拉近網娛集團有限公司

LAJIN ENTERTAINMENT NETWORK GROUP LIMITED

2025

ANNUAL REPORT 年報

CHARACTERISTICS OF 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.

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

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

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Colin Xu
Mr. Leung Wai Shun Wilson

NON-EXECUTIVE DIRECTORS

Mr. Zou Xiao Chun
Mr. Zhou Ya Fei
Mr. Li Xue Song
Ms. Wu Qian

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Wai Hung
Mr. Lam Cheung Shing, Richard
Mr. Wang Ju

COMPANY SECRETARY

Mr. Leung Wai Shun Wilson

AUDITOR

Rongcheng (Hong Kong) CPA Limited
Certified Public Accountants

REMUNERATION COMMITTEE

Mr. Lam Cheung Shing, Richard *(Committee Chairman)*
Mr. Zou Xiao Chun
Mr. Ng Wai Hung

NOMINATION COMMITTEE

Mr. Ng Wai Hung *(Committee Chairman)*
Mr. Lam Cheung Shing, Richard
Mr. Zhou Ya Fei

AUDIT COMMITTEE

Mr. Lam Cheung Shing, Richard *(Committee Chairman)*
Mr. Zhou Ya Fei
Mr. Ng Wai Hung

PRINCIPAL BANKER

China Everbright Bank
Hang Seng Bank Limited

SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301-04, 33/F
Two Chinachem Exchange
338 King's Road Square
North Point
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 3903A Far East Finance Centre,
16 Harcourt Road,
Admiralty, Hong Kong

CORPORATE WEBSITE

http://www.irasia.com/listco/hk/lajin/

GEM STOCK CODE

8172

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Movies, TV Programmes and Internet Contents

The year 2025 was a crucial year for the restructuring and high-quality development of China's film and television industry, which exhibited a differentiated development pattern characterized by steady growth in theatrical movies and explosive growth led by internet short plays. Internet movies have continued to decrease and have been replaced by the emerging format of internet feature films (i.e., feature films with each episode exceeding 60 minutes and consisting of no more than three episodes, such as parts I, II, and III, the core of which are high-quality miniseries). Among them, internet short plays performed particularly well. With a total industry chain output value of nearly RMB100 billion (including all-encompassing revenue from advertising, paid content, overseas distribution, and IP derivatives)[1] as disclosed by the National Radio and Television Administration, they have become the primary growth curve of the industry. Their market size has reached nearly twice that of the total national box office during the same period (RMB51.832 billion)[2], with a user base of nearly 700 million, accounting for almost 70% of the total number of internet users. This marks the official upgrade of internet short plays from a "traffic supplement" to a core growth engine of the film and television industry.

The Group has paid attention to this major trend change. In 2025, the Group continued to seek progress while maintaining stability, continuously seeking opportunities for distributing previous reserve again and actively promoting multi-round distribution, overseas distribution, and pre-sales through other new media channels for its historical projects, so as to strive for more profit. Among them, the suspense/action/adventure internet film "Tibetan Raiders" (《藏地奇兵》), first released in 2022, was re-released on CCTV6 Movie Channel and has been scheduled for broadcast. In terms of overseas distribution, the action/thriller/monster internet film "Detrimental" (《見怪》), first released in 2023, secured overseas distribution opportunities. The multi-round distribution of the above projects has effectively improved the capital recovery rate. Based on the explosive growth of China's internet short plays industry in 2025, and leveraging the favorable conditions of integrating its own film and television segment's core resources and strategic development plan, the Company is actively deploying its internet short plays content business. It will coordinate the Group's existing content production, promotion, and distribution resources to proactively explore new business formats, such as the production and distribution of internet short plays and the research and development of broadcasting platforms for them. This will help the Group seize first-mover advantages in the restructuring of the film and television industry landscape and enhance its core competitiveness and sustainable development capabilities.

