



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

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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.

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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 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 2017, together with the comparative unaudited figures for the corresponding periods in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and six months ended 30 June 2017

	Notes	For the three months ended		For the six months ended	
		30 June 2017	30 June 2016	30 June 2017	30 June 2016
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	5	45,884	5,730	50,133	6,175
Cost of sales		(40,327)	(40,466)	(52,596)	(40,805)
Gross profit/(loss)		5,557	(34,736)	(2,463)	(34,630)
Other income and gains	6	1,472	449	2,294	880
Selling and distribution expenses		(145)	(1,506)	(252)	(2,824)
Administrative expenses		(17,509)	(26,767)	(37,559)	(44,080)
Share-based compensation costs		(2,667)	(5,227)	(5,481)	(10,278)
Share of profits and losses of associates		(643)	(236)	(1,439)	(236)
Share of profit and loss of a joint venture		(246)	—	(246)	—
Loss before tax	7	(14,181)	(68,023)	(45,146)	(91,168)
Income tax expense	8	—	(21)	—	(21)
Loss for the period		(14,181)	(68,044)	(45,146)	(91,189)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and six months ended 30 June 2017

	Note	For the three months ended		For the six months ended	
		30 June 2017 (Unaudited) HK\$'000	30 June 2016 (Unaudited) HK\$'000	30 June 2017 (Unaudited) HK\$'000	30 June 2016 (Unaudited) HK\$'000
OTHER COMPREHENSIVE INCOME/(LOSS):					
<i>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:</i>					
Exchange differences on translation of foreign operations		8,695	(12,265)	13,378	(10,406)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		8,695	(12,265)	13,378	(10,406)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(5,486)	(80,309)	(31,768)	(101,595)
Loss for the period attributable to:					
Owners of the parent		(14,053)	(68,034)	(45,018)	(91,178)
Non-controlling interests		(128)	(10)	(128)	(11)
		(14,181)	(68,044)	(45,146)	(91,189)
Total comprehensive loss for the period attributable to:					
Owners of the parent		(5,358)	(80,299)	(31,640)	(101,584)
Non-controlling interests		(128)	(10)	(128)	(11)
		(5,486)	(80,309)	(31,768)	(101,595)
Loss per share attributable to ordinary equity holders of the parent					
— Basic and diluted	9	HK(0.33) cents	HK(2.42) cents	HK(1.11) cents	HK(3.24) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2017

		At 30 June 2017	At 31 December 2016
	Notes	(Unaudited) HK\$'000	(Audited) HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	34,523	25,400
Convertible notes receivable		5,669	5,427
Conversion options embedded in convertible notes receivable		886	886
Investments in associates		36,159	39,671
Investment in a joint venture	11	17,022	—
Available-for-sale financial assets		25,076	19,857
Goodwill	20	6,316	—
Other intangible assets		4,209	—
Deposit paid for investment in an associate	12	5,911	—
Deposits paid for acquisition of property, plant and equipment		41,208	39,971
Total non-current assets		176,979	131,212
Current assets			
Trade receivables	13	11,715	14,775
Film rights and films and TV programs under production		225,412	219,596
Investment in film		17,269	16,750
Amount due from related Companies		47,759	47,460
Prepayments, deposits and other receivables		90,348	39,335
Cash and cash equivalents		368,498	493,128
Total current assets		761,001	831,044

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2017

	Notes	At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
LIABILITIES			
Current liabilities			
Trade payables	14	2,859	2,773
Other payables and accruals		16,969	11,967
Amount due to a shareholder		—	3,133
Total current liabilities		19,828	17,873
Net current assets		741,173	813,171
Total assets less current liabilities		918,152	944,383
Net assets		918,152	944,383
EQUITY			
Share capital — ordinary shares	15	42,090	28,147
Share capital — preferred shares	15	—	13,246
Reserves		875,561	902,417
Equity attributable to owners of the parent		917,651	943,810
Non-controlling interests		501	573
Total equity		918,152	944,383

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the parent									
	Share capital – Ordinary shares (Note 15) HK\$'000	Share capital – Preferred shares (Note 15) HK\$'000	Share premium HK\$'000	Share-based payment reserve HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Sub-Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2016 (Audited)	28,147	13,246	1,013,768	2,256	28,294	(2,043)	(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	–	–	–	–	–	(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 of preferred shares	–	–	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	28,294	(12,449)	(134,927)	1,074,451	579	1,075,030
At 1 January 2017 (Audited)	28,147	13,246	1,139,606*	35,240*	28,294*	(32,735)*	(267,988)*	943,810	573	944,383
Loss for the period	–	–	–	–	–	–	(45,018)	(45,018)	(128)	(45,146)
Other comprehensive income for the period	–	–	–	–	–	13,378	–	13,378	–	13,378
Total comprehensive loss for the period	–	–	–	–	–	13,378	(45,018)	(31,640)	(128)	(31,768)
Issue of ordinary shares upon conversion of preferred shares	13,943	(13,246)	(697)	–	–	–	–	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	56	56
Recognition of equity – settled share-based payments	–	–	–	5,481	–	–	–	5,481	–	5,481
At 30 June 2017 (Unaudited)	42,090	–	1,138,909*	40,721*	28,294*	(19,357)*	(313,006)*	917,651	501	918,152

