of the Condor Heroes" (《射鵰英雄傳》) Part I and II, "Tibet Adventurer" (《藏地奇兵》), "Seven Mahatmas" (《七大聖》), "The Legend of Zu 3" (《蜀山降魔傳3》), "Di Renjie — Dragon Hidden in the Maze" (《狄仁傑之龍隱迷窟》), "Alternative Militiaman Ge Erdan (《另類民兵葛二蛋》)", "BIGBANG in the Village" (《村裡有情況》), "Transamerica" (《窈窕老爹》), etc., which will be released in succession in 2021. The volume and investment scale of projects have been increasing, including many leading projects with in-depth cooperation with platforms, and the idea of investing in "high-quality products" has become clearer. Meanwhile, in view of the current online movie market preference and forecast of the future movie market, we have also made key deployment in the "monster" and "comedy" genres production, hoping to generate breakout projects that make considerable profit contribution to the Group. It is worth mentioning that 2021 is the 100th anniversary of founding of the Communist Party of China, and in response to the literary advocacy of "little budget, positive energy, great feelings" (小正大), "Comedy+" has become another focus of the Group, such as investing in the remake of "Alternative Militiaman Ge Erdan" (《另類民兵葛二蛋》), a "Comedy + War" legendary IP production; "BIGBANG in the Village" (《村裡有情況》), a "Comedy + Main Theme" production firmly following the theme of the times and focusing on the construction of new villages; "Transamerica" (《窈窕老爹》), a "Comedy + Fantasy" production showing big dreams of grassroots people, and many other projects. The four internet movies released by the Group have been launched successively in the first half of the year, and all have been profitable. Among them, "BIGBANG in the Village" (《村裡有情況》), a rural comedy film, has been released on Youku in March, and currently ranks the first among rural comedy films on all platforms in 2021 in



terms of shared box office. “Transamerica” (《窈窕老爹》), a father-daughter affection comedy, has been also released on iQiYi in March, and currently records a shared box office of more than RMB10 million, ranking the 13th in the annual box office of iQiYi. In addition, “Heroes of Desert” (《大漠神龍》) has been released on iQiYi at the end of May, and “Monty Python” (《變異巨蟒》) has been released on Youku in May, ranking the second in the annual shared box office of internet movies of Youku in 2021. At the same time, marketing on TikTok also ranked among the top five in the Viewing List of Internet Movie Distribution and Promotion of TikTok (《抖音網絡電影宣發話題播放量榜》) in 2021, with a shared box office of more than RMB18 million, achieving a final return on investment more than double. Furthermore, “The Legend of the Condor Heroes: The Dragon Tamer” (《射鵰英雄傳之降龍十八掌》) and “The Legend of the Condor Heroes: The Cadaverous Claws” (《射鵰英雄傳之九陰白骨爪》), pure investment projects of Lajin, has been released by partner companies and launched on iQiYi and Tencent Video respectively in June.

In the second half of the year, other projects will also lock on platforms one after another and release after completion and scheduling for release. Up to now, the internet movie “Tibet Adventurer” has passed the content review, “Dragon Sparrow Guards: Myrlochar” (《龍雀衛•噬魂蛛》) has obtained the online number, and the post-production of “Di Renjie — Dragon Hidden in the Maze” is about to be completed, of which the production and distribution work is actively progressing.

“Investment + distribution” became the main business model for internet movies. The involvement in the distribution business will, on the one hand, increase revenue 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.

In addition, “Detrimental” (《見怪》), an internet movie of Lajin as lead product, was completed in the second quarter of 2021 and was selected as one of the mega movies of the year in the “2021 iQIYI World Conference” (33 movies in total) in mid-May, which has gained the attention of major video platforms, movie production companies and audiences.



In addition to internet contents, the Group's upcoming key theatrical movie projects include but not limit to:

“Faithful Dog Hachiko” (《忠犬八公》)