1 Department of Online Audio-Visual Program Management, National Radio and Television Administration disclosed official data at the State Council's regular policy briefing on 6 February 2026

2 Data released by the China Film Administration on 1 January 2026

In terms of theatrical movies, the theatrical movie market for the full year of 2025 recovered under the influence of multiple factors, but also experienced a systemic and structural upheaval. According to data from Maoyan Pro and its "2025 China Film Market Data Insights" report, the total national box office in 2025 was RMB51.832 billion, representing a year-on-year increase of 22.0% as compared with RMB42.502 billion in 2024; the total number of audiences for the year was 1.238 billion, representing a year-on-year increase of 22.6% as compared with 1.01 billion in 2024. However, the data shows that the single film "Ne Zha 2" (《哪吒之魔童鬧海》) alone contributed nearly one-third of the total annual box office, and the number of audiences for the year was also heavily influenced by this single film, indicating an imbalanced market structure. The market's reliance on a very small number of top-tier projects has further deepened, with concentration at the top-tier films increasing, mid-tier films continuing to collapse, and polarization in genre and scale intensifying. Correspondingly, the per capita viewing frequency continued its downward trend, the proportion of young audiences continued to decline, and several large-scale commercial productions with high expectations failed at the box office; the film scale of the box office champions for the Qingming Festival, May Day and National Day holiday periods declined significantly year-on-year, accounting for only 54.7% of the total box office for those periods. These films failed to significantly boost overall market enthusiasm for the holiday periods, leading to a decrease in total box office for the holiday periods, which even fell below the levels of the past four years.

In terms of film genres, animated films performed prominently during the year. "Ne Zha 2" (《哪吒之魔童鬧海》) boosted the overall market with its phenomenal performance, while the successive releases of IP sequels such as "Nobody" (《浪浪山小妖怪》), "The Legend of Hei 2" (《羅小黑戰記2》), and "Zootopia 2" (《瘋狂動物城2》) significantly increased the box office contribution of animated films. Against the backdrop of a special historical juncture, 2025 became a major year for domestic war films. Films such as "Dead to Rights" (《南京照相館》), "Evil Unbound" (《731》), and "The Volunteers: Peace at Last" (《志願軍：浴血和平》) achieved both box office success and critical acclaim, with diverse breakthroughs in genre and perspective, becoming highlights of market creations for the year. These films contributed over RMB6 billion in box office, accounting for approximately 12% of the annual box office. Comedy elements remained a key position in the diverse mix of genre films. Among the top ten films by annual box office, half integrated comedy elements into their narratives and genres. The trend indicates that comedy films will gain audience trust through more incisive social commentary, deeper insights into human nature, and more solid comedic material. In contrast, popular genres such as suspense and action have seen a decline in both number of films supplied and box office performance compared to the previous two years.

The Group has been monitoring the theatrical movie market and, in 2025, invested in the thriller/horror film "Mudborn" (《泥娃娃》), produced by a team from Taiwan, China. The film was directed by Shieh Meng-ju (解孟儒), starring renowned artists from Taiwan, China such as Yo Yang (楊祐寧), Cecilia Choi (蔡思韵), and Derek Chang (張軒睿). It was released in theaters in Taiwan, China on 9 October 2025. As of 31 December 2025, the film had achieved a total box office of over NT$100 million, ranking third in the annual box office for local films in Taiwan, China, and third in the all-time box office for local horror films, becoming a dark horse in the 2025 Taiwan film box office. The Group has reserved investment for the comedy film "Dreams of Getting Rich II" (《發財日記2》), which was the sequel to the 2021 internet movie shared box office champion "Dreams of Getting Rich" (《發財日記》) after its IP upgraded. The previous film's on-demand and shared box office in the whole network hit a record high, and its effective playtime reached 25.45% of the market share at that time. "Dreams of Getting Rich II" (《發財日記2》) has been further upgraded, which is currently in the process of script refinement and team formation, with the prospect of an upgraded cast. It is expected to start shooting within 2026 and be released during a prime slot.

