



拉近網娛集團有限公司

LAJIN ENTERTAINMENT NETWORK GROUP LIMITED



2023

THIRD QUARTERLY REPORT

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

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**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 and nine months ended 30 September 2023, together with the comparative unaudited figures for the corresponding periods in 2022 as follows:

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

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2023	2022	2023	2022
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	3	1,297	2,006	14,142	8,470
Cost of sales		(3,656)	(1,752)	(7,299)	(7,818)
Gross profit/(loss)		(2,359)	254	6,843	652
Other income and gains	4	76	(1,008)	125	(386)
Selling and distribution expenses		(262)	(14)	(496)	(158)
Administrative expenses		(7,857)	(15,507)	(23,188)	(42,284)
Finance costs		–	1	–	(76)
Share of losses of associates		(368)	(360)	(896)	(1,182)
Loss before tax	5	(10,770)	(16,634)	(17,612)	(43,434)
Income tax expense	6	–	–	(8)	–
<b>Loss for the period</b>		<b>(10,770)</b>	<b>(16,634)</b>	<b>(17,620)</b>	<b>(43,434)</b>

## 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	
		2023	2022	2023	2022
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
<b>OTHER COMPREHENSIVE INCOME:</b>					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations		(163)	(4,592)	(5,543)	(14,068)
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		<b>(163)</b>	<b>(4,592)</b>	<b>(5,543)</b>	<b>(14,068)</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(10,933)</b>	<b>(21,226)</b>	<b>(23,163)</b>	<b>(57,502)</b>
Loss for the period attributable to:					
Owners of the parent		(10,303)	(16,511)	(15,480)	(40,375)
Non-controlling interests		(467)	(123)	(2,140)	(3,059)
		(10,770)	(16,634)	(17,620)	(43,434)
Total comprehensive loss for the period attributable to:					
Owners of the parent		(10,490)	(21,617)	(21,454)	(55,330)
Non-controlling interests		(443)	391	(1,709)	(2,172)
		(10,933)	(21,226)	(23,163)	(57,502)
Loss per share attributable to ordinary equity holders of the parent	7				
— Basic and diluted		(0.25) cent	(0.39) cent	(0.37) cent	(0.96) 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 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 2022. These Unaudited Condensed Consolidated Results should be read in conjunction with the annual financial statement of the Group for the year ended 31 December 2022.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 3. REVENUE

	For the three months ended 30 September		For the nine months ended 30 September	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
New media business	49	375	194	5,095
TV and internet programme	1,032	1,407	7,116	2,382
Distribution agency fee	178	(10)	703	244
Sales of film rights and production fee	(89)	(4)	5,795	267
Artiste management	127	136	334	321
Others	–	102	–	161
	1,297	2,006	14,142	8,470

### 4. OTHER INCOME AND GAINS/(LOSSES)

	For the three months ended 30 September		For the nine months ended 30 September	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
<b>OTHER INCOME</b>				
Gains/(losses) on investment in films	–	1	–	(12)
Bank interest income	52	23	99	86
	52	24	99	74
<b>GAINS/(LOSSES)</b>				
Compensation income on convertible bonds	–	–	57	123
Exchange differences, net	(23)	189	149	353
Others	47	(1,221)	(180)	(936)
	24	(1,032)	26	(460)
	76	(1,008)	125	(386)

## 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	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	1,416	1,940	4,434	7,049
Amortisation of other assets	7	12	22	34
Lease payment not included in the measurement of lease liabilities	155	455	543	1,167
Depreciation of right-of-use assets	–	228	–	961
Exchange loss/(gain), net	(23)	189	149	353
Staff costs (including directors' remuneration)				
– Salaries and allowances	4,038	8,094	12,425	22,737
– Pension scheme contributions	356	540	873	1,838
	4,394	8,634	13,298	24,575

## 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 2022: 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 approximately HK\$8,000 (for the nine months ended 30 September 2022: 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 30 September 2023 of approximately HK\$10,303,000 (2022: loss attributable to ordinary equity holders of the parent of approximately HK\$16,511,000) and loss attributable to ordinary equity holders of the parent for the nine months ended 30 September 2023 of approximately HK\$15,480,000 (2022: loss attributable to ordinary equity holders of the parent of approximately HK\$40,375,000) and weighted average of 4,209,130,000 shares in issue during the three months ended 30 September 2023 (2022: 4,209,130,000 shares) and weighted average of 4,209,130,000 shares in issue during the nine months ended 30 September 2023 (2022: 4,209,130,000 shares).