* These reserve accounts comprise the consolidated reserves of HK\$875,561,000 as at 30 June 2017 (31 December 2016: HK\$902,417,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Net cash flows used in operating activities	(96,965)	(177,561)
Cash flows from investing activities		
Deposit paid for investment in an associate	(5,806)	—
Investments in associate	—	(35,970)
Purchases of items of property, plant and equipment	(10,267)	(3,565)
Investments in available-for-sales financial assets	(4,522)	—
Formation of a joint venture	(7,914)	—
Acquisition of a subsidiary	(1,009)	—
Other cash flows arising from investing activities	—	(1,617)
Net cash flows used in investing activities	(29,518)	(41,152)
Cash flows from financing activities		
Proceeds from issue of new shares	—	125,838
Capital contribution from non-controlling shareholders	—	624
Net cash flows generated from financing activities	—	126,462
Net decrease in cash and cash equivalents	(126,483)	(92,251)
Cash and cash equivalents at the beginning of the reporting period	493,128	905,836
Effect of foreign exchange rate changes, net	1,853	(8,871)
Cash and cash equivalents at the end of the reporting period	368,498	804,714
Analysis of balances of cash and cash equivalents		
Cash and banks balances	125,819	802,442
Non-pledged time deposits with original maturity of less than three months	242,679	2,272
Cash and cash equivalents as stated in the statement of cash flows	368,498	804,714

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 Company's principal activity is investment holding and the principal activities of the group are provision of artists management services, and investment in movies, TV programmes and internet contents.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") for the six months ended 30 June 2017 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 do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2016. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. 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 2016, 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 2017.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 12 Disclosure of Interests in Other Entities

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

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- (i) the artists management segment comprises provision of artists management services;
- (ii) the movies, TV programmes comprises investments, production and distribution and internet contents segment of movies, TV programmes and investment in internet contents.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group’s loss before tax except that share-based compensation costs, share of profit and loss of a joint venture as well as head office and corporate income and expenses are excluded from such measurement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT INFORMATION (CONTINUED)

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 programmes and internet contents for the six months ended 30 June		Total for the six months ended 30 June	
	2017	2016	2017	2016	2017	2016
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue						
Revenue from external customers	446	300	49,687	5,875	50,133	6,175
Segment results	(614)	29	(30,391)	(62,125)	(31,005)	(62,096)
Reconciliation:						
Unallocated other income					1,389	849
Unallocated corporate expenses					(9,803)	(19,643)
Share-based compensation costs					(5,481)	(10,278)
Share of profit and loss of a joint venture					(246)	—
Loss before tax					(45,146)	(91,168)
Income tax expense					—	(21)
Loss for the period					(45,146)	(91,189)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT INFORMATION (CONTINUED)

B. GEOGRAPHICAL SEGMENT

	Hong Kong		The People's Republic of China ("PRC")		Korea		Total	
	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	
	2017	2016	2017	2016	2017	2016	2017	2016
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue from external customers	—	300	50,133	5,875	—	—	50,133	6,175
	At 30 June 2017	At 31 December 2016	At 30 June 2017	At 31 December 2016	At 30 June 2017	At 31 December 2016	At 30 June 2017	At 31 December 2016
	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000
*Non-current assets	835	1,053	108,096	66,175	36,417	37,814	145,348	105,042

* Non-current assets represent property, plant and equipment, investments in associates, investment in a joint venture, goodwill, other intangible assets, deposit paid for investment in an associate and deposits paid for acquisition of property, plant and equipment .

