



2019

Interim Report

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

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

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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 2019, together with the comparative unaudited figures for the corresponding periods in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and six months ended 30 June 2019

	Notes	For the three months ended		For the six months ended	
		30 June 2019	30 June 2018	30 June 2019	30 June 2018
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	5	20,358	33,417	22,693	34,949
Cost of sales		(11,062)	(86,805)	(13,148)	(88,417)
Gross profit/(loss)		9,296	(53,388)	9,545	(53,468)
Other income and gains/(loss)	6	(1,772)	933	(1,363)	4,426
Selling and distribution expenses		(50)	(2,793)	(87)	(3,185)
Administrative expenses		(11,488)	(23,801)	(24,427)	(42,819)
Finance costs		(54)	—	(108)	—
Share of profits and losses of:					
Associates		(210)	(497)	(340)	(1,712)
A joint venture		(1,909)	1,230	(2,141)	722
Loss before tax	7	(6,187)	(78,316)	(18,921)	(96,036)
Income tax expense	8	—	—	—	—
Loss for the period		(6,187)	(78,316)	(18,921)	(96,036)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and six months ended 30 June 2019

	Note	For the three months ended		For the six months ended	
		30 June 2019 (Unaudited) HK\$'000	30 June 2018 (Unaudited) HK\$'000	30 June 2019 (Unaudited) HK\$'000	30 June 2018 (Unaudited) HK\$'000
OTHER COMPREHENSIVE INCOME/(LOSS):					
<i>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:</i>					
Exchange differences on translation of foreign operations		(12,467)	(32,838)	(73)	(9,133)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		(12,467)	(32,838)	(73)	(9,133)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(18,654)	(111,154)	(18,994)	(105,169)
Loss for the period attributable to:					
Owners of the parent		(6,039)	(78,108)	(18,661)	(95,536)
Non-controlling interests		(148)	(208)	(260)	(500)
		(6,187)	(78,316)	(18,921)	(96,036)
Total comprehensive loss for the period attributable to:					
Owners of the parent		(18,542)	(110,986)	(18,737)	(104,691)
Non-controlling interests		(112)	(168)	(257)	(478)
		(18,654)	(111,154)	(18,994)	(105,169)
Loss per share attributable to ordinary equity holders of the parent					
— Basic and diluted	9	HK(0.14) cents	HK(1.86) cents	HK(0.44) cents	HK(2.27) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

		At 30 June 2019	At 31 December 2018
	Notes	(Unaudited) HK\$'000	(Audited) HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		117,198	118,784
Financial assets at fair value through profit or loss		6,512	6,512
Investments in associates		40,534	40,878
Investment in a joint venture		—	17,031
Equity investment of designated fair value through other comprehensive income		12,388	12,393
Goodwill		4,624	4,626
Other non-current assets		6,170	6,711
Total non-current assets		187,426	206,935
Current assets			
Trade receivables	10	4,247	2,379
Film rights and films and TV programmes under production	11	163,158	169,144
Investment in film		20,284	4,554
Amount due from related companies		2,058	2,059
Prepayments, deposits and other receivables		139,035	135,324
Cash and cash equivalents		155,509	180,393
Total current assets		484,291	493,853

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

	Notes	At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
LIABILITIES			
Current liabilities			
Trade payables	12	2,826	2,827
Other payables and accruals		62,843	76,563
Total current liabilities		65,669	79,390
Net current assets		418,622	414,463
Total assets less current liabilities		606,048	621,398
Non current liabilities			
Deferred tax liabilities		744	744
Lease liabilities		3,644	—
Total non-current liabilities		4,388	744
Net assets		601,660	620,654
EQUITY			
Share capital	13	42,090	42,090
Reserves		559,997	578,734
Equity attributable to owners of the parent		602,087	620,824
Non-controlling interests		(427)	(170)
Total equity		601,660	620,654

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the parent										
	Share capital – Ordinary shares	Share premium	Fair value reserve	Share-based payment reserve	Contributed surplus	Other reserve	Exchange reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2017	42,090	1,138,909	—	21,024	28,294	14,476	2,462	(347,841)	899,414	257	899,671
Effect of adoption of HKFRS 9	—	—	68	—	—	—	—	804	872	—	872
At 1 January 2018 (restated)	42,090	1,138,909	68	21,024	28,294	14,476	2,462	(347,037)	900,286	257	900,543
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)
At 30 June 2018 (Unaudited)	42,090	1,138,909	68	21,024	28,294	14,476	(6,693)	(442,573)	795,595	(221)	795,374
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)	42,090	1,138,909*	(11,267)*	—	28,294*	6,174*	(28,980)*	(573,133)*	602,087	(427)	601,660

