

Lajin

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LAJIN ENTERTAINMENT



2016


Interim Report

Lajin Entertainment Network Group Limited

(formerly known as China Star Cultural Media Group Limited)
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8172)

Lajin 拉匠



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 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 INTERIM 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 six months ended 30 June 2016, together with the comparative unaudited figures for the corresponding periods in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the three months ended		For the six months ended	
		30 June 2016	30 June 2015	30 June 2016	30 June 2015
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	5	5,730	280	6,175	1,280
Cost of sales		(40,466)	(224)	(40,805)	(974)
Gross (loss)/profit		(34,736)	56	(34,630)	306
Other income	6	449	215	880	281
Administrative expenses		(33,500)	(11,011)	(57,182)	(12,722)
Share of profits and losses of associates		(236)	—	(236)	—
Share of profits and losses of joint ventures		—	—	—	(1)
Gain arising on change in fair value of financial assets classified as held for trading investments		—	9,780	—	9,780
Loss before tax	7	(68,023)	(960)	(91,168)	(2,356)
Income tax expense	8	(21)	—	(21)	—
Loss for the period		(68,044)	(960)	(91,189)	(2,356)

Note	For the three months ended		For the six months ended	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Other comprehensive loss:				
<i>Other comprehensive loss to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations	(12,265)	(104)	(10,406)	(104)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(12,265)	(104)	(10,406)	(104)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(80,309)	(1,064)	(101,595)	(2,460)
Loss for the period attributable to:				
Owners of the Company	(68,034)	(960)	(91,178)	(2,356)
Non-controlling interests	(10)	—	(11)	—
	(68,044)	(960)	(91,189)	(2,356)
Total comprehensive loss for the period attributable to:				
Owners of the Company	(80,299)	(1,064)	(101,584)	(2,460)
Non-controlling interests	(10)	—	(11)	—
	(80,309)	(1,064)	(101,595)	(2,460)
Loss per share	9			
— Basic and diluted	HK(2.42) cent	HK(0.06) cent	HK(3.24) cent	HK(0.14) cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2016	At 31 December 2015
	Notes	(Unaudited) HK\$'000	(Audited) HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	9,345	7,267
Available-for-sale financial assets		19,586	20,026
Convertible notes receivable		5,193	4,971
Conversion options embedded in convertible notes receivable		2,586	2,586
Interests in associates		41,453	—
Deposits paid for interest in an associate		—	5,847
Deposits paid for acquisition of property, plant and equipment		38,274	39,135
Total non-current assets		116,437	79,832
Current assets			
Trade receivables	11	3,732	—
Film rights and films and TV programs under production	12	80,895	38,799
Prepayments, deposits and other receivables	13	182,242	50,210
Amount due from an associate		268	—
Amount due from a joint venture		—	12
Cash and cash equivalents		804,714	905,836
Total current assets		1,071,851	994,857

		At 30 June 2016	At 31 December 2015
	Notes	(Unaudited) HK\$'000	(Audited) HK\$'000
LIABILITIES			
Current liabilities			
Other payables and accruals		89,348	9,475
Receipts in advance		185	300
Tax payable		21	—
Amount due to a joint venture		—	3
Amount due to a related company		—	602
Amount due to a shareholder	14	23,704	24,424
Total current liabilities		113,258	34,804
Net current assets		958,593	960,053
Total assets less current liabilities		1,075,030	1,039,885
Net assets		1,075,030	1,039,885
EQUITY			
Share capital — ordinary shares	15	28,147	28,147
Share capital — preferred shares	15	13,246	13,246
Reserves		1,033,058	998,526
Equity attributable to owners of the Company		1,074,451	1,039,919
Non-controlling interests		579	(34)
Total equity		1,075,030	1,039,885

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to owners of the Company

	Share capital – Ordinary shares (Note 15) HK\$'000	Share capital – Preferred shares (Note 15) HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Exchange reserve HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2015 (Audited)	9,198	–	150,700	–	–	28,294	(13,406)	174,786	–	174,786
Loss for the period	–	–	–	–	–	–	(2,356)	(2,356)	–	(2,356)
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations	–	–	–	–	(104)	–	–	(104)	–	(104)
Total comprehensive loss for the period	–	–	–	–	(104)	–	(2,356)	(2,460)	–	(2,460)
Subscription of shares	13,798	13,798	272,649	–	–	–	–	300,245	–	300,245
Conversion from preferred shares to ordinary shares	552	(552)	–	–	–	–	–	–	–	–
Share issue expenses	–	–	(14,497)	–	–	–	–	(14,497)	–	(14,497)
At 30 June 2015 (Unaudited)	23,548	13,246	408,852	–	(104)	28,294	(15,762)	458,074	–	458,074
At 1 January 2016 (Audited)	28,147	13,246	1,013,768*	2,256*	(2,043)*	28,294*	(43,749)*	1,039,919	(34)	1,039,885
Loss for the period	–	–	–	–	–	–	(91,178)	(91,178)	(11)	(91,189)
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations	–	–	–	–	(10,406)	–	–	(10,406)	–	(10,406)
Total comprehensive loss for the period	–	–	–	–	(10,406)	–	(91,178)	(101,584)	(11)	(101,595)
Settlement of share subscription price	–	–	125,838	–	–	–	–	125,838	–	125,838
Recognition of equity – settled share-based payments	–	–	–	10,278	–	–	–	10,278	–	10,278
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	624	624
At 30 June 2016 (Unaudited)	28,147	13,246	1,139,606*	12,534*	(12,449)*	28,294*	(134,927)*	1,074,451	579	1,075,030