The Group was granted the license for “Hachi: A Dog’s Tale” (《忠犬八公的故事》) (a famous Japanese film with Kaneto Shindo as the scriptwriter) by Jiro Shindo, the licence owner of this film, to adapt it into the Chinese version, “Faithful Dog Hachiko”. iQIYI Pictures is the executive producer of the project, in association with the Group which has also been contracted for production. It has been selected as one of the key projects of the “Films Presented by iQIYI” program, and has started filming on 18 March 2021. It was successfully completed as scheduled in May 21, and its post-production is about to be completed. The film has submitted for review and it was set for nationwide release on 31 December 2021. The project has Mr. Xu Ang (his representative work includes the film “12 Citizens” (《十二公民》) and the internet drama “Medical Examiner Dr. Qin” (《法醫秦明》)) as the director, Ms. Ye Rufen (her representative work includes the film “Our Times” (《我的少女時代》)) as the executive producer, Mr. He Shan (his representative work includes “Wrath of Silence” (《爆裂無聲》) and “The Coffin in the Mountain” (《心迷宮》)) as the director of photography, and Mr. Lu Wei (his representative work includes “The Liquidator” (《心理罪之城市之光》) and “The Monkey King” (《西遊記之三打白骨精》)) as the art director. The leading actor and actress are Feng Xiaogang (his representative work includes “Mr. Six” (《老炮兒》), etc.) and Chen Chong (her representative work includes “The Last Emperor” (《末代皇帝》) and “Sheep Without a Shepherd” (《誤殺》), etc.). Via this theatrical film project produced by the Group, the Group’s experience in film production will become more mature which will help to deepen the closed-loop effect of film research and development, production, distribution and marketing.



“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” adapted from the bestselling 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” 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” whose scripting works include “The Devotion of Suspect X” (《嫌疑人X的獻身》), “Wu Kong” (《悟空傳》) and “Mystery of Antiques” (《古董局中局》). We are now identifying for a director for this film series. The first draft of the screenplay has been completed in June and we will carry out the project based on the market condition.

“Legend of the Galactic Heroes” (《銀河英雄傳說》)

The project is based on the best-selling novel written by the distinguished Japanese novelist Tanaka Yoshiki. The Group has entered into a cooperation agreement with “Linghe Media” (靈河文化) for the development of internet drama under this super IP which has extensive experience in producing “super dramas”, in which Bai Yicong, a key person of this company has a nickname of “Internet Dramas No. One”. The Chinese New Year holiday in 2019 witnessed the great market potential of Chinese science fiction movies. Therefore, the theatrical film of “Legend of the Galactic Heroes” is actively under study hoping this legendary story can bring new impetus to Chinese science fiction movies.

The above projects are the main focus of our investments in the coming 2–3 years which will receive the Group’s full support and plan to shoot and release or online thereafter.



Furthermore, the previously invested theatrical movies like “The Dynasty Warriors” (《真·三國無雙》), “Farewell U” (《再見·少年》) and “A Guide to Daily Fantasy” (《日常幻想指南》) have been released successively; “Theory of Ambition” (《風再起時》) is about to complete its post-production, and has already submitted for review and is scheduled to be released in 2021. “Farewell U” (《再見·少年》), an youth drama film, has been released in theaters nationwide on 27 August 2021; “A Guide to Daily Fantasy” (《日常幻想指南》), a fantasy-comedy film, has been released in theaters nationwide on 19 September 2021 during the Mid-Autumn Festival.

In the post-pandemic era, the global film industry has shown a new pattern. According to the data from Maoyan Pro, the box office revenue of cinemas in Mainland China was RMB27.5 billion in the first half of 2021, which was three times higher than the box office in North America in the corresponding period. It continued to lead the global market, but still declined to varying degrees compared with RMB32.0 billion of the corresponding period in 2018 and RMB31.3 billion of the corresponding period in 2019. At the same time, the cinema market is more obviously concentrated on festivals and prime movies, and the distribution of overseas cinema chains is inevitably affected. All of this has prompted the industry’s main structure and industry resources to tilt toward the internet movie market. On the one hand, the internet movie market is benefiting from the “dividends” from capital market, objectively increasing demand from the audience, the improved commercialization of the platform side, and the standardization of policy supervision and guidance. On the other hand, it is also facing increasingly fierce competition pressure and demands in capacity optimization and breakthroughs in quality improvement of homogenized content, in order to seek a development direction that is more in line with the industry norm, which has brought new opportunities and challenges for internet movies. Throughout the internet movie market in the first half of 2021, it is not difficult to see that the overall production quality, investment volume and profitability of internet movies are rapidly improving, and the power of top projects and quality projects is obviously increasing, with the internet movies entering a more mature, quality, high-ranking competition track. More traditional film and television companies have also begun to tap into the internet movie industry, and even some of them have regarded internet movies as their main business and are committed to cultivation in the internet movie market for a long run. In terms of platforms, the cooperation model between iQIYI, Youku and Tencent has been upgraded. In addition to the traditional sharing model, a new “Premium Video on Demand” (PVOD) model has been added for leading internet movies, the integration of theaters and networks and the co-show model