* These reserve accounts comprise the total consolidated other reserves of HK\$559,997,000 as at 30 June 2019 (31 December 2018: HK\$578,734,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Net cash flows used in operating activities		(13,138)	(71,990)
Cash flows from investing activities			
Investment in an associate		—	(8,851)
Purchases of items of property, plant and equipment		(112)	(2,364)
Investment in film		(15,733)	(244)
Acquisition of a subsidiary	16	4,143	—
Net cash flows used in investing activities		(11,702)	(11,459)
Net decrease in cash and cash equivalents		(24,840)	(83,449)
Cash and cash equivalents at the beginning of the reporting period		178,048	296,141
Effect of foreign exchange rate changes, net		(51)	(868)
Cash and cash equivalents at the end of the reporting period		153,157	211,824
Analysis of balances of cash and cash equivalents			
Cash and banks balances		112,485	156,516
Non-pledged time deposits with original maturity of less than three months		40,672	55,308
Cash and cash equivalents as stated in the statement of cash flows		153,157	211,824

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 2019 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 2018. 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”)

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 9	Payments Features with Negative Compensation
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

This note explains the impact of the adoption of HKFRS 16 “Leases” (“HKFRS 16”) on the Group’s financial information and the new accounting policies that have been applied from 1 January 2019, where they are different to those applied in prior periods.

The Group has adopted HKFRS 16 from 1 January 2019 by modified retrospective approach, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

(a) *Adjustments recognised on adoption of HKFRS 16*

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.5%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(a) Adjustments recognised on adoption of HKFRS 16 (Continued)

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) 4 Determining whether an Arrangement contains a Lease.

As a lessee, the Group’s leases are mainly rentals of offices. The right-of-use assets were measured at the amount equal to the lease liability and there were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

	At 31 December 2018 (As originally presented) HK’000	HKFRS 16 HK’000	Restated as at 1 January 2019 HK’000
Non-current assets			
Property, plant and equipment	118,784	5,969	124,753
Liabilities			
Other payables and accruals	76,563	5,969	82,532

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(b) *The Group’s leasing activities and how these are accounted for*

The Group’s leases are mainly rentals of offices. Rental contract is made for a period of 5 years. The lease agreement does not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of office were classified as operating leases and the payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments: fixed payments (including in-substance fixed payments) and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(b) *The Group’s leasing activities and how these are accounted for (Continued)*

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Except for the application of HKFRS 16, the application of other new and amendments to HKFRSs in the current period has held no material impact on the Group’s financial performance and positions for the current and prior periods and/or disclosures set out in these condensed consolidated 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.

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		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	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Segment revenue						
Revenue to external customers	692	1,009	22,001	33,940	22,693	34,949
Segment results	(1,605)	(3,357)	(12,605)	(79,711)	(14,210)	(83,068)
Reconciliation:						
Unallocated other income					594	1,320
Corporate and other unallocated expenses					(2,824)	(13,298)
Share of profit/(loss) of a joint venture					(2,141)	722
Share of losses of associates					(340)	(1,712)
Loss before tax					(18,921)	(96,036)
Income tax expense					—	—
Loss for the period					(18,921)	(96,036)

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	
	2019	2018	2019	2018	2019	2018	2019	2018
	(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	22,693	34,676	—	—	22,693	34,949
	At 30 June 2019	At 31 December 2018	At 30 June 2019	At 31 December 2018	At 30 June 2019	At 31 December 2018	At 30 June 2019	At 31 December 2018
	(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	—	—	140,317	158,948	28,209	29,082	168,526	188,030

* 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	
	2019	2018	2019	2018
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Sales of film rights	19,970	—	21,885	—
TV and Internet programme	—	32,755	—	33,940
Artists management	279	662	692	1,009
Others	109	—	116	—
	20,358	33,417	22,693	34,949

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. OTHER INCOME AND GAINS/(LOSS)