5. REVENUE

	For the three months ended 30 June		For the six months ended 30 June	
	2017	2016	2017	2016
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
TV and Internet programme	45,438	—	49,681	—
Sales of film rights	—	5,727	—	5,727
Artists management	446	—	446	300
Others	—	3	6	148
	45,884	5,730	50,133	6,175

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. OTHER INCOME AND GAINS

	For the three months ended 30 June		For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Other income				
Bank interest income	502	337	1,204	657
Imputed interest income on convertible notes receivable	122	111	242	222
Others	15	1	15	1
	639	449	1,461	880
Gains				
Gain on disposal of an associate	790	—	790	—
Others	43	—	43	—
	833	—	833	—
	1,472	449	2,294	880

7. LOSS BEFORE TAX

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

	For the three months ended 30 June		For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	869	705	1,690	1,325
Amortisation of other intangible assets	49	—	49	—
Loss on disposal of items of property, plant and equipment	531	15	531	15
Operating lease rentals in respect of office premises	2,221	2,368	4,467	4,375
Exchange loss/(gain), net	202	(4,875)	569	(4,429)
Staff costs including directors' remuneration				
— Salaries and allowance	10,232	12,722	22,836	22,907
— Pension scheme contributions	806	1,071	1,953	1,834
— Share-based payment expenses	2,667	5,227	5,481	10,278
	13,705	19,020	30,270	35,019

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. INCOME TAX EXPENSE

	For the three months ended 30 June		For the six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 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 2016: Nil).

No provision for PRC Corporate Income Tax has been made during the period under review as the Group has no assessable profits arising in PRC (for the six months ended 30 June 2016: HK\$21,000).

9. 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 June 2017 of approximately HK\$14,053,000 (for the three months ended 30 June 2016: HK\$68,034,000) and loss attributable to ordinary equity holders of the parent for the six months ended 30 June 2017 of approximately HK\$45,018,000 (for the six months ended 30 June 2016: HK\$91,178,000) and weighted average of 4,209,130,000 ordinary shares in issue during the three months ended 30 June 2017 (for the three months ended 30 June 2016: 2,814,802,000 ordinary shares) and the weighted average of 4,062,765,000 ordinary shares in issue during the six months ended 30 June 2017 (for the six months ended 30 June 2016: 2,814,802,000 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 2017, the conversion of the above potential dilutive shares is not assumed in the calculation of diluted loss per share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group incurred expenditures of approximately HK\$8,835,000 on the construction in progress in the PRC and spent approximately HK\$1,432,000 on acquisition of furniture and equipment and computer equipment (for the six months ended 30 June 2016: HK\$3,565,000 in aggregate).

11. INVESTMENT IN A JOINT VENTURE

	At 30 June 2017	At 31 December 2016
	(Unaudited) HK\$'000	(Audited) HK\$'000
Cost of investments in a joint venture — unlisted	17,268	—
Share of post-acquisition loss and other comprehensive losses	(246)	—
	17,022	—

12. DEPOSIT PAID FOR INVESTMENT IN AN ASSOCIATE

During the six months ended 30 June 2017, the Group had paid a deposit with the amount of approximately RMB5,135,000 (equivalent to approximately HK\$5,806,000) as investment cost for acquisition of 30% equity interests in unlisted company incorporated in PRC. The investment is not yet completed at the end of the reporting period. Thus deposit paid for investment in an associate was classified in non-current assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally 3 months to 6 months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
Within 3 months	11,715	12,998
3 to 6 months	—	1,777
	11,715	14,775

14. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows.

	At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
Within 3 months	—	2,773
3 to 6 months	2,859	—
	2,859	2,773

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Issued and fully paid:		
At 1 January 2016, 30 June 2016 and 1 January 2017	2,814,801	28,147
Conversion into ordinary shares (<i>Note a</i>)	1,394,329	13,943
	<hr/>	<hr/>
At 30 June 2017	4,209,130	42,090
	<hr/>	<hr/>
	Number of shares '000	Amount HK\$'000
Preferred shares of HK\$0.01 each		
Issued and fully paid:		
At 1 January 2016, 31 December 2016 and 1 January 2017	1,324,613	13,246
Conversion into ordinary shares (<i>Note a</i>)	(1,324,613)	(13,246)
	<hr/>	<hr/>
At 30 June 2017	—	—
	<hr/>	<hr/>

Note:

- (a) On 20 January 2017, all the outstanding preferred shares at 31 December 2016 were converted into 1,394,329,124 ordinary shares of the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. SHARE-BASED PAYMENTS

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.

The fair values of the share options granted in 2016 was HK\$3,074,000, of which the Group recognised a share-based payment expense of HK\$176,000 for the six months ended 30 June 2017 (six months ended 30 June 2016: HK\$10,278,000).

The Binomial Tree method has been used to estimate the fair value of the share 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.

Shang Na Option

Young Film Company Limited (the "JV Company") was incorporated in the British Virgin Island on 6 August 2015 and has an issued share capital of US\$490 divided into 490 shares, wholly owned by Best of Us Company Limited (the "JV Partner"), which is wholly-owned by Ms. Shang Na.

