



Lajin Entertainment Network Group Limited

拉近網娛集團有限公司*

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

(Stock Code: 8172)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

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* For identification only

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 2020, together with the comparative unaudited figures for the corresponding periods in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and six months ended 30 June 2020

	Notes	For the three months ended		For the six months ended	
		30 June 2020 (Unaudited) HK\$'000	30 June 2019 (Unaudited) HK\$'000	30 June 2020 (Unaudited) HK\$'000	30 June 2019 (Unaudited) HK\$'000
Revenue	5	175	20,358	1,649	22,693
Cost of sales		(27)	(11,062)	(55)	(13,148)
Gross profit		148	9,296	1,594	9,545
Other income and gains/(loss)	6	216	(1,772)	640	(1,363)
Selling and distribution expenses		(1,391)	(50)	(1,412)	(87)
Administrative expenses		(8,473)	(11,488)	(17,071)	(24,427)
Finance costs		(52)	(54)	(72)	(108)
Share of profit and loss of:					
Associates		1,077	(210)	1,708	(340)
A joint venture		—	(1,909)	—	(2,141)
Loss before tax	7	(8,475)	(6,187)	(14,613)	(18,921)
Income tax expense	8	—	—	(9)	—
Loss for the period		(8,475)	(6,187)	(14,622)	(18,921)

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

For the three and six months ended 30 June 2020

	For the three months ended		For the six months ended	
	30 June 2020 (Unaudited) <i>HK\$'000</i>	30 June 2019 (Unaudited) <i>HK\$'000</i>	30 June 2020 (Unaudited) <i>HK\$'000</i>	30 June 2019 (Unaudited) <i>HK\$'000</i>
<i>Notes</i>				
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	483	(12,467)	(7,519)	(73)
	<u>483</u>	<u>(12,467)</u>	<u>(7,519)</u>	<u>(73)</u>
OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD, NET OF TAX	483	(12,467)	(7,519)	(73)
	<u>483</u>	<u>(12,467)</u>	<u>(7,519)</u>	<u>(73)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(7,992)	(18,654)	(22,141)	(18,994)
	<u>(7,992)</u>	<u>(18,654)</u>	<u>(22,141)</u>	<u>(18,994)</u>
Loss for the period attributable to:				
Owners of the parent	(8,392)	(6,039)	(14,462)	(18,661)
Non-controlling interests	(83)	(148)	(160)	(260)
	<u>(8,475)</u>	<u>(6,187)</u>	<u>(14,622)</u>	<u>(18,921)</u>
Total comprehensive loss for the period attributable to:				
Owners of the parent	(7,904)	(18,542)	(22,006)	(18,737)
Non-controlling interests	(88)	(112)	(135)	(257)
	<u>(7,992)</u>	<u>(18,654)</u>	<u>(22,141)</u>	<u>(18,994)</u>
Loss per share attributable to ordinary equity holders of the parent				
— Basic and diluted	HK(0.20) cents	HK(0.14) cents	HK(0.34) cents	HK(0.44) cents
	<u>HK(0.20) cents</u>	<u>HK(0.14) cents</u>	<u>HK(0.34) cents</u>	<u>HK(0.44) cents</u>

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	At 30 June 2020 (Unaudited) <i>Notes</i> <i>HK\$'000</i>	At 31 December 2019 (Audited) <i>HK\$'000</i>
ASSETS		
Non-current assets		
Property, plant and equipment	101,166	108,169
Investments in associates	36,576	35,050
Equity investment of designated fair value through other comprehensive income	10,514	10,721
Right-of-use assets	2,943	5,645
Other non-current assets	2,261	2,718
Total non-current assets	<u>153,460</u>	<u>162,303</u>
Current assets		
Trade receivables	10 3,741	5,714
Film rights and films and TV programmes under production	11 159,219	157,206
Investment in film	6,390	6,516
Prepayments, deposits and other receivables	132,683	144,901
Cash and cash equivalents	117,215	122,454
Total current assets	<u>419,248</u>	<u>431,796</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