The Group had no potentially dilutive ordinary shares in issue for the nine months ended 30 September 2023.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 8. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2023

	Attributable to owners of the parent									
	Share capital –		Fair value reserve	Contributed surplus	Other reserve	Exchange reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
	Ordinary shares	Share premium								
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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
At 1 January 2022	42,090	1,138,909	(20,006)	28,294	14,426	(6,495)	(911,270)	285,948	(11,251)	274,697
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	-	-	-	-	-	(14,955)	(40,375)	(55,330)	(2,172)	(57,502)
At 30 September 2022 (Unaudited)	42,090	1,138,909	(20,006)	28,294	14,426	(21,450)	(951,645)	(230,618)	(13,423)	217,195
At 1 January 2023	42,090	1,138,909	(22,708)	28,294	14,426	(22,202)	(1,016,954)	161,855	(7,778)	154,077
Loss for the period	-	-	-	-	-	-	(15,480)	(15,480)	(2,140)	(17,620)
Other comprehensive (loss)/ income for the period	-	-	-	-	-	(5,974)	-	(5,974)	431	(5,543)
Total comprehensive loss for the period	-	-	-	-	-	(5,974)	(15,480)	(21,454)	(1,709)	(23,163)
At 30 September 2023 (Unaudited)	42,090	1,138,909	(22,708)	28,294	14,426	(28,176)	(1,032,434)	140,401	(9,487)	130,914

## DIVIDEND

The Board does not recommend the payment of a dividend for the nine months ended 30 September 2023 (2022: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

The revenue of the Group was approximately HK\$14,142,000 for the nine months ended 30 September 2023 (for the nine months ended 30 September 2022: HK\$8,470,000), representing an increase of 67.0% as compared with the nine months ended 30 September 2022. The increase was mainly due to the increase in revenue from movies, TV programmes, internet content business of the Group.

Cost of sales for the nine months ended 30 September 2023 decreased to approximately HK\$7,299,000 (for the nine months ended 30 September 2022: HK\$7,818,000), which was mainly due to the decrease in the cost related to movies, TV programmes and internet content business of the Group which most were recognised in previous years and the decrease in the cost of new media business. Also, production fee income recognised during the period does not have a corresponding cost of sales. Administrative expenses were mainly the staff costs, depreciation and other general administrative expenses of the Group incurred during the period under review. Administrative expenses decreased to approximately HK\$23,188,000 from approximately HK\$42,284,000 in the prior period. It was mainly attributable to the decrease in staff salaries and related expenses to approximately HK\$13,298,000 (for the nine months ended 30 September 2022: HK\$24,575,000) resulting from the decrease in staff of the Group to decrease new media business.

Loss for the period attributable to owners of the parent was approximately HK\$15,480,000 (for the nine months ended 30 September 2022: HK\$40,375,000).

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

During the period under review, the revenue contributed by such segment was approximately HK\$13,614,000 (for the nine months ended 30 September 2022: HK\$2,893,000), representing the shared revenue and production fee from movies, TV programmes and internet content business.

### **Artiste Management**

During the period under review, the revenue contributed by such segment was approximately HK\$334,000 (for the nine months ended 30 September 2022: HK\$321,000).

### **New Media Business**

During the period under review, the revenue contributed by such segment was approximately HK\$194,000 (for the nine months ended 30 September 2022: HK\$5,095,000).

## **BUSINESS REVIEW**

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

As the impact of the COVID-19 pandemic gradually faded out across the country, offline demand continued to pick up, and online viewers' attention was diverted, the habitual utilization of network users dropped as compared with the previous two years. As of the third quarter of 2023, the internet movie market has experienced a significant downturn as compared to the recovery trend of theatrical films, from the number of filed projects, the number of online projects to the number of top projects and the box office output capacity, all of which are generally in a downward trend. Under the environment of "quality improvement and quantity reduction", the side effects brought by it have become more significant. The quantity reduction has not only taken away a large number of mid to low end projects, but also led to a significant decline in the number of top projects. Especially in this year, the box office output capacity of top projects is also in trouble. Although the investment in production and promotion has been upgraded, it is difficult to reverse the declining trend of the shared box office. The COVID-19 pandemic has brought huge benefits to online entertainment, with a sharp increase in traffic in the short term, which also urges platforms to increase investment and provide more practical support for internet movies. However, with the recovery of offline entertainment, the number of members of various long-form video platforms approaching saturation, and all platforms competing for existing users, long-form video platforms have reduced their support for internet movies to varying degrees: the adjustment of models such as available across multi-platform, cancellation of rating, reduction of unit price of shared box office and pay-per-view can be regarded as the continuous "cost reduction and efficiency enhancement" of the platforms in the internet movie segment. The platforms are focusing on pursuing operational efficiency to achieve their own profit targets, which means that it will be difficult to attract high-quality internet movie content with a model of high shared box office in the short term.