On 28 August 2015, Lajin Film Co., Limited, the JV Partner and Ms. Shang Na entered into a shareholders' agreement pursuant to which Lajin Film Co., Limited has agreed to subscribe for 510 new shares of the JV Company, representing 51% of the issued capital of the JV Company at an aggregate subscription price of US\$510 (equivalent to approximately HK\$4,000). The JV Partner holds the rest 49% shares (the "JV Shares"). The subscription has been completed around 31 August 2015, because the renewed share register has been issued on 28 August 2015 and the new register of directors has been issued on 2 September 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. SHARE-BASED PAYMENTS (CONTINUED)

Shang Na Option (continued)

On the same date, the Company, the JV Partner and Ms. Shang Na entered into a deed (the “Deed”) in relation to the granting to Ms. Shang Na of put option and the Company call option entitling (subject to satisfaction of certain conditions set out in the Deed) (i) the JV Partner to require the Company to purchase the JV Shares beneficially held by it at a consideration determined based on a formula (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. The Option Price shall be settled by the allotment and issuance of the consideration shares of the Company, in accordance with the formula and manner as set out in the Deed.

The transaction above was duly passed by the shareholders by the way of poll at special general meeting held on 14 January 2016.

The arrangement is an equity-settled share-based payment transaction.

The fair value of Shang Na Option granted in 2016 was HK\$35,789,000, of which the Group recognised a share-based payment expense of HK\$5,305,000 for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

17. FAIR VALUE MEASUREMENT

The directors of the Company considered that the carrying amounts of financial assets and financial liabilities stated at amortised cost were approximate to their fair values as at 30 June 2017 and 31 December 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. COMMITMENTS

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

	At 30 June 2017	At 31 December 2016
	(Unaudited) HK\$'000	(Audited) HK\$'000
Property, plant and equipment	9,733	5,261
Film rights and films and TV programs under production	133,388	120,752
	143,121	126,013

19. 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 2017	At 31 December 2016
	(Unaudited) HK\$'000	(Audited) HK\$'000
Within one year	8,396	8,681
In the second to fifth years, inclusive	2,499	6,753
	10,895	15,434

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. ACQUISITION OF A SUBSIDIARY

On 24 April 2017, Beijing Lajin Hu Yu Wen Hua Chuan Mei Company Limited (“Lajin Hu Yu”), an indirect wholly-owned subsidiary of the Company, has entered into the Sale and Purchase Agreements with a number of vendors, in relations to the acquisition of additional 38% of the registered share capital in Beijing Xin Mei Xing Xiu Wen Hua Chuan Mei Company Limited (“Xin Mei Xing Xiu”) for a total consideration of RMB3,040,000 (equivalent to approximately HK\$3,501,000). The purpose of the Acquisition is to provide a synergy to the existing businesses of the Group. All the condition precedent were fulfilled on 15 June 2017 and accordingly, the acquisition was completed and control over Xin Mei Xing Xiu was passed to the Group on the same date.

The Group has settled RMB1,158,400 for the acquisition. The remaining unsettled balance of RMB1,881,600 was included in other payables of the Group at 30 June 2017 and subsequently settled in 3 July 2017.

Upon completion of the Acquisition, Xin Mei Xing Xiu has become 70% owned subsidiary of the company.

The fair values of the identifiable assets of Xiu Mei Xing Xiu as at date of acquisition were as follows:

	<i>Note</i>	Fair value recognised on acquisition HK\$'000
Property, plant and equipment	<i>(a)</i>	136
Other intangible assets	<i>(a)</i>	3,174
Trade receivables		30
Prepayments, deposits and other receivables		401
Cash and Cash equivalents		326
Other payables and accruals		(3,879)
		<hr/>
Total identified net assets at fair value		188
Goodwill arising on acquisition		6,316
Non-controlling interests		(56)
		<hr/>
		6,448
		<hr/>
Satisfied by:		
Cash consideration paid		1,335
Consideration payables, repayable on demand		2,166
Fair value of previously held equity interests		2,947
		<hr/>
		6,448
		<hr/>
Net cash outflow on acquisition:		
Cash consideration paid		1,335
Less: cash and cash equivalents acquired		(326)
		<hr/>
		1,009
		<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. ACQUISITION OF A SUBSIDIARY (CONTINUED)

- (a) The fair value of these items were provisionally determined with reference a professional valuation conducted by an independent valuer.

21. MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS

(i) Compensation of key management personnel

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Salaries and allowances	3,407	2,854
Pension scheme contributions	52	33
Share based payment expenses	5,446	4,975
	8,905	7,862

(ii) Transactions with related parties

On 21 December 2015, the Group has entered into a master services agreement (“Master Services Agreement”) with a related company whose controlling shareholder is Ms. Shang Na, the Group’s Vice President and who is also a director of a subsidiary of the Group. The related company shall provide to the group services including the production and promotion of movies, TV dramas and programmes. The services under the Master Services Agreement shall be charged on cost basis. Details of the Master Services Agreement are set out in the Company’s announcement dated 21 December 2015.

During the six months ended 30 June 2017, the following transactions were incurred as follows:

- (a) the Group is reimbursed a licensing income over internet drama of approximately HK\$44,690,000 (2016:Nil) from the related company. The income is reimbursed in accordance with contractual terms of the Master Services Agreement.
- (b) the related company provided services with cost of approximately HK\$8,253,000 (2016: HK\$87,469,000) to the Group.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (for the six months ended 30 June 2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The revenue of the Group was approximately HK\$50,133,000 for the six months ended 30 June 2017 (for the six months ended 30 June 2016: HK\$6,175,000), and it was generated from the provision of artists management and investment in movies, TV programs and internet contents, representing an increase of 711.9% as compared with the six months ended 30 June 2016. The increase is mainly from the licensing income of the internet drama.

Movies, TV programs and Internet Contents

During the period under review, the revenue contributed by such segment was approximately HK\$49,687,000 (for the six months ended 30 June 2016: HK\$5,875,000), representing the licensing income from internet drama named “Solaso Bistro”(問題餐廳) and the advertising income from our flagship project-the “Birth of the Stars” (明星的誕生) which we started broadcasting from last November.

Artists Management

During the period under review, the revenue contributed by such segment was approximately HK\$446,000 (for the six months ended 30 June 2016: HK\$300,000), which derived from the newly signed artists management contracts.

Cost of sales for the six months ended 30 June 2017 increased to approximately HK\$52,596,000 (for the six months ended 30 June 2016: HK\$40,805,000), which was mainly attributed from the cost of films and TV and Internet programme of approximately HK\$52,203,000 (for the six months ended 30 June 2016: HK\$40,565,000). 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 decreased to approximately HK\$37,559,000 from approximately HK\$44,080,000 in prior period due to the cost control of the Group.

Loss for the period attributable to owners of the parent was approximately HK\$45,018,000 (for the six months ended 30 June 2016: HK\$91,178,000).

BUSINESS REVIEW

Cross Media Project – the “Birth of the Stars”

As disclosed in the previous report, all episodes of the “Birth of the Stars” have been fully broadcast in the first quarter of 2017. The company has identified various talented contestants to join our team. Our aim is to harvest the potentials uncovered within these new faces and let these Stars sparkle.

The Board is of the view that the principal strategy of the Group is to develop our own brand and establish a strong foothold in the entertainment industry in China, by fostering our own talents and artists from scratch, at the same time creating an integrated platform to establish an online/offline business ecosystem.

The “Birth of the Stars” has successfully established our brand in variety shows. Coming up, the Group is considering producing the sequel to the episode, while its name and production timeline is yet to be confirmed.

Artists Management

An artiste management team has been built and we have been constantly looking into recruiting suitable candidates with impressive talents and potentials. Following the vigorous competition by the “Birth of the Stars” (明星的誕生), the artiste team has been augmented and new artiste management contracts were signed with the chosen contestants. The acquisition of Xin Mei Xing Xiu, a PRC incorporated company principally engaged in artiste management, has further enriched our artists’ base, both in terms of quantity and exposure. The artists under Xin Mei Xing Xiu’s management are mainly key opinion leaders and online celebrities with millions of followers and fans. The company provides stable channels of performance opportunities through production of media contents complementing live streaming of variety shows and dramas. With the uprising trend in online streaming platforms, we believe in the promising prospect of businesses focusing on online media content production and broadcast of variety shows. The Group aims to develop a new stream of advertising income via online marketing and e-commerce with our artiste management team.

As at 30 June 2017, our team comprises a total of 20 artists, many of which are already active in the TV/movies and commercial advertising industry. We will strive to secure more commercial advertisement jobs for our artists, and will provide them with necessary trainings and shooting / production environment, leveraging on the facilities provided in our Lajin Star Factory, to enable these future stars to sparkle.

Among all our investments in this segment, the Group sees significant potential in our angel investment in <<Moko!>>, an internet platform to foster online celebrities. The Group had previously invested into an initial 10% stake (which was subsequently diluted to 7.79%) of www.moko.cc, for a consideration of approximately RMB17 million.

<<MOKO!>> www.moko.cc is considered the largest online platform to incubate and nurture online stars and ‘fashionistas’ in China. The platform sets up an online-to-offline commerce system comprising the supply chain of online celebrity audition, to provision of training, branding and agency services. This platform has received many top honors and awards from big market players such as Weibo and Taobao from the internet entertainment industry.

