



Lajin Entertainment Network Group Limited

拉近網娛集團有限公司*

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

(Stock Code: 8172)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

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

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This Announcement, 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 Announcement 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 Announcement misleading.

* For identification only

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 2022, together with the comparative unaudited figures for the corresponding periods in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	For the three months ended 30 September		For the nine months ended 30 September	
		2022 (Unaudited) <i>HK\$'000</i>	2021 (Unaudited) <i>HK\$'000</i>	2022 (Unaudited) <i>HK\$'000</i>	2021 (Unaudited) <i>HK\$'000</i>
Revenue	3	2,006	21,862	8,470	60,093
Cost of sales		<u>(1,752)</u>	<u>(37,673)</u>	<u>(7,818)</u>	<u>(69,204)</u>
Gross profit/(loss)		254	(15,811)	652	(9,111)
Other income and gains	4	(1,008)	1,527	(386)	4,378
Selling and distribution expenses		(14)	(364)	(158)	(1,027)
Administrative expenses		(15,507)	(14,924)	(42,284)	(38,487)
Finance costs		1	(23)	(76)	(92)
Share of profits and losses of associates		<u>(360)</u>	<u>473</u>	<u>(1,182)</u>	<u>(1,697)</u>
Loss before tax	5	(16,634)	(29,122)	(43,434)	(46,036)
Income tax expense	6	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3)</u>
Loss for the period		<u>(16,634)</u>	<u>(29,122)</u>	<u>(43,434)</u>	<u>(46,039)</u>

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 (Unaudited) <i>HK\$'000</i>	2021 (Unaudited) <i>HK\$'000</i>	2022 (Unaudited) <i>HK\$'000</i>	2021 (Unaudited) <i>HK\$'000</i>
<i>Note</i>				
OTHER COMPREHENSIVE INCOME:				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	<u>(4,592)</u>	<u>4,991</u>	<u>(14,068)</u>	<u>8,168</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>(4,592)</u>	<u>4,991</u>	<u>(14,068)</u>	<u>8,168</u>
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD	<u><u>(21,226)</u></u>	<u><u>(24,131)</u></u>	<u><u>(57,502)</u></u>	<u><u>(37,871)</u></u>
Loss for the period attributable to:				
Owners of the parent	<u>(16,511)</u>	<u>(28,081)</u>	<u>(40,375)</u>	<u>(42,239)</u>
Non-controlling interests	<u>(123)</u>	<u>(1,041)</u>	<u>(3,059)</u>	<u>(3,800)</u>
	<u><u>(16,634)</u></u>	<u><u>(29,122)</u></u>	<u><u>(43,434)</u></u>	<u><u>(46,039)</u></u>
Total comprehensive loss for the period attributable to:				
Owners of the parent	<u>(21,617)</u>	<u>(23,065)</u>	<u>(55,330)</u>	<u>(34,016)</u>
Non-controlling interests	<u>391</u>	<u>(1,066)</u>	<u>(2,172)</u>	<u>(3,855)</u>
	<u><u>(21,226)</u></u>	<u><u>(24,131)</u></u>	<u><u>(57,502)</u></u>	<u><u>(37,871)</u></u>
Loss per share attributable to ordinary equity holders of the parent				
— Basic and diluted	<u><u>(0.39) cent</u></u>	<u><u>(0.66) cent</u></u>	<u><u>(0.96) cent</u></u>	<u><u>(1.00) cent</u></u>

7

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 artiste 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 2021. These Unaudited Condensed Consolidated Results should be read in conjunction with the annual financial statement of the Group for the year ended 31 December 2021.