The Group has paid attention to this major trend change. Since last year, the Group has carefully adjusted the investment layout in new internet movies, focusing on the distribution and promotion and marketing of previous reserve to be streaming in order to obtain better platform resources and promotion and marketing effects, and obtain relatively stable box office revenue; on the one hand, the retention of the internet movie promotion and distribution business will increase the revenue channels and will also help to control the time of project payment collection; on the other hand, it will allow the Group to maintain a certain degree of sensitivity and competitiveness in this track, and maintain a close cooperative relationship with the platforms. When there are new opportunities and new breakthroughs in the industry, the Group is always in a favourable ecological position in the industry chain and can maintain sustainable development advantages.

The Group also noticed that the theatrical film market showed signs of strong recovery. Following the slot of Chinese New Year, the slot of Labor Day and the slot of Dragon Boat Festival, the slot of summer holiday has ushered in a booming growth with a cumulative box office of RMB20.62 billion, almost half of the total box office for the nine months of the year. According to the data of Maoyan Pro APP, as of the end of the third quarter of 2023, the box office of the film market in Mainland China amounted to RMB45.588 billion, representing a period-to-period increase of 77.6%; the number of films released increased by 100 as compared with the same period of last year, both of which recovered to the level of the same period of 2021. The production and distribution of films and the supply and demand of audience are both hot. The above favourable information has also boosted capital and industry confidence, and the theatrical film industry will enter a virtuous circulation model.

As of the third quarter of 2023, all of the top nine films ranked by box office are domestic films, and the box office of each of these nine films exceeded RMB1 billion. In terms of film genres, suspense film, crime film and comedy film are undoubtedly the powerful genres in 2023. The suspense/comedy film “Full River Red” (《滿江紅》) during the slot of Chinese New Year was a strong leader with a box office of RMB4.54 billion, which may become the champion of the annual box office in 2023; “suspense and crime” closely combining with current social hot topics has created a unique track, with the emergence of phenomenal works such as “No More Bets” (《孤注一擲》), “Lost in

the Stars” (《消失的她》) and “Under the Light” (《堅如磐石》). At the same time, comedy films have no shortage of brilliant and excellent works in all film schedules, highlighting the rigid demand for this type. As a rigid demand in the market, taking “Full River Red” (《滿江紅》), the box office champion during the slot of Chinese New Year, “Life Journey” (《人生路不熟》), the box office champion during the slot of Labor Day as the representative, comedy films well met the audience’s demand for movie viewing. Another trend is that the historical legend films that promote the Chinese nation’s long history and splendid culture are becoming increasingly popular among the audience. “Creation of the Gods I: Kingdom of Storms” (《封神第一部：朝歌風雲》), which depicts the epic of Shang Dynasty’s myths, and the animated film “Chang An” (《長安三萬里》), which depicts the legend of Tang Dynasty’s history, have achieved remarkable results. The Chinese version of “Faithful Dog Hachiko” (《忠犬八公》), a theatrical film produced and co-produced by the Group, has been released in cinemas across the country on 31 March 2023. As of the date of this report, it has achieved a box office of over RMB286 million. With this project as the reference, the Group has explored a successful model of “high-quality copyright + peer/platform cooperation”, which can promote the development and production of other IP reserves within the Group at low cost; at the same time, the Group will continue to accumulate resources in the theatrical film industry and actively focus on the investment and production of the “diversified comedy” type of theatrical films in the future, with a view to sharing the dividends of comedy theatrical films and improving the stability of revenue and the rate of return of the Group.