TV/Movies

The Group has invested in an internet drama series named “Solaso Bistro”(問題餐廳), production of such has been completed during the period. The first episode of “Solaso Bistro”(問題餐廳) was broadcasted via Tencent’s video platform on 23 March 2017, and the respective licensing income was recorded accordingly in the second quarter.

The TV series named “She is Beautiful”(她很漂亮) and a movie named “Twenty”(二十歲) invested by the Group had finished filming in 2016 and are currently in post-production. The Group has completed the shooting of another internet series drama, <<我才不會被女孩子欺負呢>> (*hereby translated as “I am so Not Going to be Bullied by Girls”), and is currently in the process of negotiation with a renowned internet video-streaming channel in China for co-investment and broadcast arrangements.

The Group has more than 19 movies and TV programs in its investment pipeline and some of which are planned to be completed during 2017 to 2019.

Featured projects including but not limited to:

The “Movies which tells the Truth — Cui’s Collection of Stories”

During the period, the group worked in collaboration with Mr. Cui Yong Yuan, the well-known original program host of China Central Television (CCTV), in presenting the new project — the “*Movies which tells the Truth — Cui’s Collection of Stories*” (「真實電影」崔永元故事庫). Mr. Cui’s collection comprises over ten thousand true stories, currently over 100 of which has been sorted out and arranged, and we have reached agreements with several filming companies within the industry, working in collaboration to integrate these high-quality story resources to tell a Chinese original story based on true stories. Mr. Cui has accumulated a massive volume of true story materials from interviews conducted by his team over the past two decades, many of which deserved to be shared and made public. The Group intends to develop these true stories materials into novels, film scripts, and may extend to the creation of IP film rights and set up a platform for sharing of true stories.

The Tibet Code

During the period, the company has reached an agreement with the copyright owner to develop a series of movies, “The Tibet Code” (藏地密碼). It is one of the most renowned and best selling works of fiction in recent years, featuring adventure stories about Tibet, revealing its myths and legends. It is the intention of the Group to transform this IP to a series of movies, targeting not only the domestic market in China, but also for global distribution. In this regard, the Group plans to cluster production elites from all over the world in the making of such series of movies. Active negotiation with various business counterparts for co-investment are in progress. Further announcement shall be made in due course once these contracts are secured.

Lajin’s Star Factory

Lajin’s Star Factory is located in Yi Zhuang (亦莊), Beijing. Significant effort has been put in the renovation works for Lajin’s Star Factory in 2016. The premise, comprising two 6-storey buildings of approximately 5,600 square metres in total will become our “factory” to incubate and nurture new artists and media contents. The base is equipped with top-tier recording studios (video and music), multiple live broadcasting facilities and studios, and different function rooms for performance activities. The base is essential for Lajin to foster future stars in the entertainment sector. The whole facility applies the world’s latest live broadcast technology, enabling compatibility and cross media interaction

and unites all music and audio programmes production in a single production base. With the integration of our “Lajin App”, the online and offline experiences of audiences would definitely bring “closer” the distance between artists and fans, and this reinforces Lajin’s core business mission. The Lajin’s Star Factory is currently in use. Equipped with top tier facilities, the Lajin’s Star Factory is expected to attract production groups and performers for rental of facilities and performance venues for live broadcasts, thus rental income would be another stable source of income anticipated in the near future. The Group foresees that the Lajin’s Star Factory will nurture the production of a lot of interactive, cross media variety programs, online or offline.

Music

The Group has established a music platform “Huo Miao” (火喵) which forms an essential part of our business model to create another major income stream in the future. This music platform aims to promote original music productions, enabling the production of tailor-made music piece for end-users for special occasions (eg. wedding, birthday, TV shows, advertisements, etc...) and link up end-users with composers. We have signed cooperation agreements with over 1,000 new song producers, composers and lyricists and have accumulated about 300 original music productions. During the period, the production of the Huo Miao Mobile App is in progress, and is finalising its webpage which can be accessed via internet and wechat in order to attract both audience and music producers. Coming up we will continue to expand our original songs library and commercialise these productions. We will therefore establish copyright management and sales promotion systems. We will also seek integration with our other business segments, including but not limit to, producing music related programmes such as interactive variety shows and internet drama, and to provide such resources to other film or TV productions, and artists of the Group.

Coming up, we intend to increase marketing effort to promote and gain publicity for the platform, and we believe in the originality of music. We strongly believe that such brand new concept of tailor-made music production will prosper in the future, given adequate publicity and awareness.