* These reserve accounts comprise the consolidated reserves of HK\$1,033,058,000 as at 30 June 2016 (31 December 2015: HK\$998,526,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Net cash flows (used in)/generated from operating activities	(177,561)	23,982
Cash flows from investing activities		
Investments in associate	(35,970)	—
Purchases of items of property, plant and equipment	(3,565)	(1,195)
Purchase of film rights and payment for film production	—	(32,690)
Deposit paid for acquisition of property, plant and equipment	—	(4,587)
Other cash flows arising from investing activities	(1,617)	115
Net cash flows used in investing activities	(41,152)	(38,357)
Cash flows from financing activities		
Proceeds from issue of new shares	125,838	300,245
Capital contribution from non-controlling shareholders	624	—
Share issue expenses	—	(14,497)
Net cash flows generated from financing activities	126,462	285,748
Net (decrease)/increase in cash and cash equivalents	(92,251)	271,373
Cash and cash equivalents at the beginning of the reporting period	905,836	158,800
Effect of foreign exchange rate changes	(8,871)	(47)
Cash and cash equivalents at the end of the reporting period	804,714	430,126
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents	804,714	430,126

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 4203, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong, respectively.

The unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") are presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (HK\$'000) except otherwise indicated.

The Company's principal activity is investment holding and the principal activities of its subsidiaries and associates are provision of artists management services, and investment in movies, TV programs and internet contents.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

The accounting policies used in the Interim Financial Statements are consistent with those followed in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2015, except as described below.

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's accounting period beginning on 1 January 2016.

2. Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

The application of the new and revised HKFRSs has had no significant effect on the Interim Financial Statements.

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the current accounting period.

3. Basis of preparation

The Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by HKICPA and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”).

The Interim Financial Statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2015.

The Interim Financial Statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The preparation of Interim Financial Statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

4. Segment information

Information reported to the directors, being the chief operating decision maker (“CODM”), for the purpose of resource allocation and assessment of segment performance focuses on the types of goods and services delivered or provided. In respect of the “artists management” and “movies, TV programs and internet contents” operations, the information reported to the CODM is further broken down into the different sales channels. No operating segments identified by the CODM have been aggregated in arriving at the reportable segment of the Group.

The Group’s reportable and operating segments under HKFRS 8 are as follows:

- | | | |
|------|---|---|
| (i) | Artists management | Service income from provision of artists management |
| (ii) | Movies, TV programs and internet contents | Investments, production and distribution of movies, TV programs and investment in internet contents |

a. Segment revenue and results

The following is an analysis of the Group’s revenue and results by reportable segment.

	Artists management for the six months ended 30 June		Movies, TV programs and internet contents for the six months ended 30 June		Condensed consolidated for the six months ended 30 June	
	2016	2015	2016	2015	2016	2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue						
Revenue from external customers	300	1,280	5,875	—	6,175	1,280
Segment results						
Segment profit/(loss)	29	306	(61,889)	—	(61,860)	306
Unallocated other income					849	209
Unallocated corporate expenses					(29,921)	(12,650)
Loss from operating activities					(90,932)	(12,135)
Gain arising on change in fair value of financial assets classified as held for trading investments					—	9,780
Share of profits and losses of associates					(236)	—
Share of profits and losses of joint ventures					—	(1)
Loss before tax					(91,168)	(2,356)
Income tax expense					(21)	—
Loss for the period					(91,189)	(2,356)

4. Segment information (continued)

b. Geographical segment

	Hong Kong		The People's Republic of China ("PRC")		Others		Condensed consolidated	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2016	2015	2016	2015	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	300	1,280	5,875	—	—	—	6,175	1,280
	At 30 June 2016	At 31 December 2015	At 30 June 2016	At 31 December 2015	At 30 June 2016	At 31 December 2015	At 30 June 2016	At 31 December 2015
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
*Non-current assets	1,271	1,466	12,834	4,806	36,693	995	50,798	7,267

* Non-current assets excluded available for-sale financial assets, convertible notes receivable, conversion options embedded in convertible notes receivable, deposit paid for interest in an associate and deposit paid for acquisition of property, plant and equipment.