3. REVENUE

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 (Unaudited) <i>HK\$'000</i>	2021 (Unaudited) <i>HK\$'000</i>	2022 (Unaudited) <i>HK\$'000</i>	2021 (Unaudited) <i>HK\$'000</i>
New media e-commerce business	375	6,966	5,095	28,760
TV and internet programme	1,407	12,472	2,382	25,240
Distribution agency fee	(10)	1,050	244	4,230
Sales of film rights	(4)	724	267	1,088
Artiste management	136	242	321	355
Others	102	408	161	420
	<u>2,006</u>	<u>21,862</u>	<u>8,470</u>	<u>60,093</u>

4. OTHER INCOME AND GAINS/(LOSSES)

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 (Unaudited) <i>HK\$'000</i>	2021 (Unaudited) <i>HK\$'000</i>	2022 (Unaudited) <i>HK\$'000</i>	2021 (Unaudited) <i>HK\$'000</i>
OTHER INCOME				
Gains/(losses) on investment in films	1	(1,771)	(12)	(1,383)
Bank interest income	23	49	86	1,052
	<u>24</u>	<u>(1,722)</u>	<u>74</u>	<u>(331)</u>
GAINS/(LOSSES)				
Compensation income on convertible bonds	–	–	123	717
Exchange differences, net	189	11	353	(23)
Others	(1,221)	3,238	(936)	4,015
	<u>(1,032)</u>	<u>3,249</u>	<u>(460)</u>	<u>4,709</u>
	<u>(1,008)</u>	<u>1,527</u>	<u>(386)</u>	<u>4,378</u>

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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	1,940	2,317	7,049	7,374
Amortisation of other assets	12	8	34	22
Lease payment not included in the measurement of lease liabilities	455	425	1,167	754
Depreciation of right-of-use assets	228	486	961	1,092
Exchange loss/(gain), net	189	11	353	(23)
Staff costs including directors' remuneration				
– Salaries and allowances	8,094	7,465	22,737	18,150
– Pension scheme contributions	540	788	1,838	1,805
	8,634	8,253	24,575	19,955

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 bought forward during the period under review (for the nine months ended 30 September 2021: Nil).

During the period, no amount of the PRC enterprise income tax was paid in accordance with the rate of 25% of assessable profit (for the nine months ended 30 September 2021: HK\$3,000).

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 2022 of approximately HK\$16,511,000 (2021: loss attributable to ordinary equity holders of the parent of approximately HK\$28,081,000) and loss attributable to ordinary equity holders of the parent for the nine months ended 30 September 2022 of approximately HK\$40,375,000 (2021: loss attributable to ordinary equity holders of the parent of approximately HK\$42,239,000) and weighted average of 4,209,130,000 shares in issue during the three months ended 30 September 2022 (2021: 4,209,130,000 shares) and weighted average of 4,209,130,000 shares in issue during the nine months ended 30 September 2022 (2021: 4,209,130,000 shares).

The Group had no potentially dilutive ordinary shares in issue for the nine months ended 30 September 2022.

8. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2022

	Attributable to owners of the parent									Total HK\$'000
	Share capital – Ordinary shares HK\$'000	Share premium HK\$'000	Fair value reserve HK\$'000	Contributed surplus HK\$'000	Other reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non- controlling interests HK\$'000	
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)	<u>42,090</u>	<u>1,138,909</u>	<u>(18,858)</u>	<u>28,294</u>	<u>14,055</u>	<u>(9,657)</u>	<u>(822,250)</u>	<u>372,583</u>	<u>(6,385)</u>	<u>366,198</u>
At 1 January 2022	<u>42,090</u>	<u>1,138,909</u>	<u>(20,006)</u>	<u>28,294</u>	<u>14,426</u>	<u>(6,495)</u>	<u>(911,270)</u>	<u>285,948</u>	<u>(11,251)</u>	<u>274,697</u>
Loss for the period	-	-	-	-	-	-	(40,375)	(40,375)	(3,059)	(43,434)
Other comprehensive (loss)/ income for the period	-	-	-	-	-	(14,955)	-	(14,955)	887	(14,068)
Total comprehensive loss for the period	-	-	-	-	-	-	-	-	-	-
At 30 September 2022 (Unaudited)	<u>42,090</u>	<u>1,138,909</u>	<u>(20,006)</u>	<u>28,294</u>	<u>14,426</u>	<u>(21,450)</u>	<u>(951,645)</u>	<u>(230,618)</u>	<u>(13,423)</u>	<u>217,195</u>