Other Investments

During the period, other investments projects include equity investments in companies which are principally engaged in e-commerce platforms focusing the branding of individual celebrities; and some new media companies which integrate research, creation and production, and final broadcast of online new media contents.

EVENT AFTER THE REPORTING PERIOD

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

ACQUISITION OF SUBSIDIARY AND SET UP OF JV COMPANY

In April 2017, Lajin Hu Yu (an indirect wholly-owned subsidiary of the Company) has entered into the Sale and Purchase Agreements in relation to the acquisition of a further 38% of the registered share capital in Xin Mei Xing Xiu for a total consideration of RMB3,040,000. Before the acquisition, Lajin Hu Yu already owned 32% of the registered share capital in Xin Mei Xing Xiu and after the acquisition, Xin Mei Xing Xiu became a 70% owned subsidiary of the Group. Xin Mei Xing Xiu is a PRC incorporated company principally engaged in artiste management, advertising and promotion, event management and production & etc. Its management team has extensive experience in the industry and has access to an abundant amount of resources including song and film producers, directors, artists, stylists, models and dancers. The Board considers that the consideration and the terms for the acquisition are fair and reasonable, and is in the interests of the Company and its shareholders as a whole.

In April 2017, Lajin Hu Yu entered into a joint venture agreement with Mr. Cui Yong Yuan and Ms. Lin Wei, whom are both famous media persons in mainland China, in relation to the formation of a joint venture through Lajin Hu Yu for the investment of our new project – Power of “Truth” based on “Cui’s Collection of Stories” (崔永元故事庫). The joint venture is owned as to 51% , 44% and 5% respectively by the Group’s variable interest entity (Lajin Hu Yu), Mr. Cui and Ms. Lin. The Group has agreed to invest RMB15,000,000 for the joint venture, and other joint venture partners will contribute their technical knowhow in production and the sources of the stories to be filmed. The joint venture will focus on the production of films and internet dramas based on Cui’s collection of true stories, and it was also agreed that a certain portion of the future profit (if any) would be donated to charitable organizations, as a means to give back to the communities in which we operate.

LIQUIDITY AND FINANCIAL RESOURCES

At 30 June 2017, the Group had total assets of approximately HK\$937,980,000 (31 December 2016: HK\$962,256,000), including cash and cash equivalents of approximately HK\$368,498,000 (31 December 2016: HK\$493,128,000). 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 4,209,131,046 ordinary shares. During the period under review, 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.

GEARING RATIO

The gearing ratio, expressed as percentage of total liabilities over total assets, was approximately 2.1% (31 December 2016: 1.9%). The change in gearing ratio was mainly derived from the increase of current liabilities in other payables and accruals from approximately HK\$11,967,000 to HK\$16,969,000 and change in amount due to a shareholder from HK\$3,133,000 to Nil as compared with that in prior year. At the same time, the increase of film rights and films and TV programs under production from HK\$219,596,000 to HK\$225,412,000, prepayments, deposits and other receivables from HK\$39,335,000 to HK\$90,348,000 and the decrease of interests in associates from 39,671,000 to HK\$36,159,000 also provide the contributed the change in the Company's gearing ratio.

CHARGE ON THE GROUP'S ASSETS

At 30 June 2017, the Group did not have any charge on its assets.

FOREIGN EXCHANGE RISKS

Most of the income and expense of the Group are determined in RMB. 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 2017, the Group had capital commitments of approximately HK\$143,121,000 (31 December 2016: HK\$126,013,000).

CONTINGENT LIABILITIES

At 30 June 2017, the Group had no material contingent liabilities (31 December 2016: Nil).

EMPLOYEES

At 30 June 2017, the Group had 104 employees, including approximately 95 employees in PRC and 9 employees in Hong Kong and Korea. 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 2017.

SHARE OPTION SCHEME

On 10 June 2014, the Company adopted a new share option scheme (“Share Option Scheme”) and terminated the share option scheme adopted by the Company on 6 March 2002. The purpose of the Share Option Scheme is to enable the Company to grant options to the eligible participants (“Participants”) in order to recognise and motivate the contribution of the Participants to the Group. The Share Option Scheme is effective for 10 years and will be expired in June 2024.

