

拉近網娛集團有限公司  
LAJIN ENTERTAINMENT NETWORK GROUP LIMITED

# 2018 INTERIM REPORT

Lajin 拉近



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

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

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors (the “Directors”) of Lajin Entertainment Network Group Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or in this report misleading.*

## UNAUDITED 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 2018, together with the comparative unaudited figures for the corresponding periods in 2017 as follows:

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

For the three and six months ended 30 June 2018

	Notes	For the three months ended		For the six months ended	
		30 June 2018	30 June 2017	30 June 2018	30 June 2017
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	5	33,417	45,884	34,949	50,133
Cost of sales		(86,805)	(40,327)	(88,417)	(52,596)
Gross (loss)/profit		(53,388)	5,557	(53,468)	(2,463)
Other income and gains	6	933	1,472	4,426	2,294
Selling and distribution expenses		(2,793)	(145)	(3,185)	(252)
Administrative expenses		(23,801)	(17,509)	(42,819)	(37,559)
Share-based compensation costs		—	(2,667)	—	(5,481)
Share of profits and losses of:					
Associates		(497)	(643)	(1,712)	(1,439)
A joint venture		1,230	(246)	722	(246)
Loss before tax	7	(78,316)	(14,181)	(96,036)	(45,146)
Income tax expense	8	—	—	—	—
<b>Loss for the period</b>		<b>(78,316)</b>	<b>(14,181)</b>	<b>(96,036)</b>	<b>(45,146)</b>

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

For the three and six months ended 30 June 2018

	Note	For the three months ended		For the six months ended	
		30 June 2018 (Unaudited) HK\$'000	30 June 2017 (Unaudited) HK\$'000	30 June 2018 (Unaudited) HK\$'000	30 June 2017 (Unaudited) HK\$'000
<b>OTHER COMPREHENSIVE INCOME/(LOSS):</b>					
<i>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:</i>					
Exchange differences on translation of foreign operations		(32,838)	8,695	(9,133)	13,378
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX</b>		<b>(32,838)</b>	<b>8,695</b>	<b>(9,133)</b>	<b>13,378</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(111,154)</b>	<b>(5,486)</b>	<b>(105,169)</b>	<b>(31,768)</b>
<b>Loss for the period attributable to:</b>					
Owners of the parent		(78,108)	(14,053)	(95,536)	(45,018)
Non-controlling interests		(208)	(128)	(500)	(128)
		<b>(78,316)</b>	<b>(14,181)</b>	<b>(96,036)</b>	<b>(45,146)</b>
<b>Total comprehensive loss for the period attributable to:</b>					
Owners of the parent		(110,986)	(5,358)	(104,691)	(31,640)
Non-controlling interests		(168)	(128)	(478)	(128)
		<b>(111,154)</b>	<b>(5,486)</b>	<b>(105,169)</b>	<b>(31,768)</b>
<b>Loss per share attributable to ordinary equity holders of the parent</b>					
— Basic and diluted	9	HK(1.86) cents	HK(0.33) cents	HK(2.27) cents	HK(1.11) cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

		At 30 June 2018	At 31 December 2017
	Notes	(Unaudited) HK\$'000	(Audited) HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		129,555	135,376
Convertible notes receivable		—	5,925
Conversion options embedded in convertible notes receivable		—	530
Financial assets at fair value through profit or loss		6,719	—
Investments in associates		53,087	46,432
Investment in a joint venture		17,906	17,418
Available-for-sale financial assets		—	24,954
Equity investments at fair value through other comprehensive income		24,631	—
Goodwill		4,816	4,879
Other assets		6,485	7,132
<b>Total non-current assets</b>		<b>243,199</b>	<b>242,646</b>
<b>Current assets</b>			
Trade receivables	10	19,134	38
Film rights and films and TV programs under production	11	258,484	299,973
Investment in film		2,190	1,981
Amount due from related companies		2,144	2,172
Amount due from a shareholder		36	—
Prepayments, deposits and other receivables		137,915	130,061
Cash and cash equivalents		214,163	298,481
<b>Total current assets</b>		<b>634,066</b>	<b>732,706</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