	For the three months ended 30 June		For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Other income				
Bank interest income	101	264	255	733
Consultancy service income	—	—	27	2,438
Rental income	225	341	453	794
Others	—	197	—	197
	326	802	735	4,162
Gains/(loss)				
Gain on acquisition of a subsidiary	3,558	—	3,558	—
Loss on previously held equity interest remeasured at acquisition-date fair value	(5,656)	—	(5,656)	—
Others	—	131	—	264
	(2,098)	131	(2,098)	264
	(1,772)	933	(1,363)	4,426

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	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	3,864	3,290	7,603	6,584
Amortisation of other assets	289	288	581	576
Loss on disposal of items of property, plant and equipment	—	—	—	—
Operating lease rentals in respect of office premises	—	2,190	—	4,468
Exchange (gain)/loss, net	(13)	(165)	(13)	(38)
Staff costs including directors' remuneration				
— Salaries and allowance	3,216	7,524	8,280	16,067
— Pension scheme contributions	321	738	815	1,508
— Share-based payment expenses	—	—	—	—
	3,537	8,262	9,095	17,575

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 2018: 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 2018: 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 2019 of approximately HK\$6,039,000 (for the three months ended 30 June 2018: HK\$78,108,000) and loss attributable to ordinary equity holders of the parent for the six months ended 30 June 2019 of approximately HK\$18,661,000 (for the six months ended 30 June 2018: HK\$95,536,000) and weighted average of 4,209,130,000 ordinary shares in issue during the three months ended 30 June 2019 (for the three months ended 30 June 2018: 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 2019 (for the six months ended 30 June 2018: 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 2019, 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 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 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
Within 6 months	1,868	2,379
1 year	2,379	—
	4,247	2,379

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 2019, 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 2019 (30 June 2018: 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 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
Over 1 year	2,826	2,827
	2,826	2,827

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. SHARE CAPITAL

	At 30 June 2019		At 31 December 2018	
	Number of shares	Share capital	Number of shares	Share capital
	(Unaudited) '000	(Unaudited) HK\$'000	(Audited) '000	(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	4,209,130	42,090	4,209,130	42,090
Preferred shares of HK\$0.01 each				
Issued and fully paid:				
At the beginning of the reporting period/year	—	—	—	—
Conversion into ordinary shares (Note i)	—	—	—	—
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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 2019 and 31 December 2018.

15. COMMITMENTS

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

	At 30 June 2019	At 31 December 2018
	(Unaudited) HK\$'000	(Audited) HK\$'000
Property, plant and equipment	1,914	2,073
Film rights and films and TV programmes under production	50,154	65,957
	52,068	68,030

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. ACQUISITION OF A SUBSIDIARY

On 21 May 2019, Beijing Lajin Hu Yu Wen Hua Chuan Mei Company Limited (“Lajin Hu Yu”), an indirect wholly-owned subsidiary of the Company, has entered into the Sale and Purchase Agreements with a number of vendors, in relation to the acquisition of additional 49% of the registered share capital in Beijing Da Zao Wan Ji Ying Shi Chuan Mei Company Limited (“Da Zao Wan Ji”) for a nominal consideration of RMB1. The purpose of the acquisition is to provide a synergy to the existing businesses of the Group. All the conditions precedent were fulfilled on 21 May 2019 and accordingly, the acquisition was completed and control over Da Zao Wan Ji was passed to the Group on the same date.

Upon completion of the acquisition, Da Zao Wan Ji has become a 100% owned subsidiary of the Lajin Hu Yu.

The fair values of the identifiable assets of Da Zao Wan Ji as at date of acquisition were as follows:

	Note	Fair value recognised on acquisition HK\$'000
Property, plant and equipment	(a)	25
Other intangible assets	(a)	33
Copy rights		2,572
Prepayments, deposits and other receivables		590
Cash and Cash equivalents		4,143
Other payables and accrual		(104)
		<hr/>
Total identified net assets at fair value		7,259
Gain arising on acquisition		(3,558)
		<hr/>
		3,701
		<hr/>
Satisfied by:		
Consideration payables, repayable on demand	(b)	—
Fair values of previously held equity interests		3,701
		<hr/>
		3,701
		<hr/>
Net cash outflow/(inflow) on acquisition:		
Cash consideration paid		—
Less: cash and cash equivalents		(4,143)
		<hr/>
		(4,143)
		<hr/>

(a) The fair values of these items were provisionally determined as the valuation was incomplete as at 30 June 2019.