5. Revenue

	For the three months ended 30 June		For the six months ended 30 June	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of film rights	5,727	—	5,727	—
Artists management	—	280	300	1,280
Internet contents	3	—	148	—
	5,730	280	6,175	1,280

6. Other income

	For the three months ended 30 June		For the six months ended 30 June	
	2016	2015	2016	2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Bank interest income	337	143	657	146
Consultancy fee income	—	63	—	126
Sundry income	1	9	1	9
Imputed interest income on convertible notes receivable	111	—	222	—
	449	215	880	281

7. Loss before tax

Loss before tax is arrived at after charging:

	For the three months ended 30 June		For the six months ended 30 June	
	2016	2015	2016	2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Depreciation of property, plant and equipment	705	2	1,325	3
Loss on disposal of items of property, plant and equipment	15	—	15	—
Operating lease rentals in respect of office premises	2,368	720	4,375	720
Staff costs including directors' remuneration				
— Salaries and allowance	12,722	6,164	22,907	7,213
— Retirement benefit scheme contribution	1,071	413	1,834	435
— Share-based payment expenses	5,227	—	10,278	—
	19,020	6,577	35,019	7,648

8. Income tax expense

	For the three months ended 30 June		For the six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Current tax:				
People's Republic of China Corporate Income Tax	21	—	21	—

Under the Law of the People's Republic of China on Corporate Income Tax (the "CIT Law") and Implementation Regulation of the CIT Law, the tax rate of the PRC subsidiaries is 25%.

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 six months ended 30 June 2015: Nil).

9. Loss per share

The calculation of the basic loss per share is based on the loss attributable to owners of the Company for the three months ended 30 June 2016 of approximately HK\$68,034,000 (for the three months ended 30 June 2015: HK\$960,000) and loss attributable to owners of the Company for the six months ended 30 June 2016 of approximately HK\$91,178,000 (for the six months ended 30 June 2015: HK\$2,356,000) and weighted average of 2,814,802,000 ordinary shares in issue during the three months ended 30 June 2016 (for the three months ended 30 June 2015: 1,717,565,000 ordinary shares) and the weighted average of 2,814,802,000 ordinary shares in issue during the six months ended 30 June 2016 (for the six months ended 30 June 2015: 1,717,565,000 ordinary shares).

As the Company's share options and preferred shares where applicable had an anti-dilutive effect to the basic loss per share calculation for the three months and six months ended 30 June 2016, the conversion of the above potential dilutive shares is not assumed in the calculation of diluted loss per share.

10. Property, plant and equipment

During the six months ended 30 June 2016, the Group incurred expenditures of approximately HK\$1,772,000 on the construction in progress in the PRC and spent approximately HK\$1,793,000 on acquisition of leasehold improvements, furniture and equipment and computer equipment (for the six months ended 30 June 2015: HK\$1,195,000 in aggregate).

11. Trade receivables

The Group allows a credit period from 30 days to 60 days to its trade customers.

The following is an analysis of trade receivables (net of provision for impairment of trade receivables), based on the invoice date:

	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
0 to 60 Days	3,732	—

12. Film rights and films and TV programs under production

During the six months ended 30 June 2016, the Group paid approximately HK\$78,412,000 for the films and TV programs under production (for the six months ended 30 June 2015: HK\$32,690,000).

13. Prepayments, deposits and other receivables

	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
Deposits	5,428	2,569
Prepayments	86,476	36,268
Other receivables	90,338	11,373
	182,242	50,210

14. Amount due to a shareholder

The amount is unsecured, interest-free and repayable on demand.

15. Share capital

	Number of shares		Amount	
	At 30 June 2016 (Unaudited) '000	At 31 December 2015 (Audited) '000	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
Ordinary shares of HK\$0.01 each				
Authorised:				
At the beginning of the reporting period/year	8,000,000	3,000,000	80,000	30,000
Increase in capital (<i>Note a</i>)	—	5,000,000	—	50,000
At the end of the reporting period/year	8,000,000	8,000,000	80,000	80,000
Issued and fully paid:				
At the beginning of the reporting period/year	2,814,801	919,869	28,147	9,198
Subscription of shares (<i>Note a</i>)	—	1,379,805	—	13,798
Conversion from preferred shares to ordinary shares (<i>Note b</i>)	—	55,192	—	552
Subscription of shares (<i>Note c</i>)	—	459,935	—	4,599
At the end of the reporting period/year	2,814,801	2,814,801	28,147	28,147

15. Share capital (continued)

	Number of shares		Amount	
	At 30 June 2016	At 31 December 2015	At 30 June 2016	At 31 December 2015
	(Unaudited) '000	(Audited) '000	(Unaudited) HK\$'000	(Audited) HK\$'000
Preferred shares of HK\$0.01 each				
Authorised:				
At the beginning of the reporting period/year	2,000,000	—	20,000	—
Increase in capital (Note a)	—	2,000,000	—	20,000
At the end of the reporting period/year	2,000,000	2,000,000	20,000	20,000
Issued and fully paid:				
At the beginning of the reporting period/year	1,324,613	—	13,246	—
Subscription of Shares (Note a)	—	1,379,805	—	13,798
Conversion from preferred Shares to ordinary Shares (Note b)	—	(55,192)	—	(552)
At the end of the reporting period/year	1,324,613	1,324,613	13,246	13,246

Notes:

- (a) On 24 November 2014, the Company and certain subscribers (“Subscribers”) entered into a subscription agreement (“Subscription Agreement”) (as amended by the supplemental agreement dated 16 February 2015), pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 2,759,609,727 subscription shares (“Subscription Share(s)”), comprising 1,379,804,865 new ordinary shares and 1,379,804,862 new preferred shares (“Preferred Share(s)”) at an issue price of HK\$0.20 per Subscription Share (the “First Subscription”). The aggregate gross subscription price amounts to approximately HK\$551,922,000.