are becoming increasingly accepted by the platform, which bring a wider scope for the development of internet movies. With the introduction of incentive policies by platforms, optimization of sharing rules, attraction of professional talents by producers, the quality of content improved significantly. However, follow-suit of popular genre films and overexploitation of homogeneous IP in the internet movie market were still serious. Although there were attempts in the field of hard science fiction and the main theme in the third quarter, films with shared box office of more than 10 million were still concentrated in the fields of fantasy, monsters and adventure. According to statistics as of May 2021, over 200 monster movies have been planned and registered, of which more than one-fifth is snake monster movies, 380 public IP movies planned and registered, and two types of movies in the third quarter still packed together. Secondly, the challenge of the internet movie market in the first half of 2021 is also reflected in the number of internet movies decreased and the box office concentrated on prime movies as compared with 2020, while the shared box office of prime movies still failed to exceed RMB50 million. While the strength of prime and secondary movies is gradually emerging, the market's long-term demand for "qualitative" change of internet movies will become more and more urgent, and the contradictions for investors in the short term will be increasingly manifested in the balance of the relationships among product quality, subject creativity and diversified commercial layout.

With the rapid development of short-form video market, and the further development of the Group's business in the field of e-commerce and internet celebrities, it is trying to cooperate with traditional film and television companies to tap into short-form videos by investing in the short video drama "Whatever Star You Come From" (《管你來自哪顆星》). Integrating the concept of e-commerce, after looking for a new business mode of "online film and television products + entertainment + sales" pattern with entertainment content oriented and then secondary realisation, the Group also began to actively explore the possibility of interaction between film and television business and e-commerce business. At present, "Whatever Star You Come From" (《管你來自哪顆星》) has been locked on Tencent Video platform, and has obtained the highest rating in short video category on the platform, and will be released soon. A Kuaishou short drama aimed at developing a full-contract artist and e-commerce anchor Zhai Xingyue to promote her popularity to promote the e-commerce business and at the same time expand the business opportunities of the film industry is also in preparation.



Artiste Management

The Group continuously optimizes the portfolio of artistes. The Group provides customized performance opportunities for the steady development of our new artistes through the film, TV and music projects developed, produced and invested by the Group. On the other hand, the Group developed new sources of advertising income for artistes via various channels such as online marketing and e-commerce.

Affected by the COVID-19 pandemic in 2020, production of film and television projects decreased in the PRC, and the Group's artistes were abroad, which had severely hit the income of the Group's artiste management segment. After the tests of estimated future earnings and cash flow, the Group has made impairment for the exclusive agency rights of artistes. By leveraging in combination with our various business segments on artiste management experience, the Group will endeavor to search for more talented artistes/internet celebrities and create returns and contribution for the Group.

Music

Lajin Music has augmented the copyright of a large number of high quality original music compositions through the past 2-year efforts, covering a variety of mainstream and non-mainstream music in styles of pop, rock, classical, folk, 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 distribution channels. It also established strategic partnerships with nearly 100 radio stations and internet radio channels in China.

During the current period, Lajin Music (拉近音樂) provided support to the Group's film and artiste management businesses with its music creation, and also produced and distributed music products for several movies/TV dramas and artistes. Lajin Music/Huo Miao has become one of the three interrelated industry chains of the Group.



In 2020, Lajin Music initiated a “Searching for Chinese Root Music Program” as a major founder. 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. In addition, by adopting different media communication methods, the project will be promoted by integrating with music works, local culture, tourism resources and local products. Eventually, with the support of resources from various levels of government, the project will be established into a comprehensive, novel, and commercially closed-loop cultural project.

Lajin Music is also actively exploring a new music variety show to blend idol nurturing and musical bands under a unique program format and concept to direct traffic and flow back to the bands. The rolling candidate pool will produce music copyrights in the show and such integration will recycle the traffic circulations. In this process, stable and effective growth of traffic is guaranteed, which is the main development direction of Lajin Music in the future. Show, band and music copyright are integrated and can also be realized independently, which will eventually be contributing to building a unique “platform” for star creation and music promotion, so as to generate a steady flow of musicians and classic works.

New media e-commerce business

As of January 2021, the number of domestic online video (including short video) users reached 1,040 million, representing a significant increase of 22.35% as compared with 850 million as of March 2020. Early 2020, as affected by the COVID-19 pandemic, citizens’ daily life was greatly affected with few outdoor activities or group gatherings and the users and time length of using online video applications surged significantly. Users on video websites and platforms had an extremely high login rate with daily active followers of 600 million.