	Notes	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	12	2,943	2,981
Amount due to a shareholder		—	31
Other payables and accruals		78,953	71,791
<b>Total current liabilities</b>		<b>81,896</b>	<b>74,803</b>
<b>Net current assets</b>		<b>552,170</b>	<b>657,903</b>
<b>Total assets less current liabilities</b>		<b>795,369</b>	<b>900,549</b>
<b>Non current liabilities</b>			
Deferred tax liabilities		867	878
<b>Net assets</b>		<b>794,502</b>	<b>899,671</b>
<b>EQUITY</b>			
Share capital — ordinary shares	13	42,090	42,090
Share capital — preferred shares	13	—	—
Reserves		752,633	857,324
<b>Equity attributable to owners of the parent</b>		<b>794,723</b>	<b>899,414</b>
<b>Non-controlling interests</b>		<b>(221)</b>	<b>257</b>
<b>Total equity</b>		<b>794,502</b>	<b>899,671</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the parent										
	Share capital – Ordinary shares (Note 13) HK\$'000	Share capital – Preferred shares (Note 13) HK\$'000	Share premium 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	Total HK\$'000
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 income/(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
<b>At 30 June 2017 (Unaudited)</b>	<b>42,090</b>	<b>–</b>	<b>1,138,909</b>	<b>40,721</b>	<b>28,294</b>	<b>–</b>	<b>(19,357)</b>	<b>(313,006)</b>	<b>917,651</b>	<b>501</b>	<b>918,152</b>
At 1 January 2018 (Audited)	42,090	–	1,138,909*	21,024*	28,294*	14,476*	2,462*	(347,841)*	899,414	257	899,671
Loss for the period	–	–	–	–	–	–	–	(95,536)	(95,536)	(500)	(96,036)
Other comprehensive (loss)/income for the period	–	–	–	–	–	–	(9,155)	–	(9,155)	22	(9,133)
Total comprehensive loss for the period	–	–	–	–	–	–	(9,155)	(95,536)	(104,691)	(478)	(105,169)
<b>At 30 June 2018 (Unaudited)</b>	<b>42,090</b>	<b>–</b>	<b>1,138,909*</b>	<b>21,024*</b>	<b>28,294*</b>	<b>14,476*</b>	<b>(6,693)*</b>	<b>(443,377)*</b>	<b>794,723</b>	<b>(221)</b>	<b>794,502</b>

\* These reserve accounts comprise the consolidated reserves of HK\$752,633,000 as at 30 June 2018 (31 December 2017: HK\$857,324,000) in the condensed consolidated statement of financial position.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Net cash flows used in operating activities	(71,990)	(96,965)
Cash flows from investing activities		
Investment in an associate	(8,851)	—
Purchases of items of property, plant and equipment	(2,364)	(10,267)
Investment in film	(244)	—
Formation of a joint venture	—	(7,914)
Deposit paid for investment in an associate	—	(5,806)
Investments in available-for-sales financial assets	—	(4,522)
Acquisition of a subsidiary	—	(1,009)
Net cash flows used in investing activities	(11,459)	(29,518)
Net decrease in cash and cash equivalents	(83,449)	(126,483)
Cash and cash equivalents at the beginning of the reporting period	296,141	493,128
Effect of foreign exchange rate changes, net	(868)	1,853
Cash and cash equivalents at the end of the reporting period	211,824	368,498
Analysis of balances of cash and cash equivalents		
Cash and banks balances	156,516	125,819
Non-pledged time deposits with original maturity of less than three months	55,308	242,679
Cash and cash equivalents as stated in the statement of cash flows	211,824	368,498



# 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 2018 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 2017. 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 2017, 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 2018.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 1	First time Adoption of HKFRS
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	Investments in Associates and Joint Ventures
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and revised HKFRSs has had no significant effect on the Interim Financial Statements.