15. Share capital (continued)

Notes: (continued)

(a) (continued)

On 16 March 2015, a special general meeting was held and a special resolution was passed to approve the increase in authorised share capital of the Company. The authorised share capital of the Company increased from HK\$30,000,000 to HK\$100,000,000 by (i) the creation of an additional 5,000,000,000 ordinary shares and (ii) the creation of 2,000,000,000 preferred shares, such that the authorised share capital of the Company was HK\$100,000,000 divided into 8,000,000,000 ordinary shares and 2,000,000,000 preferred shares.

The First Subscription was completed on 19 March 2015. Pursuant to the Subscription Agreement, 1,379,804,865 new ordinary shares have been duly allotted and issued as fully paid to the Subscribers and 1,379,804,862 preferred shares have been duly allotted and issued as partly paid to the Subscribers at HK\$0.01 per preferred share. As at 30 June 2016, all the outstanding preferred shares were fully paid up.

The total net proceeds raised from the First Subscription amounted to approximately HK\$538.4 million and were intended to be used for (i) investment in Korean media resources; (ii) organising exhibitions, performance shows and concerts; (iii) the investment and production of TV programmes and movies; and (iv) the establishment of an online platform to provide media contents on the Internet.

Each preferred share is convertible into one ordinary share at an initial conversion price of HK\$0.2 each (subject to adjustment) by the preferred shareholder serving the conversion notice to the Company within the conversion period, without the payment of any additional consideration after the preferred shares have been fully paid according to the terms set out in the Subscription Agreement.

The holders of the preferred shares are not entitled to attend or vote at any general meeting of the Company and none of the preferred shares shall receive any dividend out of the funds of the Company available for distribution.

As a result of the subscription as described in Note (c) below, the conversion price of the preferred shares was adjusted to HK\$0.19 each.

15. Share capital (continued)

Notes: (continued)

- (b) During the year ended 31 December 2015, the Company received approximately HK\$136,325,000 to pay for 717,498,529 preferred shares in full and received notices from the relevant holders of the fully paid preferred shares to convert 55,192,194 fully paid preferred shares into ordinary shares. The amount transferred from preferred share capital to ordinary share capital was approximately HK\$552,000, of which approximately HK\$552,000 was allocated to ordinary share capital and approximately HK\$10,486,000 was allocated to share premium.
- (c) On 10 July 2015, the Company entered into subscription agreements pursuant to which the Company has conditionally agreed to allot and issue 459,934,954 ordinary shares at the subscription price of HK\$1.05 per share (the "Second Subscription"). The Second subscription of ordinary shares was completed on 14 September 2015. The net proceeds of approximately HK\$482.6 million were intended to be used for (i) development of an on-line platform; (ii) acquisition and investment in Korean entertainment companies engaged in production of entertainment programmes, musical programmes and artists agency services; (iii) establishment of a production based in the PRC for the development and production of media contents, and as the training centre for artists; and (iv) general working capital.

16. Share option scheme

The Company's share option scheme (the "Scheme") was adopted to a resolution passed on 10 June 2014 for the primary purpose of providing incentives to directors and eligible employees. The Scheme is effective for 10 year from the date of adoption.

16. Share option scheme (continued)

The exercise prices and exercisable periods of the share options outstanding as at the end of the reporting period are as follows:

	Number of share options		
	Outstanding at 1 January 2016	Granted during the period	Outstanding at 30 June 2016
Exercisable period	16 November 2016 to 16 November 2018	21 January 2017 to 21 January 2019	
Directors			
Mr. Chan Kam Kwan Jason	12,000,000	—	12,000,000
Ms. Wu Li	8,000,000	—	8,000,000
Mr. Zhou Ya Fei	1,000,000	—	1,000,000
Mr. Zou Xiao Chun	1,000,000	—	1,000,000
Mr. Ng Wai Hung	1,000,000	—	1,000,000
Mr. Lam Cheung Shing Richard	1,000,000	—	1,000,000
Mr. Wang Ju	1,000,000	—	1,000,000
	25,000,000	—	25,000,000
Other Employees	33,000,000	15,000,000	48,000,000
	58,000,000	15,000,000	73,000,000
Exercisable at the end of the reporting period			73,000,000
Weighted average exercise price	HK\$1.088	HK\$1.088	HK\$1.088

The fair value was calculated by using the Binomial Tree method. The inputs in the method were as follows:

	Options grant on	
	21 January 2016	16 November 2015
Grant date share price (HK\$)	0.800	0.990
Exercise price (HK\$)	1.088	1.088
Expected volatility (%)	68.544%	66.659%
Expected life (years)	3 years	3 years
Risk-free rate (%)	1.15%	0.806%
Expected dividend yield	—	—

16. Share option scheme (continued)

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural consideration.