		At 30 June 2020 (Unaudited) <i>HK\$'000</i>	At 31 December 2019 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
LIABILITIES			
Current liabilities			
Trade payables	12	2,748	2,778
Other payables and accruals		65,942	62,384
Lease liabilities		1,484	4,871
Total current liabilities		<u>70,174</u>	<u>70,033</u>
Net current assets		<u>349,074</u>	<u>361,783</u>
Total assets less current liabilities		<u>502,534</u>	<u>524,066</u>
Non-current liabilities			
Deferred tax liabilities		—	—
Lease liabilities		1,360	751
Total non-current liabilities		<u>1,360</u>	<u>751</u>
Net assets		<u><u>501,174</u></u>	<u><u>523,315</u></u>
EQUITY			
Share capital	13	42,090	42,090
Reserves		460,955	482,961
Equity attributable to owners of the parent		<u>503,045</u>	525,051
Non-controlling interests		<u>(1,871)</u>	<u>(1,736)</u>
Total equity		<u><u>501,174</u></u>	<u><u>523,315</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the parent										Total HK\$'000
	Share capital – Ordinary shares HK\$'000	Share premium HK\$'000	Fair value reserve HK\$'000	Share-based payment reserve HK\$'000	Contributed surplus HK\$'000	Other reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non- controlling interests HK\$'000	
At 1 January 2019	42,090	1,138,909	(11,267)	3,074	28,294	13,786	(28,904)	(565,158)	620,824	(170)	620,654
Loss for the period	—	—	—	—	—	—	—	(18,661)	(18,661)	(260)	(18,921)
Other comprehensive (loss)/income for the period	—	—	—	—	—	—	(76)	—	(76)	3	(73)
Share of reserve reversal of a joint venture	—	—	—	—	—	(7,612)	—	7,612	—	—	—
Share-based payment reserve upon the expiry of share options	—	—	—	(3,074)	—	—	—	3,074	—	—	—
At 30 June 2019 (unaudited)	<u>42,090</u>	<u>1,138,909*</u>	<u>(11,267)*</u>	<u>—</u>	<u>28,294*</u>	<u>6,174*</u>	<u>(28,980)*</u>	<u>(573,133)*</u>	<u>602,087</u>	<u>(427)</u>	<u>601,660</u>
At 1 January 2020	42,090	1,138,909	(12,744)	—	28,294	14,072	(35,898)	(649,672)	525,051	(1,736)	523,315
Loss for the period	—	—	—	—	—	—	—	(14,462)	(14,462)	(160)	(14,622)
Other comprehensive (loss)/income for the period	—	—	—	—	—	—	(7,544)	—	(7,544)	25	(7,519)
Total comprehensive loss for the period	—	—	—	—	—	—	(7,544)	(14,462)	(22,006)	(135)	(22,141)
At 30 June 2020 (unaudited)	<u>42,090</u>	<u>1,138,909*</u>	<u>(12,744)*</u>	<u>—</u>	<u>28,294*</u>	<u>14,072*</u>	<u>(43,442)*</u>	<u>(664,134)*</u>	<u>503,045</u>	<u>(1,871)</u>	<u>501,174</u>

* These reserve accounts comprise the total consolidated other reserves of HK\$460,955,000 as at 30 June 2020 (31 December 2019: HK\$482,961,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020	2019
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Net cash flows used in operating activities	(3,832)	(13,138)
Cash flows from investing activities		
Purchases of items of property, plant and equipment	—	(112)
Investment in film	—	(15,733)
Acquisition of a subsidiary	—	4,143
	<u>—</u>	<u>4,143</u>
Net cash flows used in investing activities	<u>—</u>	<u>(11,702)</u>
Net decrease in cash and cash equivalents	(3,832)	(24,840)
Cash and cash equivalents at the beginning of the reporting period	120,090	178,048
Effect of foreign exchange rate changes, net	(1,397)	(51)
	<u>(1,397)</u>	<u>(51)</u>
Cash and cash equivalents at the end of the reporting period	<u>114,861</u>	<u>153,157</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	74,168	112,485
Non-pledged time deposits with original maturity of less than three months	40,693	40,672
	<u>40,693</u>	<u>40,672</u>
Cash and cash equivalents as stated in the statement of cash flows	<u>114,861</u>	<u>153,157</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 11 June 2001 and continued in Bermuda on 16 March 2009. The Company's shares have been listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 26 March 2002.

The registered office and principal place of business of the Company are located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Unit 3903A, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong, respectively.

The 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 2020 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 2019. 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.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The accounting policies used in the preparation of the Interim Financial Statements are consistent with these used in the annual consolidated financial statements of the Group for the year ended 31 December 2019, except for those as described below.

In the current period, the Group has applied, for the first time, the following revised standards, amendments and interpretations (the "revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group's accounting period beginning on 1 January 2020.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKFRS 7 and HKAS 39	Interest Rate Benchmark Reform
Amendments to HKFRS 16	COVID-19-related Rent Concessions (Early Adopted)
Amendments to HKAS 1 and HKAS 8	Definition of Material

The adoption of the revised HKFRSs has no material 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 the provision of artists management services;
- (ii) the movies, TV programmes segment comprises investment, production and distribution 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/(loss) of a joint venture, share of losses of associates as well as head office and corporate income and expenses are excluded from such measurement.

A. Segment revenue and results

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

	Artists management		Movies, TV programmes and internet contents		Total	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2020	2019	2020	2019	2020	2019
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Segment revenue						
Revenue from external customers	<u>24</u>	<u>692</u>	<u>1,625</u>	<u>22,001</u>	<u>1,649</u>	<u>22,693</u>
Segment results	<u>(777)</u>	<u>(1,605)</u>	<u>(13,025)</u>	<u>(12,605)</u>	<u>(13,802)</u>	<u>(14,210)</u>
Reconciliation:						
Unallocated other income					190	594
Corporate and other unallocated expenses					(2,709)	(2,824)
Share of profit/(loss) of a joint venture					—	(2,141)
Share of profits/(losses) of associates					<u>1,708</u>	<u>(340)</u>
Loss before tax					<u>(14,613)</u>	<u>(18,921)</u>
Income tax expense					<u>(9)</u>	<u>—</u>
Loss for the period					<u><u>(14,622)</u></u>	<u><u>(18,921)</u></u>