DIVIDEND

The Board does not recommend the payment of a dividend for the nine months ended 30 September 2022 (2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The revenue of the Group was approximately HK\$8,470,000 for the nine months ended 30 September 2022 (for the nine months ended 30 September 2021: HK\$60,093,000), representing a decrease of 85.91% as compared with the nine months ended 30 September 2021. The decrease was mainly due to the decrease 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 2022 decreased to approximately HK\$7,818,000 (for the nine months ended 30 September 2021: HK\$69,204,000), which was mainly due to the decrease in the cost carried forward of movies, TV programmes and internet content business of the Group and the decrease 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\$42,284,000 from approximately HK\$38,487,000 in the prior period. It was mainly attributable to the increase in staff salaries and related expenses to approximately HK\$24,575,000 (for the nine months ended 30 September 2021: HK\$19,955,000) resulting from the increase in staff of the Group to develop e-commerce business in the first half of the year.

Loss for the period attributable to owners of the parent was approximately HK\$40,375,000 (for the nine months ended 30 September 2021: HK\$42,239,000).

Movies, TV Programmes and Internet Contents

During the period under review, the revenue contributed by such segment was approximately HK\$2,893,000 (for the nine months ended 30 September 2021: HK\$30,558,000), representing the income from 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\$321,000 (for the nine months ended 30 September 2021: HK\$355,000).

New Media Business

During the period under review, the revenue contributed by such segment was approximately HK\$5,095,000 (for the nine months ended 30 September 2021: HK\$28,760,000).

BUSINESS REVIEW

Movies, TV Programmes and Internet Contents

Since 2022, the pandemic has remained severe. Considering the overall situation of the film and television industry under its influence, the Group has been carefully selecting high-quality film and television projects for cooperation and investment since last year to effectively control and reduce investment risks. At the same time, the Group fully upgraded the distribution business segment, and developed TV platform distribution, rural cinema distribution, second-round omni-channel distribution and overseas distribution businesses. At present, various types of distribution business are actively underway, and the value output of previous projects are also further explored. Relying on internet film and TV contents such as internet movies, internet dramas and variety shows, the Group has further improved its internet film and TV ecological system.

In terms of film distribution, no internet movie has been scheduled for release online in the third quarter of 2022 due to the production progress and censorship reasons of projects. However, the projects in reserve such as “Tibet Adventurer” (《藏地奇兵》), “Detrimental” (《見怪》), “Di Renjie – Dragon Hidden in the Maze” (《狄仁杰之龍隱迷窟》) and “Dragon Sparrow Guards: Myrlochar” (《龍雀衛•噬魂蛛》) have completed the film production and the preparation for marketing and distribution work is progressing in advance. New progress has also been made in the post-production stage of “Huangmiao Village –Taoist Priest Qianhe” (《黃廟村之千鶴道長》). Among them, “Tibet Adventurer” has obtained the Permit for Public Release (《公映許可證》) of Films and is scheduled to be streaming on the dual platforms of Tencent and iQIYI on 13 October 2022, and the promotion and distribution work is in progress. “Di Renjie – Dragon Hidden in the Maze” (renamed as “Dragon Hidden in the Maze”) has obtained the online filing number. It is expected to be streaming on the dual platforms of Youku and iQIYI in the fourth quarter of 2022, and is currently in the stage of promotion and distribution preparation; “Detrimental”, a thriller film created by the Hong Kong Golden Image Award team, is in the stage of censoring and distribution preparation; “Dragon Sparrow Guards: Myrlochar” is in the distributing stage. The above four projects are coordinated by the Group for marketing and distribution, and are expected to be launched in the fourth quarter of the year. In the first quarter of 2022, the post-production of Part II of the series of “Huangmiao Village –Taoist Priest Qianhe” (《黃廟村之千鶴道長》), which was upgraded and created by Tencent’s popular IP《黃廟村•地宮美人》 and produced by the same team, was slightly delayed due to the impact of the pandemic, and is still under improvement. It is expected that the film will be completed in the fourth quarter of the year, and is planned to launch in the first to second quarter of 2023, which will hopefully be another blockbuster. The film, starring Fat

Chung (鍾發), an experienced Hong Kong actor, is distributed by Lajin Pictures. As the subject matter is a fantasy folk style which is popular among various platforms and the public at this stage, and its script and production team are also well recognized by the industry, the film has certain potential for a blockbuster. In addition, the Group also pays close attention to the revenue-distribution rules of the platform and changes in the market, timely adjusts the distribution strategy and perfects the overall distribution structure, so as to strive for more profit.