Artiste Management

The Group continues to cooperate with outstanding talent management teams in the industry, and recruit various artists with potentials who have emerged in different projects, which injects new impetus into the business of artiste management segment.

Leveraging its own resources and combining its various business segments, the Group will develop income sources for artists, increase exposure opportunities so as to bring returns and make contributions to the Group through various channels, such as providing customized performance opportunities and increasing exposure under the new media business.

Music

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

The Group has been trying to integrate its various business segments to create synergy and increase efficiency. Leveraging on the channel resources established in the music sector in the early years, and relying on the innovative thinking and technological advantages of its new media business, the Group has created a business model of providing "self-publishing" one-stop services for original independent musicians. It is committed to solving the problems of musicians in terms of creation, publication, copyright and revenue, providing them with comprehensive services such as individual host station, private domain operation, digital album publication, Music PASS Card issuance, and originality protection, providing a new path for the development of original musicians, allowing them to have more certainty in growth and alter the ecology of the original music market.

New media business

By looking at the historical development of the Group, the New Media Business is a continuation of the Group's entertainment-related business. In 2022, the Group built an innovative platform called AMBER APP. AMBER APP provides comprehensive copyright protection for genuine short videos with self-developed digital watermarking encryption, video search technology and blockchain distributed storage technology. Subsequently, an accompanying product, Music PASS Cards, was launched in 2023. Music PASS Cards contained unique artwork, unique versions of songs, AR content from their favourite musicians as well as live show audio and exclusive videos increasing their retail value and collectability. Musicians are able to connect with their fans through tangible "records", via PASS Cards as a carrier or a product featuring unique artwork, while also enriching the experience with new technology. Music PASS Cards for each individual musician whose fan base are the targeted end-consumers. The consumers can play relevant music/media of such musician by using the Music PASS Cards with the AMBER APP. In essence, the Company's main business over the past decade has remained consistent: developing entertainment content and either selling it directly to consumers or using it to promote other products while continuously adapting its offerings to align with consumer preferences, technological advancements, and market trends.

Leveraging on the success of Music PASS Cards, management subsequently considered that the innovative concept of PASS Cards can further expand its applications in various industries. The management believes there is a significant business opportunity in the cultural tourism market which PASS Cards can be positioned as an attractive product to enhance tourists and other visitors' experience and learn about cultural sites and scenic attractions through new technology. In 2025, the Group has been focusing and devoting significant resources to develop the cultural tourism market for the PASS Cards. Working with the operators/representatives for each scenic area, sight-seeing attractions or museum, the Cultural Tourism PASS Card integrates art with scenic spots, culture, brands, iconic cartoon figures and other elements, utilizes AR and Virtual Reality technology to provide users with a memorable and unique experience as well making the Cultural Tourism PASS Card attractive as souvenir or a collectible.

The Group has entered into numerous cooperation agreements with operators of tourist attractions and museum operators. For example, Badaling Great Wall（八達嶺長城）, the West Lake in Hangzhou（杭州西湖）, Wugong Mountain（武功山）, Yunjin Museum（雲錦博物館）, to name just a few. Beyond individual sightseeing attractions or museums, the Group has formed strategic partnerships with state-owned enterprises in major cities, such as Wuhan, Xi'an, Wenzhou, Luoyang and Weihai, to promote the application of PASS cards at a city-wide level. The Company expects such partnerships to provide valuable distribution channels for PASS Cards at the city's famous tourist attractions. Taking Xi'an as an example, the potential sales volume of PASS cards at the Terracotta Warriors（兵馬俑）and Datang Everbright City（大唐不夜城）is expected to be substantial given the popularity of these attractions in Xi'an City. For Wuhan, the Group will jointly develop digital solutions, such as smart tickets and cultural and creative products, for tourist attractions in Wuhan via the Wuhan Cultural and Tourism Code（武漢文旅碼）platform. City-wide partnerships demonstrate the Group's first-mover competitive advantage, having pioneered the implementation of its immersive tourism model in high-profile locations nationwide. To enhance the exposure and distribution channel, the Group hosted various promotional conferences to invite prospective cooperation partners to promote its PASS Cards. It will be more appealing to the cooperation partners when functionality of the PASS Cards continues to upgrade.