B. Geographical information

	Hong Kong		Mainland China		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	
	2020	2019	2020	2019	2020	2019	2020	2019
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Revenue from external customers	<u>—</u>	<u>—</u>	<u>1,649</u>	<u>22,693</u>	<u>—</u>	<u>—</u>	<u>1,649</u>	<u>22,693</u>
	At 30 June 2020	At 31 December 2019	At 30 June 2020	At 31 December 2019	At 30 June 2020	At 31 December 2019	At 30 June 2020	At 31 December 2019
	(Unaudited) <i>HK\$'000</i>	(Audited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Audited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Audited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Audited) <i>HK\$'000</i>
*Non-current assets	<u>—</u>	<u>—</u>	<u>122,672</u>	<u>130,459</u>	<u>20,273</u>	<u>21,123</u>	<u>142,945</u>	<u>151,582</u>

* Non-current assets represent property, plant and equipment, investments in associates and other assets.

5. REVENUE

	For the three months ended 30 June		For the six months ended 30 June	
	2020	2019	2020	2019
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Distribution agency fee	52	—	1,483	—
Sales of film rights	—	19,970	—	21,885
TV and Internet programme	96	—	110	—
Artists management	27	279	56	692
Others	—	109	—	116
	<u>175</u>	<u>20,358</u>	<u>1,649</u>	<u>22,693</u>

6. OTHER INCOME AND GAINS/(LOSSES)

	For the three months ended 30 June		For the six months ended 30 June	
	2020	2019	2020	2019
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Other income				
Bank interest income	218	101	416	255
Rental income	—	225	171	453
Consultancy service income	—	—	—	27
	<u>218</u>	<u>326</u>	<u>587</u>	<u>735</u>
Gains/(losses)				
Gain on acquisition of a subsidiary	—	3,558	—	3,558
Loss on previously held equity interest remeasured at acquisition-date	—	(5,656)	—	(5,656)
Exchange differences, net	(2)	—	53	—
	<u>(2)</u>	<u>(2,098)</u>	<u>53</u>	<u>(2,098)</u>
	<u><u>216</u></u>	<u><u>(1,772)</u></u>	<u><u>640</u></u>	<u><u>(1,363)</u></u>

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	
	2020	2019	2020	2019
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Depreciation of property, plant and equipment	2,743	3,864	5,246	7,603
Amortisation of other assets	201	289	406	581
Lease payment not included in the measurement of lease liabilities	201	—	924	—
Depreciation of right-of-use assets	225	—	684	—
Exchange (gain)/loss, net	2	(13)	(53)	(13)
Staff costs including directors' remuneration				
— Salaries and allowance	3,078	3,216	5,742	8,280
— Pension scheme contributions	(2)	321	87	815
— Share-based payment expenses	—	—	—	—
	<u><u>3,076</u></u>	<u><u>3,537</u></u>	<u><u>5,829</u></u>	<u><u>9,095</u></u>

8. INCOME TAX EXPENSE

No provision for Hong Kong profits tax and Korea corporate income tax have been provided as the Group did not generate any assessable profits arising in Hong Kong and Korea or the estimated assessable profit was wholly absorbed by tax losses brought forward during the period under review (for the six months ended 30 June 2019: Nil).

During the period under review, the amount of the PRC enterprise income tax was paid in accordance with the rate at 25% of assessable profit, and the income tax paid was HK\$9,000 (for the six months ended 30 June 2019: Nil).

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 2020 of approximately HK\$8,392,000 (for the three months ended 30 June 2019: HK\$6,039,000) and loss attributable to ordinary equity holders of the parent for the six months ended 30 June 2020 of approximately HK\$14,462,000 (for the six months ended 30 June 2019: HK\$18,661,000) and the weighted average number of 4,209,130,000 ordinary shares in issue during the three months ended 30 June 2020 (for the three months ended 30 June 2019: 4,209,130,000 ordinary shares) and the weighted average number of 4,209,130,000 ordinary shares in issue during the six months ended 30 June 2020 (for the six months ended 30 June 2019: 4,209,130,000 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 2020, the conversion of the above potential dilutive shares is not assumed in the calculation of diluted loss per share.

10. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally 6 months to 1 year. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables 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 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Within 3 months	3,741	5
	<u>3,741</u>	<u>5</u>

11. FILMS RIGHTS AND FILMS AND TV PROGRAMMES UNDER PRODUCTION

The balance consists of (i) films and TV programmes under production; and (ii) the rights of films and TV programmes upon completion. At the end of each reporting period, the Group will assess whether there is any indication that the film rights and films and TV programmes under production may be impaired. If any such indication exists, the management will estimate the recoverable amount of the corresponding asset and recognize an impairment loss when its carrying amount exceeds its recoverable amount.

For the purpose of impairment testing, films and TV programmes rights have been allocated to the cash-generating unit of movies, TV programmes and internet contents operation. In light of the circumstances of the film industry, the Group regularly reviews its library of films and TV programmes rights to assess their marketability and the corresponding recoverable amounts to determine if any impairment is necessary.