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. On 1 January 2018 (the date of initial application of HKFRS 9), the Group’s management has assessed the Group’s business models of management, and the contractual cash flow characteristics, of each of the Group’s financial instruments, and has classified them into the appropriate categories under HKFRS 9.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

### 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 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.

## 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	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
<b>Segment revenue</b>						
Revenue to external customers	1,009	446	33,940	49,687	34,949	50,133
<b>Segment results</b>	(3,357)	(36)	(79,711)	(29,530)	(83,068)	(29,566)
Reconciliation:						
Unallocated other income					1,320	1,389
Corporate and other unallocated expenses					(13,298)	(9,803)
Share-based compensation costs					—	(5,481)
Share of profit/(loss) of a joint venture					722	(246)
Share of losses of associates					(1,712)	(1,439)
Loss before tax					(96,036)	(45,146)
Income tax expense					—	—
Loss for the period					(96,036)	(45,146)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 4. SEGMENT INFORMATION (CONTINUED)

#### B. GEOGRAPHICAL INFORMATION

	Hong Kong For the six months ended 30 June		The People's Republic of China ("PRC") For the six months ended 30 June		Korea For the six months ended 30 June		Total For the six months ended 30 June	
	2018	2017	2018	2017	2018	2017	2018	2017
	(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	273	—	34,676	50,133	—	—	34,949	50,133
	At 30 June 2018	At 31 December 2017	At 30 June 2018	At 31 December 2017	At 30 June 2018	At 31 December 2017	At 30 June 2018	At 31 December 2017
	(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	407	616	177,792	176,007	33,650	34,614	211,849	211,237

\* Non-current assets represent property, plant and equipment, investments in associates, investment in a joint venture, goodwill and other assets.

### 5. REVENUE

	For the three months ended 30 June		For the six months ended 30 June	
	2018	2017	2018	2017
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
TV and Internet programme	32,755	45,438	33,940	49,681
Artists management	662	446	1,009	446
Others	—	—	—	6
	33,417	45,884	34,949	50,133

## 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	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Other income				
Bank interest income	264	502	733	1,204
Imputed interest income on convertible notes receivable	—	122	—	242
Consultancy service income	—	—	2,438	—
Rental income	341	—	794	—
Others	197	15	197	15
	802	639	4,162	1,461
Gains				
Gain on disposal of an associate	—	790	—	790
Others	131	43	264	43
	131	833	264	833
	933	1,472	4,426	2,294

### 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	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	3,290	869	6,584	1,690
Amortisation of other assets	288	49	576	49
Loss on disposal of items of property, plant and equipment	—	531	—	531
Operating lease rentals in respect of office premises	2,190	2,221	4,468	4,467
Exchange (gain)/loss, net	(165)	202	(38)	569
Staff costs including directors' remuneration				
— Salaries and allowance	7,524	10,232	16,067	22,836
— Pension scheme contributions	738	806	1,508	1,953
— Share-based payment expenses	—	2,667	—	5,481
	8,262	13,705	17,575	30,270

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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 2017: 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 2017: 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 2018 of approximately HK\$78,108,000 (for the three months ended 30 June 2017: HK\$14,053,000) and loss attributable to ordinary equity holders of the parent for the six months ended 30 June 2018 of approximately HK\$95,536,000 (for the six months ended 30 June 2017: HK\$45,018,000) and weighted average of 4,209,130,000 ordinary shares in issue during the three months ended 30 June 2018 (for the three months ended 30 June 2017: 4,209,130,000 ordinary shares) and the weighted average of 4,209,130,000 ordinary shares in issue during the six months ended 30 June 2018 (for the six months ended 30 June 2017: 4,062,765,000 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 2018, 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. 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 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 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
Within 3 months	19,134	38
	19,134	38



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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 2018, 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 2018 (30 June 2017: 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 2018  (Unaudited) HK\$'000	At 31 December 2017  (Audited) HK\$'000
Over 1 year	2,943	2,981
	<b>2,943</b>	<b>2,981</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 13. SHARE CAPITAL