The closing prices of the Company's shares immediately before the dates of grant of share options on 16 November 2015 and 21 January 2016 were HK\$1.07 per share and HK\$0.86 per share, respectively.

Share options were granted on 16 November 2015 and 21 January 2016. The fair values of the options determined at the dates of grant using the Binomial Tree method were HK\$17,950,000 and HK\$3,074,000, respectively, of which the Group recognised a share-based payment expense of HK\$10,278,000 for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

The Binomial Tree method has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' of the Company best estimate. The value of an option varies with different variables of certain subjective assumptions.

At the end of the reporting period, the Company had 73,000,000 share options outstanding under the Scheme. The exercise in full of the outstanding share option would, under the present capital structure of the Company, result in the issue of 73,000,000 additional ordinary shares of the Company and additional share capital of HK\$730,000 (before issue expenses).

At the date of this interim report, the Company had 73,000,000 share options outstanding under the Scheme, which represented approximately 2.6% of the Company's shares in issue as at that date.

17. Acquisition of subsidiaries that is not a business combination

On 20 May 2016, the Group entered into a sale and purchase agreement with Frontier Services Group Limited for acquiring the entire issued share capital in Amazing View Limited at a consideration of HK\$250,250,000. The acquisition was completed on 23 May 2016. The consideration shall be paid by the Group in cash in the following manner: (a) HK\$178,184,000 was paid as partial payment of the consideration on the completion date; (b) the remaining balance of the consideration of HK\$72,066,000 was paid on 1 August 2016.

18. Fair value measurement

The directors of the Company considered that the carrying amounts of financial instruments being classified as loans and receivables and financial liabilities stated at amortised cost were approximate to their fair values as at 30 June 2016 and 31 December 2015.

19. Commitments

Commitments that are contracted but not provided for at the end of the reporting period are as follows:

	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
Film rights and films and TV programs under production	18,025	15,738
Property, plant and equipment	2,123	—
	20,148	15,738

20. Operating lease arrangements

The Group leases office premises under operating lease arrangements. Leases for office premises are negotiated for the terms ranging from 1 to 3 years. The Group does not have an option to purchase the leased premises at the expiry of the lease period.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
Within one year	8,660	8,149
In the second to fifth years, inclusive	10,603	13,308
	19,263	21,457

21. Material related party and connected Transactions

(i) Compensation of key management personnel

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Salaries and allowances	2,854	236
Retirement benefits schemes contributions	33	5
Share based payment expenses	4,975	—
	7,862	241

- (ii) On 21 December 2015, Young Film Culture Media Company Limited (“Young Film”), a non-wholly owned subsidiary of the Company, has entered into a master services agreement (“Master Services Agreement”) with 青島年青時候影視文化傳媒有限公司 (Qingdao Young Times Video Cultural Media Company Limited) (“Qingdao Young Times”), pursuant to which Qingdao Young Times shall provide to Young Film services including the production and promotion of movies, TV dramas and programmes as requested by the Group for a term of three years from the date of Master Services Agreement. Qingdao Young Times is a company wholly-owned by Ms. Shang Na, a director of Young Film. The services under the Master Services Agreement shall be charged on cost basis (as incurred by the Qingdao Young Times). Details are set out in the Company’s announcement dated 21 December 2015.

During the six months ended 30 June 2016, amount of approximately HK\$85,897,000 in aggregate (for the six months ended 30 June 2015: Nil) was prepaid by the Group to Qingdao Young Times for the services under Master Services Agreement.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (for the six months ended 30 June 2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The revenue of the Group was approximately HK\$6,175,000 for the six months ended 30 June 2016 (for the six months ended 30 June 2015: HK\$1,280,000), and it was generated from the provision of artists management and investment in movies, TV programs and internet contents, representing an increase of 382.4% as compared with the six months ended 30 June 2015. The increase is due to the recognition of the sales of film rights of the first movie, which was released in April 2016.

During the period under review, loss for the period attributable to owners of the Company was approximately HK\$91,178,000 (for the six months ended 30 June 2015: HK\$2,356,000), which was mainly attributed from (i) the increase in cost of sales to approximately HK\$40,805,000 (for the six months ended 30 June 2015: HK\$974,000); (ii) the increase in administrative expenses to approximately HK\$57,182,000 in the current period (for the six months ended 30 June 2015: HK\$12,722,000).

Artists Management

During the period under review, the revenue contributed by such segment was approximately HK\$300,000 (for the six months ended 30 June 2015: HK\$1,280,000), which derived from the contracts signed before the change of new management and our business strategy.