At 30 June 2020, no indication of impairment for the films and TV programmes rights has been identified and thus the Group did not recognize any impairment loss during the six-month period ended 30 June 2020 (30 June 2019: nil).

12. 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 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Within 3 months	24	—
Over 1 year	2,724	2,778
	<u>2,748</u>	<u>2,778</u>

13. SHARE CAPITAL

	At 30 June 2020		At 31 December 2019	
	Number of shares (Unaudited) '000	Share capital (Unaudited) HK\$'000	Number of shares (Audited) '000	Share capital (Audited) HK\$'000
Ordinary shares of HK\$0.01 each				
Issued and fully paid:				
At the beginning of the reporting period/year	4,209,130	42,090	4,209,130	42,090
At the end of the reporting period/year	<u>4,209,130</u>	<u>42,090</u>	<u>4,209,130</u>	<u>42,090</u>
Preferred shares of HK\$0.01 each				
Issued and fully paid:				
At the beginning of the reporting period/year	—	—	—	—
Conversion into ordinary shares	—	—	—	—
At the end of the reporting period/year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

14. FAIR VALUE MEASUREMENT

The directors of the Company considered that the carrying amounts of the Group's financial instruments were approximate to their fair values as at 30 June 2020 and 31 December 2019.

15. COMMITMENTS

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

	At 30 June 2020 (Unaudited) <i>HK\$'000</i>	At 31 December 2019 (Audited) <i>HK\$'000</i>
Property, plant and equipment	45	59
Film rights and films and TV programmes under production	38,540	34,358
Investment in films	82	84
	<u>38,667</u>	<u>34,501</u>

16. MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS

(i) Compensation of key management personnel

	For the six months ended 30 June	
	2020 (Unaudited) <i>HK\$'000</i>	2019 (Unaudited) <i>HK\$'000</i>
Salaries and allowances	1,777	1,863
Pension scheme contributions	57	116
	<u>1,834</u>	<u>1,979</u>

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The revenue of the Group was approximately HK\$1,649,000 for the six months ended 30 June 2020 (2019: HK\$22,693,000), representing a decrease of 92.7% as compared with that for the six months ended 30 June 2019. The decrease was mainly due to the decrease in revenue from movies, TV programmes and internet content business during the period.

Movies, TV Programmes and Internet Contents

During the period under review, the revenue contributed by such segment was approximately HK\$1,593,000 (2019: HK\$22,001,000), representing the income from movie distribution agency fee.

Artists Management

During the period under review, the revenue contributed by such segment was approximately HK\$56,000 (2019: HK\$692,000).

Cost of sales for the six months ended 30 June 2020 decreased to approximately HK\$55,000 (2019: HK\$13,148,000), which was mainly because distribution agency fee recorded during the period under review is received based on a percentage of project shared revenue and without incurring direct cost. Administrative expenses were mainly staff costs, depreciation and other general administrative expenses of the Group incurred during the period under review. Administrative expenses decreased to approximately HK\$17,071,000 from approximately HK\$24,427,000 in the corresponding period last year. It was mainly attributable to the staff cost control of the Group leading to the decrease in salaries and related expenses to approximately HK\$5,829,000 (2019: HK\$9,095,000).

Loss for the period attributable to owners of the parent was approximately HK\$14,462,000 (2019: HK\$18,661,000). The reduction in loss was mainly due to the decrease in administrative expenses this year.

BUSINESS REVIEW

Movies, TV Programmes and Internet Contents

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

As of 31 December 2019, the management reviewed the status of each project and decided to make impairments for some projects which were considered doubtful and unlikely for further development. These projects mainly represented copyright and script writing costs and were attempted to be developed in prior years but ceased due to careful business consideration. These projects were mainly TV dramas or internet dramas. Considering the relatively long preparation time and difficulty in cost-control, market risk for dramas is higher and the Group has become more cautious in investing drama-type projects recently. Due to the dynamic nature of the entertainment business, the abovementioned hiccups may just be temporary and the management may revive them or realize by transferring out when suitable business opportunities arise.

With the rapid development of video streaming websites and internet movies in Mainland China, the Group has continued to increase its investment in internet movies since last year and invested and produced a series of projects, such as “The Crisis of Young IP Man” (《少年葉問之危機時刻》), “Seven Mahatmas during the Journey to the West” (《西遊七大聖》), New Militiaman Ge Erdan (《新編民兵葛二蛋》), A Wizard in Tang Dynasty (《大唐龍雀衛》), “The Legend of the Condor Heroes” (《射雕英雄傳》) Part I and II and Tibet Adventurer (《藏地奇兵》). The number of projects and investment scales have been increasing, from which we would be in pursuit of “blockbuster” projects to generate considerable profit contributions to the Group. “Hey! Tiny Bone” (《嘿！小骨頭》), an internet movie project mainly produced by Lajin Picture and invested internet movie projects, such as “The Legend of Lu Bu” (《斗破亂世情》), “The Strongest Iron Mr. Nanny” (《最強鐵血奶爸》), have recently been released, while other internet movie investments, such as “The Crisis of Young IP Man” (《少年葉問之危機時刻》) and “Sea Monster in the Changbaishan Tianchi” (《長白山天池水怪》), are expected to be successively released on various internet platforms at the third quarter. In addition, “Seven Mahatmas during the Journey to the West” (《西遊七大聖》), “Fatal Crocodile” (《奪命巨鱷》), “Heroes of Desert” (《大漠神龍》) and “Strange Stories from a Chinese Studio Related to Yan Chixia Part II” (《聊齋之燕赤霞》(第二部)) are under post-production and expected to be released by the end of the year. As for the project distribution, “New Lotus Lantern” (《新編寶蓮燈》) has been released on Youku, from which Lajin has obtained many valuable experience in the distribution business.