In terms of expanding distribution channels, overseas distribution predominantly focuses on the copyright sales of domestic films to overseas markets. The overseas copyright sales areas cover Korea, Japan, India, Europe, South America and Hong Kong and Taiwan. Currently, a number of overseas copyright transactions for our own copyright projects have been concluded, and it is planned to gradually expand to other external projects. In addition, for rural cinemas in the PRC, we are in the process of purchasing or acting as an agent for films suitable for release in rural markets as planned. In the future, more than 300 rural cinemas will be distributed in 32 provinces, autonomous regions and municipalities across the country. The income model of rural cinema is clearer, with low copyright cost, low investment risk and high profit and return rate. Furthermore, based on public welfare, the Group will provide films that promote core socialist values and are popular among rural people.

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

“Faithful Dog Hachiko” (《忠犬八公》)

The Group produced and co-presented the Chinese version film “Faithful Dog Hachiko” (《忠犬八公》) (the original version: “Hachi: A Dog’s Tale” (《忠犬八公的故事》) with Kaneto Shindo as the scriptwriter, which is the authorized work of the Group). iQIYI Pictures is now the investor and presenter of the project, which has been produced and co-presented by the Group. It has been selected as one of the key projects of the “Films Presented by iQIYI” program, and has successfully completed as scheduled on 20 May 2021, and its post-production is basically completed. The film has submitted for review and it is expected to be set for nationwide release at a selected time in 2023. The project was directed by Mr. Xu Ang and Ms. Ye Rufen, a famous executive producer from Taiwan, acted as the executive producer. 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.) respectively. With the excellent creators and leading actors, this film has become a work with high audience expectations in 2022. After the release of the film, the Group, as the presenter and producer, not only gained more mature experience in film production, but also deepened the positive closed-loop effect of film research and development, production, distribution and marketing.

“Theory of Ambitions” (《風再起時》)

The Group invested in and co-presented the project “Theory of Ambitions” (《風再起時》), which was produced by the gold production team in Hong Kong. The film is a crime film directed by a famous director, Philip Yung Chi-Kwong (翁子光) (his representative work includes “Port of Call” (《踏血尋梅》)), and starring Aaron Kwok (郭富城), Tony Leung Chiu Wai (梁朝偉) and Du Juan (杜鵑). Although the film has been completed for a period of time, the approval process has not been progressing due to the impact of the pandemic and relevant policies, which has caused a number of uncertainties to the release. The film finally obtained the Permit for Public Release (《公映許可證》) this year and was recommended by the Hong Kong Film Producer Association in September this year, representing Hong Kong to compete for Best International Feature Film at the 95th Academy Awards, which significantly increased the popularity and audience’s expectations. It is expected to be released in cinemas nationwide during the period from the fourth quarter of 2022 to the first quarter of 2023.

“The Tibet Code” (《藏地密碼》)

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

Artiste Management

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

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

Music

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

The Group has developed a comprehensive music promotion and distribution network and commenced copyright operation in full swing: Lajin Music collaborated with various domestic mainstream music platforms, such as QQ Music, KuGou Music, Kuwo Music, NetEase Cloud Music, Xiami Music as well as TikTok and gradually opened overseas issuance channels. It also established strategic partnerships with nearly 100 radio stations and internet radio channels in China.

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

New media business

Since the outbreak of the pandemic, Lajin has tried to leverage its own advantages and adapt to the evolution of the industry in an attempt to develop a sustainable new media e-commerce business. Unfortunately, during the year, there were tax penalties imposed on top internet celebrities. As the top internet celebrities grew together with consumers and were more likely to gain support and trust, the virtuous cycle allowed the top internet celebrities to have a high pricing power among suppliers, and the price advantages led the market to be monopolised by a few top internet celebrities. After the top internet celebrities withdrew from the market, more suppliers chose to sell goods through live streaming by themselves, and the supply in high-quality items was restricted. In addition, the National Radio and Television Administration has set clear regulations for internet celebrities, making it more difficult to incubate subsequent internet celebrities accounts. As a result, Lajin has always been unable to lay a solid foundation on this track due to high marketing costs, high appearance fees and commission sharing requested by well-known internet celebrities, cancellation of subsidies by the platforms and other factors. At this stage, it is only a good way to rethink and adjust its strategies, and invest more prudently in e-commerce business.