In terms of internet movie distribution, a total of three reserve projects, “Dragon Hidden in the Maze” (《龍隱迷窟》), “Dragon Sparrow Guards: Myrlochiar” (《龍雀衛之噬魂蛛》) and “Detrimental” (《見怪》) were released as of the third quarter of 2023. Affected by the platform rules and resource adjustments, the shared box office of the three projects came in below expectations relatively. Currently, the production of the reserve project, namely “Mr. Qianhe” (《千鶴先生》) (formerly known as “Huangmiao Village – Taoist Priest Qianhe” (《黃廟村之千鶴道長》)), has been completed and is about to enter into the distribution stage. The film is produced by the same team of the Tencent’s popular IP “Huangmiao Village” (《黃廟村》). As the genre is a fantasy folk style which is popular among various platforms and the public at this stage, the film is planned to be launched in the first quarter of 2024.

The Group timely adjusts the distribution strategy due to its attention to the revenue-distribution rules of the video platforms and changes in the market since 2022. At the same time, the Group continues to perfect the overall distribution structure, and in addition to the first-round distribution of new projects, the Group is also pushing forward the second and third round of overseas work of historical projects and other new media pre-sales work actively, so as to strive for more profit. Among them, two first-run internet movies, i.e. “Transamerica” (《窈窕老爹》) and “Heroes of Desert” (《大漠神龍》), have launched on Mango TV in the second quarter of 2023, which are the third round of internet distribution after the launch on iQIYI and Sohu, and the project’s multi-round distribution has effectively improved the capital recovery rate.

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

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

With the recovery of the theatrical movie market and the boost of capital and industry confidence, the Group is committed to maximizing its development and utilization of reserve IP resources, such as “The Tibet Code” (《藏地密碼》) and “Legend of the Galactic Heroes” (《銀河英雄傳說》), and exploring a cooperative development route of “copyright +” to promote the development, production and realization of on-hand projects with extremely low costs. In general, the Group continued to adhere to a prudent investment approach, and adjust its investment deployment and strategies in a timely manner according to industry trends, so as to effectively control and reduce investment risks. At the same time, the Group has fully upgraded the distribution business segment. In addition to the traditional first-round internet media distribution, the Group also carried out in-depth development of businesses such as TV platform distribution, rural cinema distribution, overseas distribution and second-round omni-channel distribution. Relying on high-quality film and television IP and the peripheral contents of internet film and TV, the Group integrated digital rights technology to actively explore new business growth paths and further improve the Group’s diversified, balanced and vertical internet film and TV ecological system.

## **Artiste Management**

The Group continues to cooperate with outstanding talent management teams in the industry, and recruit 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**

The Group has been trying to integrate its various business segments to create synergy and increase efficiency. Leveraging on the channel resources established in the music sector in the early years, and relying on the innovative thinking and technological advantages of its new media business, the Group has created a business model of providing “self-publishing” one-stop services for original independent musicians. It is committed to solving the problems of musicians in terms of creation, publication, copyright and revenue, providing them with comprehensive services such as individual host station, private domain operation, digital album publication, Music PASS Card issuance, and originality protection, providing a new path for the development of original musicians, allowing them to have more certainty in growth and alter the ecology of the original music market.

Leveraging on the Group’s new media business, the music sector has successfully achieved a breakthrough “from 0 to 1”, with more than 100 musicians recruited in the third quarter. The achievement of this important milestone demonstrates the Group’s attention and support to original musicians, as well as its deep accumulation and resource integration capabilities in the music sector.

## New media business

The Group has been actively exploring the potentials for the development of a new media business segment. With the increasing popularity of “Web3.0 authors economy” in the world, the Group has already invested resources to build a platform and develop an application (APP) AMBER in which relying on blockchain, augmented reality (AR), digital watermark, NFC and other technologies, and using artificial intelligence to efficiently and conveniently help authors obtain inspiration and design their account interface, so as to release more time for deeper thinking and creation. The Group’s new media business targets the Web3.0 authors economy while combining with other businesses of Lajin. Riding on the strong development of the domestic digital music market, independent music has emerged. The Group is also seeking a business model of “Web3.0 authors economy + musician self-publishing + music art-toy” to continue to create a growth point for the new media business.