	At 30 June 2018		At 31 December 2017	
	Number of shares	Share capital	Number of shares	Share capital
	(Unaudited) '000	(Unaudited) HK\$'000	(Audited) '000	(Audited) HK\$'000
<b>Ordinary shares of HK\$0.01 each</b>				
<b>Issued and fully paid:</b>				
At the beginning of the reporting period/year	4,209,130	42,090	2,814,801	28,147
Conversion into ordinary shares (Note i)	—	—	1,394,329	13,943
At the end of the reporting period/year	4,209,130	42,090	4,209,130	42,090
<b>Preferred shares of HK\$0.01 each</b>				
<b>Issued and fully paid:</b>				
At the beginning of the reporting period/year	—	—	1,324,613	13,246
Conversion into ordinary shares (Note i)	—	—	(1,324,613)	(13,246)
At the end of the reporting period/year	—	—	—	—

Note:

- (i) 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 at HK\$0.19 per share.

### 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 2018 and 31 December 2017.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 15. COMMITMENTS

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

	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
Property, plant and equipment	2,493	2,614
Film rights and films and TV programs under production	89,366	93,405
	91,859	96,019

### 16. 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 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
Within one year	6,137	6,322
In the second to fifth years, inclusive	7,146	396
	13,283	6,718

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 17. MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS

#### (i) Compensation of key management personnel

	Six months ended 30 June	
	2018	2017
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Salaries and allowances	1,722	3,407
Pension scheme contributions	50	52
Share based payment expenses	—	5,446
	1,772	8,905

#### (ii) Transactions with related parties

		Six months ended 30 June	
		2018	2017
	Notes	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Other related parties:			
Service income	(i)	2,438	—
Service fee	(ii)	—	8,253

#### Notes:

- (i) The transactions were carried out in accordance with terms and conditions mutually agreed by the parties involved.
- (ii) The transactions were purchases of services including production and promotion of movies, TV dramas and programmes from and providing loans to a company whose controlling shareholder is Ms. Shang Na, the Group's Vice President, pursuant to the Master Services Agreement. The services provided by the related company shall be charged on a cost basis. The Group received services of Nil (2017: HK\$8,253,000) from the related company for the six months ended 30 June 2018. Details of the Master Services Agreement are set out in the Company's announcement dated 21 December 2015.

On 9 February 2018, Ms. Shang Na and the Company had mutually agreed to terminate the Deed and the Master Services Agreement and Ms. Shang Na resigned from all positions from the JV company and the Group.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (for the six months ended 30 June 2017: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

The revenue of the Group was approximately HK\$34,949,000 for the six months ended 30 June 2018 (for the six months ended 30 June 2017: HK\$50,133,000), representing a decrease of 30.3% as compared with the corresponding period last year. The decrease was mainly due to the decrease in revenue from the Group's movies, TV programmes and internet content business. The Group's revenue is derived from the following segments:

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

During the period under review, the revenue contributed by such segment was approximately HK\$33,940,000 (for the six months ended 30 June 2017: HK\$49,687,000), representing the licensing income from an internet movie named 《少女茯苓》, an internet TV drama named 《我才不會被女孩子欺負呢》 and TV drama named “She is Beautiful” (《她很漂亮》).

#### *Artists Management*

During the period under review, the revenue contributed by such segment was approximately HK\$1,009,000 (for the six months ended 30 June 2017: HK\$446,000).

Cost of sales for the six months ended 30 June 2018 increased to approximately HK\$88,417,000 (for the six months ended 30 June 2017: HK\$52,596,000), which was mainly attributable to the cost of films and TV and Internet programmes of approximately HK\$87,330,000 (for the six months ended 30 June 2017: HK\$52,203,000). Administrative expenses were mainly staff costs, operating leases and other general administrative expenses of the Group incurred during the period under review. Administrative expenses increased to approximately HK\$42,819,000 from approximately HK\$37,559,000 in the prior period as a result of the depreciation expense charged in the current period in which the relevant properties were in use since the second half of 2017. Selling and distribution expenses increased to approximately HK\$3,185,000 from approximately HK\$252,000 in the prior period due to the marketing and distribution expenses of TV drama launched during the period.