Meanwhile, due to the impact of the pandemic in the first half of 2020, almost all catering, tourism and other traditional consumption completely suspended and citizens to stay at home has become a norm. As of February 2021, the number of domestic internet streaming users reached 620 million*, representing an increase of 10.7% as compared with 560 million as of March 2020. The increase in users boosted shopping and consumption at home and adversely affected the traditional economy. To the contrast, the “Stay-at-Home Economy” derived from live e-commerce boomed. According to the Monthly Operation and Year-end Review Data Monitoring Report of China’s Live e-commerce Industry, the scale of the domestic internet live e-commerce market is expected to increase from RMB961 billion in 2020 to RMB1,201.2 billion in 2021. Analysts believe that the domestic internet live e-commerce market can maintain high growth, but it will raise increasingly higher expectation on the freshness of the models and contents of live streaming.

Since its establishment, the Group dedicated itself to the deployment of the pan-entertainment industry chain, continuously cultivating high-quality contents, and enhancing the entertainment, fun and branding elements of contents. The Group accurately studies and judges the form and direction of entertaining consumption in future, realizing a two-way empowerment by entertainment contents and the e-commerce industry.

Leveraging on the pan-entertainment background and resources accumulated by it over years, the Group actively caters to industry trends, enhances the entertainment elements and traffic of contents to enlarge content potential, maximizes the benefits of brands, and creates a new closed-loop content-driven full industry chain model. After different stages of exploration and practice, the Group’s new media e-commerce business has the following deployment in the three major categories of “people”, “goods” and “venues” in the industry:

I. Traffic Matrix

A nationwide traffic is formed through corporation with leading hosts, and at the same time over a hundred of self-owned hosts are to be incubated to create a super traffic pool matrix covering 500 million users across the network. It is aimed at establishing the largest online sales channel across the country to help S-level hosts refresh GMV constantly, and building a continuously growing traffic matrix ecology.

* Source of data: The 47th China Statistical Report on Internet Development of the China Internet Network Information Center



II. Content Production

In the era of the rise of content e-commerce, content will be upgraded for entertainments and interests. The content potential will be amplified to drive growth of brands. The brands are empowered to open up for growth, with the support of five major capabilities, including driving live commerce with content leverage, assetization of traffic numbers, systematic content production, global celebrity acquisition, and efficient matching of celebrity and supply chain.

III. Media Operations

Brands are empowered by transforming public domain traffic, and marketing efficiency is improved with refined operation links to promote the conversion of e-commerce platforms and create a closed loop of media operations. Relying on the mature media operation model, the sales volume from live streaming and fans of cooperative hosts are simultaneously increased, which can attract new hosts to sign up and join the traffic pool of Lajin, forming a win-win situation.

IV. Port Technology

Major e-commerce and short video community platforms are opened up through port technology, providing professional platform customer service and logistics services for the Group's self-operated stores on each platforms, achieving one-stop solutions for the performance of consumer goods, warehousing and delivery, and after-sales service.

V. Brand Matrix

A high-quality and in-depth supply chain is to be created, integrating services for more than 100 well-known brands and over 10,000 SKUs and helping hosts reach users from multiple layers, thus realizing collaborative empowerment of people, goods and sites. Self-owned brands are incubated with the super traffic matrix to maximize sales benefits. A sustainable and replicable brand incubation model is to be created with coordination of refined media operations.



CAPITAL STRUCTURE

As at 30 September 2021, 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 (“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 Share Option Scheme is effective for 10 years and will be expired in June 2024.

As at 30 September 2021, there were no outstanding options.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the Share Option Scheme and employee award plan, at no time during the nine months ended 30 September 2021 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 2021, the register of substantial shareholders maintained by the Company under Section 336 of the SFO showed that 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	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)	377,834,655	8.98%
Ms. Yu Nan	Interest of controlled corporation	(iii)	377,834,655	8.98%
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) Jiakuan 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 30 September 2021, 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 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 30 September 2021.

COMPETING INTEREST

At 30 September 2021, 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 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PROVISION OF INFORMATION IN RESPECT OF AND BY DIRECTOR(S)

Updated information with regard to the change in the Director(s) of the Company is as set out below:

After the reporting date, Mr. Li Xue Song has been appointed as a non-executive Director of the Group since 25 October 2021.

CORPORATE GOVERNANCE PRACTICES

The corporate governance principles of the Company emphasize 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 2021, with the exception of CG Code Provisions A.2.1 (separation of roles of chairman and chief executives), A.4.1 (specific terms of non-executive Directors) and A.6.7 (non-executive Directors to attend 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 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 CG Code provision A.6.7, non-executive Directors should attend general meetings. Certain non-executive Directors were unable to attend the annual general meeting due to other business commitments.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the nine months ended 30 September 2021, 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 2021 before proposing to the Board for approval.

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

Hong Kong, 12 November 2021

As at the date of this report, the executive Director is Ms. Zhai Shan Shan; 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.