Movies, TV programs and Internet Contents

During the period under review, the revenue contributed by such segment was approximately HK\$5,875,000 (for the six months ended 30 June 2015: Nil), representing the sales of film rights owned by the Group (“The Guest” — 不速之客) to an internet video platform and the income from live broadcasting on the internet platform. Although the movie “The Guest” (不速之客) had been released during the second quarter, its contribution from the box office will only be recognized in the second half of the year when such income is received.

Administrative Expenses

Administrative expenses were mainly the staff costs, operating leases expenses and other general administrative expenses of the Group incurred during the period under review. Administrative expenses increased to approximately HK\$57,182,000 from approximately HK\$12,722,000 in prior period. It was mainly attributable to (i) the increase in expenses on operating leases amounted to approximately HK\$4,375,000 (for the six months ended 30 June 2015: HK\$720,000); (ii) Salaries and allowances amounted to approximately HK\$22,907,000 (for the six months ended 30 June 2015: HK\$7,213,000) due to the expansion of offices and increased number of employees to cope with the business development of the Group;(iii) Share options expenses of HK\$10,728,000 (for the six months ended 30 June 2015: Nil).

Prospects

Cross-media project

The Group's upcoming focus is our latest cross-media project "Born of the STAR" ("明星的誕生"). Such project is about a talent contest, about how to turn oneself into a star. The project aims at discovering and fostering new talented artists and at the same time the process will be captured and turned into 12 TV episodes. A movie based on such real story featuring the final winners of such project is also planned. The winners of this project will also be granted the opportunity to participate in other TV programs/Movies invested by the Group.

"Born of the STAR" ("明星的誕生") will be broadcasted on one of the most popular media platforms in China, this project will also utilize our self-designed mobile phone Lajin APP (拉近APP) as a platform for the interaction between the contestants and the audiences (fans) whereas the contestants can share their pictures, media contents and even live broadcast via the APP. Audiences can at the same time interact with the contestants by live chat and they can also support whoever they like by giving credits and virtual gifts to the contestants.

TV/Movies

The Group continues to invest in greater variety of TV/Movies.

The Group has more than 20 movies and TV programs in its investment pipeline and some of which are planned to be completed during 2016 to 2017. We are actively seeking valuable IP rights and investment opportunities. During the first six months of 2016, the Group has evaluated over hundreds of potential movie projects and has chosen a number of valuable projects for future production.

Among our production timeline, a TV series named “She is Pretty” (她很漂亮), was completed and we are in negotiation with our customers for the sale of such program. As for movies production, one of our latest investment — “Twenty” (二十歲), is currently in production and is expected to be put on screen in the first half of 2017.

Artists Management

The Group has successfully built an artists’ management team with the focus on its diversity and potential growth. And we are in search for talented artists from all over the world, including USA, Australia and Mainland China, Taiwan and Singapore. The Group is in discussion with a number of potential artists/music bands for possible co-operation and we expect that we are able to sign up at least a few talented artists under our management by end of this year.

Lajin’s Star Base

The Group’s multi-functional state of the art operation base is located in Yi Zhuang, Beijing. It is currently under construction and is expected to be available for use in the last quarter of this year. Such all-in-one base encompasses performance theatres, multi-functional broadcasting rooms, professional recording studios, rehearsal studios, dance studios and training facilities for artists.

The whole facility applies the world’s latest live broadcast technology, enabling compatibility and cross media interaction and unites all music and audio programs production in a single production base. With the integration of our Lajin APP, the online and offline experiences of audiences’ would definitely bring “closer” the distance between artists and fans, and this is exactly Lajin’s core business mission.

LIQUIDITY AND FINANCIAL RESOURCES

At 30 June 2016, the Group had total assets of approximately HK\$1,188,288,000 (31 December 2015: HK\$1,074,689,000), including cash and cash equivalents of approximately HK\$804,714,000 (31 December 2015: HK\$905,836,000). During the period under review, the Group financed its operation with the proceeds from fund raising activities.


CAPITAL STRUCTURE

As at the date of this report, the Company has in issue a total of 2,814,801,922 ordinary shares, and 1,324,612,668 convertible preferred shares which are convertible to 1,394,329,124 ordinary shares based on the adjusted conversion price of HK\$0.19.

USE OF PROCEEDS

The Company has conducted the following fund raising activities and the details of the use of proceeds are as follows:

Date of Completion of the fund raising activities	Fund raising activities	Net proceeds (approximate)
19 March 2015	Subscription of 1,379,804,865 new ordinary shares and 1,379,804,862 new preferred shares ("First Subscription")	HK\$538.4 million
14 September 2015	Subscription of 459,934,954 new ordinary shares ("Second Subscription")	HK\$482.6 million



As at the date of this interim report, the Group had utilised approximately HK\$441.6 million of the net proceeds from the First Subscription as follows:

- (i) As to approximately HK\$309.1 million was used in investment in movies, TV programs and internet contents and other related investments in Korean entertainment companies;
- (ii) As to approximately HK\$44.6 million for acquisition and renovation of properties in PRC; and
- (iii) As to approximately HK\$87.9 million for general working capital and acquisition of fixed assets.