Loss for the period attributable to owners of the parent was approximately HK\$95,536,000 (for the six months ended 30 June 2017: HK\$45,018,000) which was mainly attributable to the loss of approximately HK\$58,910,000 suffered from a TV drama “She is Beautiful” (《她很漂亮》) recently released in the second quarter.

## BUSINESS REVIEW

### Movies, TV Programmes and Internet Contents

The Group has been proactive in teaming up with talented creative teams as well as powerful and affluent media companies in the TV/movies industry for its investments 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 internet TV dramas, internet movies, thus building Lajin Entertainment's internet media ecosystem.

As disclosed in our first quarterly report, the previously completed TV drama "She is Beautiful" (《她很漂亮》) has been released on 30 April 2018 via Mango TV, which has also been broadcasted on 16 June 2018 on Shenzhen satellite TV during prime airtime but the ratings were not as much as expected. Another high school themed internet TV drama "I am so Not Going to be Bullied by Girls"\* (《我才不會被女孩子欺負呢》) had been broadcasted exclusively on Youku.com (優酷網) during April 2018 and achieved tremendous success. This drama has recorded a total internet hit rate of over 1.2 billion.

Other than the project updates as disclosed in our first quarterly report, the Company's investment "The Legend of Zu" (《蜀山降魔傳》), which is directed by Zhu Ling Fung (朱凌鋒) and stars Ron Ng (吳卓羲), Li Xi Zi (李熹子), Zhao Shan Shan (趙閃閃) and Leanne Li (李亞男), will also be premiered on 5 August on the video streaming platform "iQIYI" (愛奇藝). This internet movie depicts the conflicts between two opposing forces of gods and demons of the Zu mountain lasting over 500 years since the beginning of time. This movie's broadcasting rights were sold to over 20 countries during the promotion and marketing in the Festival de Cannes. It has proven a strong international appetite exists for such traditional Chinese celestial heroes themed TV/movies productions in the foreign market. In addition, "Europe Raiders" (《歐洲攻略》), a movie invested by the Company and directed by the Hong Kong famous director Jingle Ma Cho Shing (馬楚城), will be premiered on 17 August 2018 in Mainland China. This movie is the third sequel of the "Raiders" series in which Tony Leung Chiu Wai (梁朝偉), Kris Wu Yifan (吳亦凡), Tiffany Tang Yan (唐嫣) and Du Juan (杜鵑) co-starred.

\* for illustration purpose only

The Group is the lead investor and producer in the following key projects, including but not limited to:

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

The Group has further strengthened the syndicate for the investment and production of “Legend of the Galactic Heroes” (《銀河英雄傳説》). The project is based on the famous novel written by the distinguished Japanese novelist Tanaka Yoshiki and the preparation of the internet TV drama series and theatrical movies is in progress.

**“The Tibet Code” (《藏地密碼》)**

The Group has confirmed to work with some top-tier partners such as Tencent Pictures for the production of the movie series to bring the best-selling fiction “The Tibet Code” (《藏地密碼》) to life. The Group is currently in the process of finalizing the relevant investment agreements and expected to commence shooting in 2019.

The above big-budget projects are the main focus of our investments in the coming 2-3 years which will receive the Group’s full support and plan to release or distribute in and after 2020.

Furthermore, the previously invested projects like “the Dynasty Warriors” (《真・三國無雙》), “Fagara in Mara” (《花椒之味》), “Theory of Ambition” (《風再起時》), “Ori Princess, the elf is coming” \* (《甜心格格之精靈來了》), “If You Are Happy” (《學區房83弄》) and “In Winter” (《藍色列車》) are either under post-production or scheduled for release and expected to be screened in late 2018 or 2019.