In virtue of its experience in investment in internet movie projects, the Group has deepened its exploration in internet movie market by taking the initiative to consolidate industry resources. The Group commenced to expand its business into internet movie distribution business in 2019, and “Di Renjie-Deep Sea Dragon Palace” (《狄仁傑之深海龍宮》), the first internet movie distributed by the Group, was launched on Youku with satisfactory results. As of June 2020, the shared box office of “Di Renjie-Deep Sea Dragon Palace” (《狄仁傑之深海龍宮》) has amounted to RMB13.50 million. The business model of investment-assisted distribution has not only enabled the Group to continuously deepen project participation but also have more opportunities to participate in different stages of mega projects. After effectively evaluating project risks, the Group has given priority in choosing high-quality projects so as to raise project revenue.

Furthermore, the Group has also established its strategic cooperation relationship with numerous established companies that have the capacity for producing theatrical films, and fully leveraged on its experience and advantages in the field of internet-based products to remake classic films and television drama IP to produce quality internet movies with partners. To date, the “The Legend of the Condor Heroes” (《射雕英雄傳》) Part I and II, the “The Crisis of Young IP Man” (《少年葉問之危機時刻》) of the Ip Man series and Tibet Adventurer (《藏地奇兵》) are being produced through this model. The series of Legends of the Condor Heroes (《射雕英雄傳》) Part I and II will start shooting in Hengdian in July and are expected to be completed in August 2020. Tibet Adventurer (《藏地奇兵》) with an actress Qin Lan being the producer and art director whose representative works include the Story of Yanxi Palace (《延禧攻略》) and the Princess Pearl III (《還珠格格3》), and partnering with company which produced a large number of blockbuster films, received extensive attention immediately after such news was first released by media in June. The partnership of three strong companies secures the position of this internet movie as a super-mega one in the industry.

In addition to internet movies, the Group’s key theatrical film projects include but not limit to:

“Faithful Dog Hachiko” (《忠犬八公》)

The Group has been granted the license for “Hachi: A Dog’s Tale” (《忠犬八公的故事》) (a famous Japanese film with Kaneto Shindo as the scriptwriter) by Jiro Shindo, the licence owner of this film, to adapt it into the Chinese version, “Faithful Dog Hachiko” (《忠犬八公》). Script adaptation for this movie has been completed and Mr. Xu Ang has confirmed to direct this movie. Director Xu Ang’s representative work include the stage drama “What Makes You Beautiful” (《喜劇的憂傷》), the film “12 Citizens” (《十二公民》) and the internet drama “Medical Examiner Dr. Qin” (《法醫秦明》). Ms. Ye Rufen, a famous executive producer from Taiwan, will act as the executive producer of the movie. She has produced several movies well known to audience, such as Our Times (《我的少女時代》), A Sun (《陽光普照》) and The Village of No Return (《健忘村》). As the project is attracting more and more attention in the industry, and in view of the Group’s strategies to optimize resources utilization and reach cooperation with top domestic film and television companies, the Group will work closely with iQIYI platform. This project was successfully selected as one of the key projects of iQIYI’s “Original Film Plan” (原創電影計劃). Benefiting from the brand effect and resources integration, launching of the project into the market will be accelerated and will speed up return of investment of the Group.

“The Tibet Code”

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

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

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

The above projects are our main focus in the coming 2–3 years which will receive the Group’s full support and are planned to be made and released or online thereafter.

Furthermore, the previously invested theatrical movies like “The Dynasty Warriors” (《真•三國無雙》), “Theory of Ambition” (《風再起時》), “I’m Livin’ It” (《麥路人》), “Ori Princess, the Elf is Coming” (《甜心格格之精靈來了》), “In Winter” (《藍色列車》) and “A Guide to Daily fantasy” (《日常幻想指南》) are either under post-production or scheduled for release while “Fagara in Mara” (《花椒之味》) and “If You are Happy” (《學區房72小時》) released during last year brought a number of award nominations to the Group. “If You are Happy” (《學區房72小時》) is shortlisted in the nomination of two awards “The Best Small and Medium Budget Story” and “The Best Supporting Actress” in the 32th Golden Rooster Award. After shown in theatre, the film received positive feedbacks and various film critics call it “A Masterpiece of Realism”. “I’m Livin’ It” (《麥路人》) starring “Best Actor” award winner Mr. Aaron Kwok is highly anticipated even before screening. This movie is chosen as the Closing Gala film of London East Asian Film Festival and featured in Tokyo International Film Festival “Asian Future” section. The 39th Hong Kong Film Awards in 2020, Mr. Aaron Kwok and Ms. Sammi Cheng in “I’m Livin’ it” (《麥路人》) and “Fagara in Mara” (《花椒之味》) respectively received the Best Actor and Best Actress award nomination. Moreover, the two movies “I’m Livin’ it” (《麥路人》) and “Fagara in Mara” (《花椒之味》) received 21 awards nomination in total and both received the Best Film award nomination. Cheung TatMing of “I’m Livin’ It” (《麥路人》) won the best supporting actor, and Cheung Siu Hong also won the award for best art director in virtue of “Fagara in Mara” (《花椒之味》).