GEARING RATIO

The gearing ratio, expressed as percentage of total liabilities over total assets, was approximately 9.5% (31 December 2015: 3.2%). The change in gearing ratio was mainly derived from the increase of current liabilities in other payables and accruals from approximately HK\$9,475,000 to HK\$89,348,000 and change in amount due to a shareholder from HK\$24,424,000 to HK\$23,704,000 as compared with that in prior year. At the same time, the increase of interests in associates from nil to HK\$41,453,000, film rights and films and TV programs under production from HK\$38,799,000 to HK\$80,895,000, prepayments, deposits and other receivables from HK\$50,210,000 to HK\$182,242,000 and change in cash and cash equivalents from HK\$905,836,000 to HK\$804,714,000 also provide the contributed the change in the Company's gearing ratio.

CHARGE ON THE GROUP'S ASSETS

At 30 June 2016, the Group did not have any charge on its assets.

FOREIGN EXCHANGE RISKS

The Group has not used any foreign currency derivative instruments to hedge its exposure to foreign exchange risk. However, the management monitors closely the exposures and will consider hedging the exposures should the need rise.

COMMITMENTS

At 30 June 2016, the Group had capital commitments of approximately HK\$20,148,000 (31 December 2015: HK\$15,738,000).

CONTINGENT LIABILITIES

At 30 June 2016, the Group had no material contingent liabilities (31 December 2015: Nil).

EMPLOYEES

At 30 June 2016, the Group had 165 employees, including approximately 154 employees in PRC and 11 employees in Hong Kong and other countries. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practices. The employees in Hong Kong joined the mandatory provident fund scheme.

SIGNIFICANT INVESTMENT

Save as disclosed below, the Group did not hold any significant investment during the period ended 30 June 2016.

ACQUISITION OF AMAZING VIEW LIMITED

On 20 May 2016, Frontier Services Group Limited (“Frontier Services”), as vendor, entered into the Sale and Purchase Agreement with the Company, as purchaser, pursuant to which Frontier Services has agreed to sell and the Company has agreed to acquire the entire issued share capital of Amazing View Limited as at the date of the Sale and Purchase Agreement, at a consideration of HK\$250,250,000. The acquisition was completed on 23 May 2016. The consideration shall be paid by the Company in cash in the following manner: (a) HK\$178,184,000 was paid as partial payment of the consideration on the completion date, (b) the remaining balance of HK\$72,066,000 was paid on 1 August 2016.

Reasons for the acquisition

As the Company is principally engaged in media business in the PRC, the establishment of wholly foreign owned enterprise in the PRC is crucial to the operation yet too time consuming. The acquisition will allow the Company to have another ready-for-use PRC subsidiary company available for any new media investment project in the future.

The consideration was determined through arm's length negotiations between Frontier Services the Company on a commercial basis with reference to the unaudited consolidated net assets of the disposed group as at 30 April 2016. The directors of the Company consider that the consideration for the acquisition is fair and reasonable, and the entering into such sale and purchase agreement is on normal commercial terms and is fair and reasonable, and in the interests of the shareholders as a whole.

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.

During the period ended 30 June 2016, 15,000,000 options has been granted. The exercise price of the options granted was HK\$1.088 per share. The basis of determination of the exercise price was in accordance to Rule 23.03(9) of the GEM Listing Rules, in which the exercise price was at least the higher of (i) the closing price of the shares of the Company as stated on the Stock Exchange daily quotation sheet on the date of grant, (ii) the average closing price of the Shares of the Company as stated on the Stock Exchange's daily quotation sheets for the five business days immediately proceeding the date of grant, or (iii) nominal value of the Shares of the Company. The total number of options outstanding amounts to 73,000,000 as at 30 June 2016, with weighted average exercise price of HK\$1.088 per share. No options were exercised, cancelled nor lapsed during the period.

The total number of shares of the Company available for issue under the Share Option Scheme amounts to 156,967,477 shares as at the date of this report, representing 5.58% of the issued share capital of the Company.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the share option schemes and employee award plan, at no time during the six months ended 30 June 2016 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 June 2016, the register of substantial shareholders maintained by the Company under Section 336 of the SFO showed that, other than the interests disclosed above in respect of certain directors, the following shareholders had an interest of 5% or more in the issued share capital of the Company:


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

Name of substantial shareholder	Capacity	Notes	Interest in shares	Interest in underlying shares (vi)	Total interest in shares	Approximate percentage of the Company's issued share capital
Jiaxuan	Beneficial owner	(i)	965,863,405	1,016,698,320	1,982,561,725	70.43%
Eagle King Investment Holding Limited	Interest of controlled corporation	(i)	965,863,405	1,016,698,320	1,982,561,725	70.43%
Mr. Wong Kwong Yu	Interest of controlled corporation	(i)	965,863,405	1,016,698,320	1,982,561,725	70.43%

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

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 Zhongmin owns 100% of Great Majestic.