\* for illustration purpose only

## 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 or invested by the Group. On the other hand, the Group has developed a new 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. He has published 7 singles and performed in 9 movies/TV since his debut two years ago. The first single of Chen Xinzhe “I Miss You Again” (我又想你了), which recorded over 50,000 comments in the NetEase Cloud Music (網易雲音樂) music platform 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 debut movie “Exorcism Master”\* (《鎮魂法師》) has recorded over 60 million click-rates within 3 months after the exclusive release in Youku. This result has broken many industry records of internet movie production and captured the first championship of profit-sharing in the industry which has become a milestone production in the development of internet movie production. Chen Xinzhe is also the first artist who marked 60 million click-rates in the internet movie industry.

Although Chen Xinzhe has started his career for only a short period of two years, he has already starred in nine TV/movie productions, seven of which will be released in the second half of 2018. He will star in the internet movie “White-Skeleton Demon: The Birth of Monster”\* (《白骨精之魔王的誕生》) produced by Lajin Pictures, and will participate in the theatrical movie (《非同凡響》) and the internet movie Exorcism Master II\* (《鎮魂法師 2》).

We will strive to secure more commercial advertisement jobs for our artists and leverage on the facilities available in our Lajin Base to provide them with necessary trainings and shooting/production environment, enabling these future stars to shine.

\* for illustration purpose only



## Music

The Group has put enormous effort in building the Huo Miao Original Music Service Platform (“Huo Miao”). Huo Miao is an incubation project focused on the creation of original music which aims to help musicians to get rewarded and realize their value through restructuring the mechanism for profit sharing, and in turn stimulates the creativity of musicians in order to nurture more new artists to produce in the music industry. Huo Miao is committed to building the biggest new ecosystem of original music in China.

The musician team of Huo Miao is continuously expanding with young song producers, composers, lyricists and arrangers and has augmented the copyright of a large number of high quality original music compositions, covering a variety of mainstream and non-mainstream music in styles of pop, rock, classical, folk, electronic, rap, etc.

Huo Miao has developed a relatively comprehensive music promotion and distribution network and commenced copyright operation in full swing: Huo Miao collaborated with various domestic music platforms, such as QQ Music, NetEase Cloud Music, KuGou Music, Kuwo Music and TT Music (formerly known as Baidu Music). Besides, it established strategic partnerships with nearly 100 radio stations and internet radio channels in China. The mobile platforms developed by Huo Miao: mini program on Weixin and the exclusive APP will also be launched by the end of the year.

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

Coming up, we will increase marketing effort to promote and publicize the Huo Miao platform with an aim to gain publicity. We firmly believe in the originality of music and such brand new concept of tailor-made music production will prosper in the future.

## 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 various facilities and functionalities, including top-tier recording studios, dance studios, band rooms, styling salons, theatres, live broadcasting facilities, intelligent programmes productions, talents development, media post-productions and copyrights management, providing the youngsters with dreams with a comprehensive system of incubation and nurturing and offering them solid opportunities to practice in the TV/movies and music fields.

The Base’s first ever production model for the internet entertainment content and the self-developed interactive live broadcasting control system possess complete intellectual property rights which attains an absolutely leading level in the industry. The Base supplies both front stage and backstage talents for the domestic movie, television, music and performing arts industries. It also produces high-quality cultural and entertainment content of positive energy and values for the market.

The Base is going to launch training camps for professional talents of TV/ Movies, television and music. In parallel to supporting the various business functions of the Group, the Base has signed the joint production agreement with several production houses in relation to the provision of the Base’s venue and facilities and the advanced programmes productions technology for the production of some specific variety shows, for example “Chao Yin Zhan Ji” (《潮音戰紀》), a variety show produced by Tencent Video (騰訊視頻). The Group will continue to promote the Base’s competitive edge and will strive to secure cooperation of similar nature to enhance a stable source of income, as well as to ensure the maximum utilization of our facilities.

## Other Investments

During the period, other investment projects include equity investments in companies which are principally engaged in e-commerce focusing on the development of brand names of individual celebrities or internet celebrities; and a new media company which integrates research, production and distribution of online new media contents.