(b) According to the Sales and Purchase Agreements, the outstanding consideration payable is RMB1.

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	
	2019	2018
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Salaries and allowances	1,863	1,722
Pension scheme contributions	116	50
Share based payment expenses	—	—
	1,979	1,772

(ii) Transactions with related parties

	Notes	Six months ended 30 June	
		2019	2018
		(Unaudited) HK\$'000	(Unaudited) HK\$'000
Other related parties:			
Service income	(i)	—	2,438

Notes:

- (i) The transactions were carried out in accordance with terms and conditions mutually agreed by the parties involved.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The revenue of the Group was approximately HK\$22,693,000 for the six months ended 30 June 2019 (2018: HK\$34,949,000), representing a decrease of 35.1% as compared with that for the six months ended 30 June 2018. 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\$22,001,000 (2018: HK\$33,940,000), representing the sales income from film rights.

Artists Management

During the period under review, the revenue contributed by such segment was approximately HK\$692,000 (2018: HK\$1,009,000).

Cost of sales for the six months ended 30 June 2019 decreased to approximately HK\$13,148,000 (2018: HK\$88,417,000), which was mainly attributable to a high-cost TV drama was accounted last year. 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\$24,427,000 from approximately HK\$42,819,000 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\$9,095,000 (2018: HK\$17,575,000).

Loss for the period attributable to owners of the parent was approximately HK\$18,661,000 (2018: HK\$95,536,000). The reduction in loss was primarily due to a TV drama with material loss credited in the same period of last year and 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 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 of 31 December 2018, the management reviewed the status of each project and decided to make impairments for seven projects which were considered doubtful and unlikely for further development. Uncertainties or difficulties surrounding these projects include i) the lack of progress in the sales of distribution rights of a TV drama as a result of scandals of some cast members in the drama; ii) the difficulties in developing or sales of some Korea IPs for policies allegedly imposed; iii) the cessation in continuing to develop some projects due to careful business consideration. Due to the dynamic nature of the entertainment business, the abovementioned hiccups may just be temporary and the management may revive them when suitable business opportunities arise.

With the rapid development of video streaming websites and internet movies in the Mainland China, the Group will continue to increase its investment in internet movies in 2019. Given the success of the internet-movie projects in 2018, the Group invested in a series of projects of larger scale and investment including "Hey! Tiny Bone" (《嘿！小骨頭》), "The Legend of Zu 2" (《蜀山降魔傳 2》), "Swordsmanship and Immortality Cultivation" (《天劍修仙傳》), "Yan Chixia" (《燕赤霞》), "The Strongest Iron Mr. Nanny" (《最強鐵血奶爸》) and "Legend of Lu Bu" (《呂布傳》) in pursuit of "blockbuster" projects to generate considerable profit contributions to the Group. In addition to internet movies, the Group also invested in theatrical films "Pegasus" (《飛馳人生》), "The Home Front" (《破陣子》), Farewell U (《再見少年》) and "Daily Fantasy" (《日常幻想指南》). "Pegasus" (《飛馳人生》) was released during the Lunar New Year period and recorded a satisfactory box office in the Mainland China.

The Group is the lead investor and producer in the following key projects, including but not limited 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, and has adapted 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》). At this stage “Faithful Dog Hachiko” (《忠犬八公》) has gained a very positive response either in financing or seeking cooperative teams. The Group is proactively identifying suitable leading actor and training dogs for filming after the completion of preparative works at early stage.

“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 bestselling 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 “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 looking for a director for this film series.

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

The project is based on the famous novel written by the distinguished Japanese novelist Tanaka Yoshiki. The Group has entered into a cooperation agreement with “Linghe Media” for the development of TV drama under this super IP which has extensive experience in producing “super dramas”, in which Bai Yicong, a key person of this company has a nickname of “Internet Dramas No. One”. The last Chinese New Year holiday 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 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 or after 2020.

Furthermore, the previously invested cinematic projects 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》) and “In Winter” (《藍色列車》) 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》) have been confirmed to be released during this year.