In addition to e-commerce, the management of the Group has also been paying attention to the next track in new media sector with great potential. Prior to the recent rapid emergence of the term “Metaverse”, the Group has always hoped to draw closer (“lajin”) the distance between people through its commercial influence, which is also the mission and the origin of the name of Lajin. Inspired by the concept of “Metaverse”, the Group’s latest strategic goal is to build a platform to connect the virtual field and reality, and reflect the (digital) assets value of the virtual field into the real world, so as to enhance the motivation of the authors and meet the appetite of the collectors in real world, thereby achieving a win-win situation.

In order to empower the new media business, the Group has invested resources to develop an application (APP) to build a platform, which has been successfully registered with the National Copyright Administration. Relying on the blockchain technology, the Group has built “AMBER”, a visual copyright operation and auction platform. At present, AMBER APP has been launched on major app stores such as Baidu, Huawei and Apple. Through auction of copyright assets, it can discover asset value and form a price consensus. In addition, the auction activity has social attributes and implements the mission of Lajin. The first event that AMBER participated was the “2022 Art Graduate Growth Program” jointly launched by AMBER with Art Beijing, Central Academy of Fine Arts and YouChange Foundation, which promoted and auctioned the graduation works of art graduates of Central Academy of Fine Arts, tested in APP with physical works, and achieved the effect of publicity and promotion at the same time. After the initial launch and promotion, AMBER APP will focus on the copyright transactions of digital assets and develop a new business model by combining virtual and reality.

Under the promotion and distribution effect of a series of marketing activities, it is expected that the number of registered users of AMBER APP will gradually increase, and the transaction volume will also increase significantly, which will become the core driving force for the future business development of Lajin. In the future, part of the revenue from the activities will be donated to the “Special Fund for Rural Revitalization” to implement national policies, support rural revitalization on top of business operations while fulfilling social responsibilities in the meantime.

CAPITAL STRUCTURE

As at 30 September 2022, 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 2022, 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 2022 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 2022, 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%
First Charm Investments Limited	Beneficial owner	(iii)	311,545,414	7.40%
Mr. Ko Chun Shun, Johnson	Interest of controlled corporation	(iii)	311,545,414	7.40%

Notes:

- (i) Jiaxuan is owned as to 55% by Eagle King Investment Holding Limited ("Eagle King") and as to 45% by Great Majestic Global Holdings Limited ("Great Majestic"). Mr. Wong Kwong Yu owns 100% of Eagle King and Mr. Xu Zhong Min owns 100% of Great Majestic.

- (ii) Famous Peak Investments Limited is a wholly-owned subsidiary of CITIC Investment (HK) Limited, being one of the wholly-owned subsidiaries of CITIC Limited. CITIC Group Corporation is the holding company of the CITIC Limited.
- (iii) Mr. Ko Chun Shun, Johnson owns 100% of First Charm.

Save as disclosed above, at 30 September 2022, 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 2022.

COMPETING INTEREST

At 30 September 2022, 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 2022, 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, Ms. Zhai Shan Shan has resigned as an executive director of the Group and ceased to be an authorised representative of the Group since 1 November 2022; and Mr. Colin Xu has been appointed as an executive director and an authorised representative of the Group on the same date.

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 2022, with the exception of CG Code Provisions A.2.1 (separation of roles of chairman and chief executive officer), A.4.1 (specific terms of non-executive Directors) and A.6.7 (non-executive Directors 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 at the date of this Announcement, both of the positions of Chairman and Chief Executive Officer of the Company were still left vacant. The Company will continue to look for the appropriate candidate to fill the vacancy as chairman and 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 2022, 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 2022 before proposing to the Board for approval.

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

Hong Kong, 14 November 2022

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