## EVENT AFTER THE REPORTING PERIOD

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

## **TERMINATION OF THE DEED AND THE MASTER SERVICES AGREEMENT WITH MS. SHANG**

Reference is made to the voluntary announcement dated 9 February 2018 and the circular of the Company dated 23 December 2015, capitalized terms used herein shall have the same meaning as defined in the above mentioned documents. The management had reviewed the latest development of the business of the JV Company (the cooperation arrangement with Ms. Shang) and had also discussed its prospect with Ms. Shang. As it was not expected that the profit of the JV Company could reach at least RMB50 million, it was considered that neither the Shang Put Option could be, nor the Company Call Option would be exercised before the expiry of such options. Therefore, Ms. Shang and the Company had mutually agreed to terminate the Deed and the Master Services Agreement and Ms. Shang resigned from all position from the JV Company and the Group ("Termination"). The Termination gave the market a clear message that no Consideration Shares would be issued in the future. Accordingly the recognised share-based payment expenses was reversed, giving rise to a credit to the profit and loss account. As the Deed was terminated, the JV Partner had agreed to dispose of its 49% of the JV Company for a consideration of HK\$1 to Lajin. The Shareholders' Agreement ceased to have effect accordingly.

## **LIQUIDITY AND FINANCIAL RESOURCES**

At 30 June 2018, the Group had total assets of approximately HK\$877,265,000 (31 December 2017: HK\$975,352,000), including cash and cash equivalents of approximately HK\$214,163,000 (31 December 2017: HK\$298,481,000). 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.

## **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 10.3% (31 December 2017: 8.3%). The change in gearing ratio was mainly derived from the increase of current liabilities in other payables and accruals from approximately HK\$71,791,000 to HK\$78,953,000 as compared with that in prior year. At the same time, the increase of trade receivables from HK\$38,000 to HK\$19,134,000, investments in associates from HK\$46,432,000 to HK\$53,087,000, repayments, deposits and other receivables from HK\$130,061,000 to HK\$137,915,000 and the decrease of film rights and films and TV programs under production from HK\$299,973,000 to HK\$258,484,000, also provide the contributed the change in the Company's gearing ratio.

## **CHARGE ON THE GROUP'S ASSETS**

At 30 June 2018, 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 2018, the Group had capital commitments of approximately HK\$91,859,000 (31 December 2017: HK\$96,019,000).

## **CONTINGENT LIABILITIES**

At 30 June 2018, the Group had no material contingent liabilities (31 December 2017: Nil).

## EMPLOYEES

At 30 June 2018, the Group had 146 employees, including approximately 139 employees in PRC and 7 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 2018.

## 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 2018 which have been granted to directors or chief executives under the Share Option Scheme are as follows:

	Option type	Outstanding as at 1 January 2018	Granted	Exercised	Lapsed	Outstanding as at 30 June 2018
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	19,000,000	—	—	—	19,000,000
	2016A	15,000,000	—	—	—	15,000,000
<b>Total options outstanding</b>		<b>59,000,000</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>59,000,000</b>
Exercisable at the end of the reporting period at HK\$1.088 each						
Weighted average exercise price		HK\$1.088	—	—	—	HK\$1.088

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
2016A	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, lapsed or cancelled under the Share Option Scheme. There are a total of 59,000,000 options outstanding as at 30 June 2018.

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 2018 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 2018, 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	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 2018, 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 2018, 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	0.19%
Mr. Chan Kam Kwan Jason	Beneficial owner	—	12,000,000	0.29%
Mr. Zhou Ya Fei	Beneficial owner	—	1,000,000	0.02%
Mr. Zou Xiao Chun	Beneficial owner	—	1,000,000	0.02%
Mr. Ng Wai Hung	Beneficial owner	—	1,000,000	0.02%
Mr. Lam Cheung Shing Richard	Beneficial owner	—	1,000,000	0.02%
Mr. Wang Ju	Beneficial owner	—	1,000,000	0.02%

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 2018.

## **COMPETING INTEREST**

At 30 June 2018, 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 2018, 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 been appointed as a non-executive director of Coolpad Group Limited (Stock Code: 2369) since January 2018.

## **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 2018, 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 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 2018, 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 2018 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 2018

*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.*