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- (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.
 - (v) Pursuant to the Shareholders' Agreement entered into between the Company and Ms. Shang Na, the Company has agreed to subscribe for 51% interest in a joint venture company, Young Film Company Limited, and the rest 49% interest (the "JV Shares") is agreed to be held by Best of Us Company Limited (the "JV Partner"), a wholly-owned company by Ms. Shang. The joint venture shall engage in the business of sourcing and production of media contents. The Company has also entered into the Deed in relation to the granting of the Shang Put Option and the Company Call Option entitling (i) the JV Partner to require the Company to purchase the JV Shares beneficially held by it at the Option Price; or (ii) the Company to require the JV Partner to sell the JV Shares beneficially held by it to the Company at the Option Price (as applicable). The Option Price shall be settled by the allotment and issuance of the Consideration Shares in batches, in accordance with the formula and manner as set out in the Deed. The 228,438,228 ordinary shares disclosed above is the maximum number of Consideration Shares to be issued by the Company, with the Option Price being calculated on the basis of an estimated accumulated profit of RMB150 million. Ms. Shang owns 100% of Best of Us Company Limited.
 - (vi) The underlying shares represent the number of shares in which preferred shares can be converted into as mentioned in Notes (i), (iii) and (iv) above. Assuming such preferred shares are converted, a total of 1,394,329,124 new ordinary shares of the Company will be issued accordingly (subject to applicable adjustments). The Subscribers have been granted a whitewash waiver, waiving the obligation of the Subscribers to make a general offer under Rule 26 of the Takeovers Code upon conversion of such preferred shares.

Save as disclosed above, at 30 June 2016, 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

At 30 June 2016, the interests and short positions of the Directors and chief executives and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange, pursuant to the Model Code were as follows:

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

Name of Director	Capacity	Number of issued ordinary shares held	Number of share options held	Approximate percentage of the issued share capital of the Company
Ms. Wu Li	Beneficial owner	—	8,000,000	0.28%
Mr. Chan Kam Kwan Jason	Beneficial owner	—	12,000,000	0.43%
Mr. Zhou Ya Fei	Beneficial owner	—	1,000,000	0.04%
Mr. Zou Xiao Chun	Beneficial owner	—	1,000,000	0.04%
Mr. Ng Wai Hung	Beneficial owner	—	1,000,000	0.04%
Mr. Lam Cheung Shing Richard	Beneficial owner	—	1,000,000	0.04%
Mr. Wang Ju	Beneficial owner	—	1,000,000	0.04%

Save as disclosed above, none of the Directors and chief executives, nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2016.

COMPETING INTEREST

At 30 June 2016, 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 six months ended 30 June 2016, 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 DIRECTORS

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

- Mr. Ng Wai Hung has been appointed as an independent non-executive director of Xinyi Automobile Glass Hong Kong Enterprises Limited (Stock Code: 8328) effective from 25th June 2016.

CORPORATE GOVERNANCE PRACTICES

The corporate governance principles of the Company emphasise a quality Board, sound internal controls, transparency and accountability to all shareholders. By applying rigorous corporate governance practices, the Group believes that its accountability and transparency will be improved thereby instilling confidence to shareholders and the public.

The Company has complied with the code provisions in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules for the six months ended 30 June 2016, with the exception of CG Code Provisions A.2.1 (separation of roles of chairman and chief executives) and A.4.1 (specific terms of non-executive Directors).

a. Chairman and Chief Executive Officer

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

b. Terms of non-executive Directors

Under the CG Code provision A.4.1, all non-executive Directors should be appointed for a specific term, subject to re-election. The term of office for non-executive Directors is subject to retirement from office by rotation and is eligible for re-election in accordance with the provisions of the Company's bye-laws. At each annual general meeting, one-third of the Directors for the time being, (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. As such, the Company considers that such provisions are sufficient to meet the underlying objective of this Code provision.

c. Non-executive Directors attending general meeting

Under the Code provision A.6.7 of CG Code, non-executive Directors should attend general meetings. Certain non-executive directors were unable to attend the annual general meeting and special general meeting of the Company held on 28 June 2016 due to other business commitments.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2016, 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 interim report and results for the six months ended 30 June 2016 before proposing to the Board for approval.

AUDITORS

A resolution is passed at the AGM of the Company dated 28 June 2016 to appoint Ernst & Young as external auditor of the Company following the retirement of HLB Hodgson Impey Cheng Limited ("HLB"). HLB retired as the external auditor of the Company with effect from the conclusion of the AGM of the Company dated 28 June 2016. As HLB had continually acted as the external auditor of the Company since 2009, the Board considers that the auditors of the Company should be rotated after an appropriate period of time. Such rotation of auditors will also enhance the independence of the auditors in providing the independent professional services.

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

Hong Kong, 13 August 2016

As at the date of this report, the executive directors are Ms. Wu Li and Mr. Chan Kam Kwan Jason; the non-executive directors are Mr. Luo Ning, Mr. Zou Xiao Chun and Mr. Zhou Ya Fei and the independent non-executive directors are Mr. Ng Wai Hung, Mr. Lam Cheung Shing Richard and Mr. Wang Ju.