Details of the options outstanding as at 30 June 2017 which have been granted to directors or chief executives under the Share Option Scheme are as follows:

	Option type	Outstanding as at 1 January 2017	Granted	Exercised	Lapsed	Outstanding as at 30 June 2017
Directors						
Ms. Wu Li	2015A	8,000,000	—	—	—	8,000,000
Mr. Chan Kam Kwan, Jason	2015A	12,000,000	—	—	—	12,000,000
Mr. Zhou Ya Fei	2015A	1,000,000	—	—	—	1,000,000
Mr. Zou Xiao Chun	2015A	1,000,000	—	—	—	1,000,000
Mr. Ng Wai Hung	2015A	1,000,000	—	—	—	1,000,000
Mr. Lam Cheung Shing, Richard	2015A	1,000,000	—	—	—	1,000,000
Mr. Wang Ju	2015A	1,000,000	—	—	—	1,000,000
		25,000,000	—	—	—	25,000,000
Other employees						
	2015A	23,000,000	—	—	(3,000,000)	20,000,000
	2016B	15,000,000	—	—	—	15,000,000
Total options outstanding		63,000,000	—	—	—	60,000,000

Details of the specific categories of options are as follows:

Option type	Date of grant	Vesting period	Exercise period	Exercise price
2015A	16 November 2015	16 November 2015 to 15 November 2016	16 November 2016 to 16 November 2018	HK\$1.088
2016B	21 January 2016	21 January 2016 to 20 January 2017	21 January 2017 to 21 January 2019	HK\$1.088

During the period under review, no options were granted or exercised, and a total of 3,000,000 options were lapsed under the Share Option Scheme. There are a total of 60,000,000 options outstanding as at 30 June 2017.

The total number of shares of the Company available for issue under the Share Option Scheme amounts to 156,967,477 shares as at the date of this report, representing 3.73% of the issued share capital outstanding.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the share option schemes and employee award plan, at no time during the six months ended 30 June 2017 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 2017, the register of substantial shareholders maintained by the Company under Section 336 of the SFO showed that, other than the interests disclosed above in respect of certain directors, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

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

Name of substantial shareholder	Capacity	Notes	Interest in shares	Interest in underlying shares	Approximate percentage of the Company's issued share capital
Jiaxuan	Beneficial owner	(i)	1,982,561,725	—	47.10%
Eagle King Investment Holding Limited	Interest of controlled corporation	(i)	1,982,561,725	—	47.10%
Mr. Wong Kwong Yu	Interest of controlled corporation	(i)	1,982,561,725	—	47.10%
Great Majestic Global Holdings Limited	Interest of controlled corporation	(i)	1,982,561,725	—	47.10%
Mr. Xu Zhong Min	Interest of controlled corporation	(i)	1,982,561,725	—	47.10%
CITIC Group Corporation	Interest of controlled corporation	(ii)	459,934,954	—	10.93%
CITIC Limited	Interest of controlled corporation	(ii)	459,934,954	—	10.93%
Famous Peak Investments Limited	Beneficial owner	(ii)	459,934,954	—	10.93%
Vision Path Limited	Beneficial owner	(iii)	424,834,655	—	10.10%
Ms. Yu Nan	Interest of controlled corporation	(iii)	424,834,655	—	10.10%
First Charm Investments Limited	Beneficial owner	(iv)	311,545,414	—	7.40%
Mr. Ko Chun Shun, Johnson	Interest of controlled corporation	(iv)	311,545,414	—	7.40%
Best of Us Company Limited	Beneficial owner	(v)	—	228,438,228	5.43%
Ms. Shang Na	Interest of controlled corporation	(v)	—	228,438,228	5.43%

Notes:

- (i) Jiakuan is owned as to 55% by Eagle King Investment Holding Limited (“Eagle King”) and as to 45% by Great Majestic Global Holdings Limited (“Great Majestic”). Mr. Wong Kwong Yu owns 100% of Eagle King and Mr. Xu Zhong Min owns 100% of Great Majestic.
- (ii) Famous Peak Investments Limited is a wholly-owned subsidiary of CITIC Investment (HK) Limited, being one of the wholly-owned subsidiaries of CITIC Limited. CITIC Group Corporation is the holding company of the CITIC Limited.
- (iii) Ms. Yu Nan owns 100% of Vision Path.
- (iv) Mr. Ko Chun Shun, Johnson owns 100% of First Charm.
- (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. Details of this transaction, please refer to the circular of the Company dated 22 December 2016.

Save as disclosed above, at 30 June 2017, 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 2017, 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 2017.

COMPETING INTEREST

At 30 June 2017, 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 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.


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

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

Mr. Ng Wai Hung has resigned to act as the independent non-executive director of Gome Electrical Appliances Holdings Limited (國美電器控股有限公司) (Stock Code: 493) on 26th May 2017 and Kingbo Strike Limited (工蓋有限公司) (Stock Code: 1421) on 30th June 2017.

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 2017, 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 due to other business commitments.




CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2017, 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 2017 before proposing to the Board for approval.

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

Hong Kong, 14 August 2017

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.