Since COVID-19 pandemic remains recurrent from the beginning of 2020 until now, although the domestic cinemas in low-risk areas will orderly resume business from 20 July onwards, the promotion and distribution of traditional movies and the advancement of large-scale film and television production will become quite prudent. Additionally, the pandemic does not show any signs of improvement around the globe, and many blockbuster films originally scheduled for global release have been withdrawn from cinemas. In the short term, even if cinemas resume operation, cinema admissions may not quickly reach the level before the pandemic and the absence of foreign blockbusters will also affect the entire Chinese film industry to a certain extent. Although Shanghai International Film Festival and Shanghai TV Festival has been held at the end of July and the beginning of August this year, in the long run, due to the characteristics of long production cycle of film and television products, the slowdown in the output of mega theatrical movies will also affect the real recovery of the industry for a long time in the future.

However, compared to traditional theatrical movies, the performance of internet content products infuses a “cardiac stimulant” to the film and television industry. In terms of internet movie products only, 23 internet movies recorded a shared box office of more than RMB10 million each on the iQIYI platform as of June 2020, of which 6 internet movies recorded a shared box office of more than RMB20 million each, and 5 internet movies recorded a shared box office of more than RMB10 million each both on the Tencent and Youku video platform. Affected by the pandemic, people’s ways of entertainment have undergone major changes and film spectators went out less during the period of pandemic prevention, which has also driven more film and television products to be released via the Internet, further enrich the content and induce more traditional film and television talents flow to the field of internet film and television. Such changes further accelerate the development of internet content products in pursuit of high quality and intensify the competition among various forms of film and television products, such as internet movies, internet dramas and short videos, in content for a long time in the future. In light of the foregoing, the profit margin will increase and thus, a structural transformation to the industry will arise.

Artists Management

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

Amongst all artists under our management, Chen Xinzhe (陳信喆) shows enormous potential and has been put in the limelight quickly. Chen Xinzhe, a new-born and post-95 generation star, develops his career on multiple fronts: movie, television and music. The first single of Chen Xinzhe “I Miss You Again” (《我又想你了》), has entered the Tik Tok Music new song chart shortly after its release online, and subsequently entered the hit song chart of Tik Tok Music also. His brilliant performance in his debut movie “Exorcism Master”* (《鎮魂法師》) brought him the Best New Actor award in Golden Seagull (金海鷗) Film Festival. In addition, he starred in the movie of “The Evil Thief’s White Bone Clothes” (《魔盜白骨衣》), which was adapted from the novel written by Antusheng, an Internet writer. The movie is divided into two parts and the first part has been already released in Youku on 5 February 2020, achieving satisfactory results in box office and reputation during the release. In addition, the movie won the Gold Award at the Jakarta International Film & Art Festival Awards and its second part is expected to be released in the second half of 2020. Chen Xinzhe’s recent starring in an Internet drama “《我在六扇門的日子》”, which is co-presented by iQiyi Literature, has been finished filming at end of 2019 and is expected to be released online in the second half 2020. In addition, The “Kongfu Master Su” (《武神蘇乞兒之黃金海盜》), “Exorcism Master 2”* (《鎮魂法師2》) and Hey Little Bone (《嘿！小骨頭》), a film mainly invested and led by the Group, with Chen Xinzhe starring in, have also been released on the three major platforms Tencent, Youku and iQiyi. Apart from his impressive achievements in the movies/TV and music sectors, his accomplishment also extended to charitable events through participation in the “Charity Walk for Tibet”* (《千里西藏助學行》) of “Xiantou Commonwealth”* (線頭公益) and the “Support! Free Lunch”* (《支持，免費午餐》) of Tencent Foundation, supporting the children in need with actions. We will strive to secure more commercial advertisement jobs for our artists and leverage on the facilities available in our Lajin Base to provide necessary trainings and shooting/production environment, enabling our future stars to shine.

Affected by the COVID-19 pneumonia pandemic, the filming of most film and television projects throughout the country were suspended during this period. It is expected to seriously hit the income of the Group's artists as the global COVID-19 pandemic has presented no signs of slowdown until now. In addition, the Group has discharged several artists to remain the quality ones in the past year. These factors affected the profit forecast of the previously acquired artist agency. Therefore, the Group has made impairments for the goodwill and the exclusive agency rights of artists of this subsidiary in 2019. By leveraging on past artists' management experience, the Group will endeavor to search for more talented artists/internet celebrities and create returns and contribution for the Group in combination with our various business segments.