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 (陳信誥) 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 8 singles as well as 4 theme songs for movies/TV and performed in 16 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 above 60 million click-rates in the internet movie industry. The movie “Exorcism Master2” (《鎮魂法師2》) in which he is the leading actor has finished shooting. In addition, “The Evil Thief’s White Bone Clothes” (《魔盜白骨衣》), an Internet drama produced by Youku, and the satellite TV series “Crazy Troupe” (《瘋狂劇團》) will both be released in 2019 in succession. His recent activity is in July 2019, he was invited to take part in an event hosted by Mango TV in which he closely interacted with fans and gained vast popularity on the spot. 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.

* for illustration purpose only

In addition, Lajin's artists Xu Junjie (徐俊傑) has shot the "The Next Top Bang" (《中國夢之聲·下一站傳奇》), a key programme of Dragon Television. The show is a "large-scale variety competition show featuring dancing and singing for youth talents", with Chan Waiting (陳偉霆), Tang Tszkei (鄧紫棋), Wu Haiquan (胡海泉), Zhou Bichang (周筆暢), Song Qian (宋茜) and Kris Wu (吳亦凡) being the initial artists for the show. Moreover, our artist Xu Junjie (徐俊傑) took part in "Avenue of Stars" (《星光大道》), a largescale variety show held by CCTV, on 7 March 2019 and gave outstanding performance in the four rounds of competition to become the champion of the week. He won the first runner-up of the monthly competition held on 11 April for his remarkable singing performance. In addition, our artist Ye Zicheng (葉子誠) participated in the theatrical movie "Twentys" (《二十歲》) invested by Lajin and in the TV drama "Leverage" (《槓桿》) and Zhang Linyue (張琳悅) participated in the internet movies "The Legend of Zu" (《蜀山降魔傳》) and "The Legend of Zu 2" (《蜀山降魔傳2》). Both of them demonstrated remarkable performance.

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.

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 dissemination 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 issuance 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 with its music creation, 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.

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 postproductions and copyrights 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.

Lajin 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 has discussed cooperation 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. In addition, the Base also cooperated with various platforms, such as providing venues and professional services to artist management companies for nurturing artist and “internet celebrity” anchor.

The Group will continue to promote the Base’s competitive edge and strive to secure cooperation of similar nature so as to deepen the cooperative relationship with the leading streaming platforms in the industry through quality content production in forms of livestreaming, short videos, music, artists and variety entertainment, to increase the stable income stream, as well as to ensure the maximum utilization of our facilities. The management will regularly evaluate the utilization and positioning of the Base and formulate the best strategy for its deployment, together with optimizing the operational model and human resources management for the Base in order to maximize the return for the Company and its shareholders.

Other Investments

During the period, other investment projects of the Group 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.

LIQUIDITY AND FINANCIAL RESOURCES

At 30 June 2019, the Group had total assets of approximately HK\$671,717,000 (31 December 2018: HK\$700,788,000), including cash and cash equivalents of approximately HK\$155,509,000 (31 December 2018: HK\$180,393,000). 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 11.5% (31 December 2018: 12.8%). The change in gearing ratio was mainly derived from the decrease of current liabilities in other payables and accruals from approximately HK\$76,563,000 to HK\$62,843,000 as compared with that in prior year.

CHARGE ON THE GROUP'S ASSETS

At 30 June 2019, 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 arise.

COMMITMENTS

At 30 June 2019, the Group had capital commitments of approximately HK\$52,068,000 (31 December 2018: HK\$68,030,000).

CONTINGENT LIABILITIES

At 30 June 2019, the Group had no material contingent liabilities (31 December 2018: Nil).

EMPLOYEES

At 30 June 2019, the Group had 51 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 2019.

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 2019 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 2019
Other employees	2016A	15,000,000	—	—	(15,000,000)	—
Total options outstanding		15,000,000	—	—	(15,000,000)	—

Details of the specific categories of options are as follows:

Option type	Date of grant	Vesting period	Exercise period	Exercise price
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 under the Share Option Scheme and the total of 15,000,000 options under the Share Option Scheme have been lapsed. No option has been outstanding as at 30 June 2019.

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 Scheme and employee award plan, at no time during the six months ended 30 June 2019 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 2019, 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 2019, 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 2019.

COMPETING INTEREST

At 30 June 2019, 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 2019, 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 an independent non-executive director of Winshine Science Company Limited (Stock Code: 209) on 21 May 2019.

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 2019, 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 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 2019, 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 2019 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 2019

As at the date of this report, 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.