The original musicians can use the AMBER APP to realise “self-publishing” of their compositions and obtain 100% of the copyright. Through in-depth strategic cooperation with China Copyright Chain Company\* (中國版權鏈公司), a national-level blockchain under the Copyright Society of China headed by the National Copyright Administration, AMBER provides official blockchain storage for original music compositions, and opens up the ISRC (International Standard Recording Code) certification channel to protect the value of original music in an all-round way. On the basis of the existing technology, the Group continues to invest in research and development and innovation to improve the technical level and user experience of AMBER APP. The Group has paid attention to the development and application of new technologies, such as artificial intelligence, blockchain, augmented reality (AR), Internet of Things, etc., and combined these technologies with the music industry to bring more novel and interesting experience to users.

In order to seek market breakthrough, AMBER innovatively launched Music Pass Card, a multimedia music carrier that organically combines digital albums with NFC physical card/art-toy, which not only has the sense of ownership and collection of traditional record, but also has more entertaining and AR interactive experience. At the same time, Music Pass Card is a new way of music consumption, which allows fans to support and invest in their favourite musicians in the coolest way and music can become more valuable and meaningful. Besides, it can also maximise the IP value of musicians and the copyright value of music compositions by combining various means of value discovery such as collection auction.

\* For identification purpose only

Over the past quarter, the Group successfully helped more than 70 musicians to complete the publication of 10,000 Music Pass Albums, which not only received a high appraisal in terms of music style and quality, but also got overwhelming response from the audience. Through such innovative business model, the Group provides musicians with a broader publishing platform to help them obtain more interests and gains.

There have been successful cases where musicians gathered their fans, published digital albums, distributed Music Pass Card through AMBER, and integrated with live shows to attract a large number of fans purchases and upsurge in collection.

The combination of Music Pass Card and art-toy is a direction that AMBER is actively expanding, aiming to blend multiculturalism and circle power, continue to expand the popularity and influence of AMBER's Music Pass Card, and bring more extensive and diversified music experiences to users such as musicians, music lovers and consumers of art-toy. The Group has improved the popularity and user habitual utilization of AMBER APP through a series of marketing activities of self-publishing PASS programme by musicians. With the social media, offline music performances and other methods for publicity and promotion, the Group has attracted more users to download and use the APP. At the same time, the Group will continue to explore new business models and innovation points and carry out cross-border cooperation with more partners to launch more creative and personalised music products and services.

The music sector is only the core of AMBER's current concentration of strength to make breakthroughs. When the number of users and transaction volume reaches a certain level, AMBER will gradually expand its business scope to all pan-cultural sectors, including art, film and television, sports, games, internet celebrities, knowledge and other vertical sectors. AMBER, based on IP digital assets (PASS Card) and multimedia content (pictures, audio, video, art-toys, etc.), has strongly empowered content, copyright and personal IP influence monetization, creating a tool that everyone can participate in the Web3.0 authors economy, a channel for authors to deeply connect with fans and allow fans to give feedback and support, a fair and transparent Web3.0 economic system as well as a brand-new people-oriented and fully autonomous author culture and value benchmark.

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

Generally, leveraging with the three years of experience in the pandemic, the management is committed to exploring business opportunities and developing a more diversified and sustainable business model to maximise returns and bring the best interests to the Group's shareholders.

## **CAPITAL STRUCTURE**

As at 30 September 2023, 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 2023, 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 2023 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors and chief executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights.

## SUBSTANTIAL SHAREHOLDERS

At 30 September 2023, 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 Investments Limited.

Save as disclosed above, at 30 September 2023, the Company has not been notified by any persons (other than the Directors and chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which were to be recorded in the register required to be kept under Section 336 of the SFO and/or who were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

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

None of the Directors and chief 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 2023.

## **COMPETING INTEREST**

At 30 September 2023, none of the Directors, the substantial shareholders nor their respective associates had an interest in any business which competes or may compete with the business of the Group.

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

During the nine months ended 30 September 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE PRACTICES**

The corporate governance principles of the Company 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 2023, with the exception of CG Code Provisions A.2.1 (separation of roles of chairman and chief executive officer), A.4.1 (specific terms of non-executive Directors) and A.6.7 (non-executive Directors 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 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 2023, the Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, the Company's Directors confirmed they have complied with the required standards of dealings and the code of conduct regarding securities transactions by directors adopted by the Company.

## AUDIT COMMITTEE

The audit committee consists of three members, namely Mr. Lam Cheung Shing Richard (chairman of the audit committee), Mr. Zhou Ya Fei and Mr. Ng Wai Hung, all being 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 2023 before proposing to the Board for approval.

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

Hong Kong, 14 November 2023

*As at the date of this report, 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.*