Music

Lajin Music has augmented the copyright of a large number of high quality original music compositions through the past 2-year efforts, covering a variety of mainstream and non-mainstream music in styles of pop, rock, classical, folk, electronic, rap, etc.

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

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

In 2020, Lajin Music will initiate a "Searching for Chinese Root Music Program" as a major founder. The project is established based on the cultural foundation of the Chinese nation, blended with the most advanced production technology and media communication methods and the professionalism of the music industry, and plans to establish a copyright database of the most outstanding, best-selling, and symbolic root music signifying the Chinese cultural confidence. In addition, by adopting different media communication methods, the project will be promoted by integrating with music works, local culture, tourism resources and local products. Eventually, with the support of resources from various levels of government, the project will be established into a comprehensive, novel, and commercially closed-loop cultural project.

Lajin Music is also active in exploring the incubation of music celebrities through music short videos and live broadcasts, and establishing a matrix of music celebrities, a marketing model where it entered into contracts with multiple music celebrities by establishing a number of related media accounts where music short videos were released in collaboration with each other. In the future, such model can be realized from receiving rewards to music celebrities at live broadcast room, music copyright operation, advertisement placement and offline commercial performance. At present, Lajin Music has successively entered into contracts with music celebrities, and Su Xiaozun (蘇小尊) is one of them whose number of fans in Tik Tok has rapidly increased by 200,000 within one month.

Lajin Base

Lajin Base (the “Base”) located in Yi Zhuang (亦莊), Beijing comprises two 6-storey buildings of approximately 5,600 square metres in total and houses with various facilities and functionalities, including top-tier recording studios, dance studios, band rooms, styling salons, theatres, live broadcasting facilities, intelligent programme productions, talent development, media post-production and copyright management. Lajin Base is the most strategic and forward-looking business framework of Lajin Entertainment Network. Equipped with first-class facilities of the country, it possesses independent intellectual property rights and high-tech connectivity combining first-class functions such as Internet entertainment, stars nurturing, movie and video production, interaction with fans and master’s studios.

In order to maximize the value of the Base, the Base will become the focal point to develop two new business segments, which are believed to bring significant revenue and steady growth to the Group:

Performing arts training business

The Group has originally planned to launch the arts training business in this year, however, centralised training for students cannot be carried out normally due to the impacts of the COVID-19 pandemic, and the project therefore is determined to temporarily suspend, subject to re-adjustment and launch after the pandemic.

New media e-commerce business*

As of March 2020, the number of domestic internet broadcasting users reached 560 million, representing an increase of 163 million from the end of 2018 and accounted for 62% of the total internet users, of which the number of fast-growing e-commerce live streaming users was 265 million, accounted for 29.3% of the total internet users.

In terms of online video, as of March 2020, the number of domestic online video (including short video) users reached 850 million, representing an increase of 126 million as compared with the end of 2018, which accounted for 94.1% of the total internet users, of which number of short video users was 773 million, an increase of 125 million as compared with the end of 2018 and accounted for 85.6% of the total internet users. Early 2020, as affected by the COVID-19 pandemic, the users and time length of using online video applications increased significantly.

In 2019, the total number of internet celebrities rose at an average rate of 1.4% per month, among which active celebrities with more than 500,000 fans maintained a high growth momentum, with average monthly growth rate of more than 3%. Social platforms and internet celebrities such as key opinion leaders (KOL) and key opinion consumers (KOC) have been exerting more influence on users' consumption decisions. Among the high-value internet celebrities with 3 million-plus followers, celebrities with e-commerce accounted for the highest proportion, exceeding 80%. The purchase conversion rate of traditional e-commerce was only 0.37%, social media e-commerce was 6% to 10%, and the top internet celebrity e-commerce can reach 20%. The total number of followers of internet celebrities were more than 600 million, indicating that in the e-commerce sector, internet celebrity e-commerce has an obvious advantage of conversion rate.

In 2017, the Group made strategic investment in “Face Towards the Sea” (面朝大海) Company to set a stage for developing the internet celebrity e-commerce business. Through years of development, abundant internet celebrity resources, channel resources, brand resources and industry knowledge have been accumulated. Leveraging on the top live streaming system and other hardware and software facilities in Lajin Base, the Group intends to launch a live streaming program for internet celebrity with entertainment features. Through the program, the Group can shortlist quality internet celebrities and is advantageous in internet celebrity nurturing. Meanwhile, the Group will jointly promote the merchant brand via video platforms and e-commerce platforms to achieve sales in the program, creating a win-win results for all parties.

Recently, the Group has reached cooperation intentions with numerous large-scale e-commerce platform companies and financial institutions, in relation to the provision of new media branding services based on short video and live streaming for clients to facilitate their brand marketing and to realize the transformation of their sales model. The Company has also reached a cooperation with a company engaged in the operation of fashion and luxury brands, to strengthen its supply chain capabilities and create the “vertical e-commerce celebrity” driven by supply chain (i.e. an e-commerce celebrity who mainly specialises in selling a particular type of products at the beginning of opening his or her account serving as a specialist to build a sense of trust with users.), and meanwhile promote new products.

* Source of data: China Internet Development Report 2020 — China Internet Network Information Center
Big Trend! Interpretation of the Trend of “People, Product and Place” under Live-streaming E-commerce (《大風口！直播電商“人貨場”趨勢解讀》) — Northeast Securities

EVENT AFTER THE REPORTING PERIOD

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

LIQUIDITY AND FINANCIAL RESOURCES

At 30 June 2020, the Group had total assets of approximately HK\$572,708,000 (31 December 2019: HK\$594,099,000), including cash and cash equivalents of approximately HK\$117,215,000 (31 December 2019: HK\$122,454,000). 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 announcement, the Company has in issue a total of 4,209,131,046 ordinary shares.

GEARING RATIO

The gearing ratio, expressed as percentage of total liabilities excluding deferred tax liabilities over total equity attributable to owners of the parent, was approximately 14.2% (31 December 2019: 13.5%). The change in gearing ratio was mainly derived from the increase of current liabilities in other payables and accruals from approximately HK\$62,384,000 to HK\$65,942,000 as compared with that in prior year.

CHARGE ON THE GROUP'S ASSETS

At 30 June 2020, 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 2020, the Group had capital commitments of approximately HK\$38,667,000 (31 December 2019: HK\$34,501,000).

CONTINGENT LIABILITIES

At 30 June 2020, the Group had no material contingent liabilities (31 December 2019: Nil).

EMPLOYEES

At 30 June 2020, the Group had 42 employees, including approximately 48 employees in PRC and 3 employees in Hong Kong. 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 2020.

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.

As at 30 June 2020, there are no outstanding options.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the Share Option Scheme and employee award plan, at no time during the six months ended 30 June 2020 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 2020, the register of substantial shareholders maintained by the Company under Section 336 of the SFO showed that the following shareholders had an interest of 5% or more in the issued share capital of the Company:

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

Name of substantial shareholder	Capacity	Notes	Interest in shares	Approximate percentage of the Company's issued share capital
Jiaxuan Group Company Limited ("Jiaxuan")	Beneficial owner	(i)	1,982,561,725	47.10%
Eagle King Investment Holding Limited	Interest of controlled corporation	(i)	1,982,561,725	47.10%
Mr. Wong Kwong Yu	Interest of controlled corporation	(i)	1,982,561,725	47.10%
Great Majestic Global Holdings Limited	Interest of controlled corporation	(i)	1,982,561,725	47.10%
Mr. Xu Zhong Min	Interest of controlled corporation	(i)	1,982,561,725	47.10%
CITIC Group Corporation	Interest of controlled corporation	(ii)	459,934,954	10.93%
CITIC Limited	Interest of controlled corporation	(ii)	459,934,954	10.93%
Famous Peak Investments Limited	Beneficial owner	(ii)	459,934,954	10.93%
Vision Path Limited	Beneficial owner	(iii)	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%

Notes:

- (i) Jiaxuan is owned as to 55% by Eagle King Investment Holding Limited ("Eagle King") and as to 45% by Great Majestic Global Holdings Limited ("Great Majestic"). Mr. Wong Kwong Yu owns 100% of Eagle King and Mr. Xu Zhong Min owns 100% of Great Majestic.
- (ii) Famous Peak Investments Limited is a wholly-owned subsidiary of CITIC Investment (HK) Limited, being one of the wholly-owned subsidiaries of CITIC Limited. CITIC Group Corporation is the holding company of the CITIC Limited.
- (iii) Ms. Yu Nan owns 100% of Vision Path.
- (iv) Mr. Ko Chun Shun, Johnson owns 100% of First Charm.

Save as disclosed above, at 30 June 2020, the Company has not been notified by any persons (other than the Directors and chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which were to be recorded in the register required to be kept under Section 336 of the SFO and/or who were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

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

None of the Directors and chief executives, nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2020.

COMPETING INTEREST

At 30 June 2020, 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 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The corporate governance principles of the Company 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 (the "CG Code") and Corporate Governance Report as set out in Appendix 15 of the GEM Listing Rules for the six months ended 30 June 2020, with the exception of CG Code Provisions A.2.1 (separation of roles of chairman and chief executives), A.4.1 (specific terms of non-executive Directors) and A.6.7 (non-executive directors attending general meetings).

a. Chairman and Chief Executive Officer

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

b. Terms of non-executive Directors

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

c. Non-executive Directors attending general meeting

Under the Code provision A.6.7 of CG Code, non-executive Directors and independent non-executive Directors should attend general meetings. Certain non-executive Directors and independent 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 2020, 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 2020 before proposing to the Board for approval.

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

Hong Kong, 14 August 2020

As at the date of this announcement, the executive directors are Ms. Wu Li and Ms. Zhai Shan Shan; the non-executive directors are 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.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will be published on the GEM website on the "Latest Company Announcement" page for at least 7 days from the date of publication and on the Company's website at www.irasia.com/listco/hk/lajin/index.htm.