According to Smart Travel Creative Development Execution Plan (《智慧旅游創新發展行動計劃》) published by Ministry of Culture and Tourism of the People's Republic of China on 6 May 2024, this policy explicitly calls for the upgrade of infrastructure in key tourist areas, promoting the adoption of smart turnstiles（智能閘機）, digital ticketing systems（票務系統）, and other intelligent equipment. This policy also encourages using technologies like 5G, AI, and VR to create new immersive digital experiences, moving beyond physical landscapes to enrich the visitor's cultural understanding. Concurrently, the policy mandates the integration of smart tourism into broader smart city construction, fostering a favorable environment to create demand for the PASS Cards which serve as a unified solution that can connect these modernized services. The Company's strategy to focus on the application of PASS cards in this field exactly responds to the policy imposed by the national government.

In addition, leveraging on the well-developed technology and infrastructure of the AMBER APP and PASS Cards, the Group also developed Membership APP and Membership PASS Cards for the interested individuals/corporations and customized for their needs. The Membership PASS Card which integrates physical cards with digital services is intended to enhance how individuals/corporations in various industries build and maintain their connections with their respective customers or the general public through new technology. The advanced technological Membership APP system ensures the security protection of personal privacy, creating a secure and exclusive environment for the individuals/corporations to connect. Several projects in relation to this field have been completed, for example a project involving the assistance of a medical service company, an online consumption platform which involves the design and development of an offline management system (i.e. the Membership APP) and the Membership Pass Cards. Also, the Group has entered into a contract with a property developer pursuant to which the Group will design the PASS Card and produce the property content utilizing VR and AR technology to be included in the PASS Card for the sale of properties. This project is expected to be completed by 2026. The potential in the application of the PASS Cards and market to serve different customers with diversified needs is enormous.

MANAGEMENT DISCUSSION AND ANALYSIS

Prospects and challenges

In 2026, China's theatrical movie market will continue its steady recovery from 2025. However, due to a combination of factors, including a weaker-than-expected start to the Spring Festival, intensified competition for viewership from short plays, and a fragmented competitive landscape, the market is characterized by a development pattern of "coexisting opportunities and pressures, with a parallel focus on quality improvement and breakthroughs". Firstly, the creation of premium works will continue to increase, with top-tier blockbusters still possessing the potential for growth. Industry differentiation will intensify, and leading film companies will continue to increase investment in premium content, focusing on creating themes that resonate with the public. Secondly, the diversion effect of short videos and short plays will continue to intensify, leading to a serious loss of the traditional core audience and a continuous decline in per capita movie-going frequency. Lower ticket prices have failed to reverse the trend of audience loss, further compressing the market space for theatrical movies. Given the uncertainty in the theatrical movie market, the Group will, on the premise of controllable risks and returns, focus on the investment in and production of top-tier "diversified comedy" movies, with a view to generating gains in the theatrical comedy film segment and enhancing the stability of the Group's revenue and returns.

From the perspective of short plays, 2026 will continue the explosive growth trend of 2025, becoming the core growth engine of the film and television industry. The market size is expected to exceed RMB120 billion[3], with development opportunities concentrated in three main dimensions: First, policy dividends will continue to be released. From January 2026, new classification standards for short plays will be officially implemented, ushering the industry into a phase of compliance. In this regard, the Group possesses the Licence for Spreading Audio-Visual Programs via Information Network (《信息網絡傳播視聽節目許可證》) through years of strategic planning, which is a rare certification in the current market, providing a favorable policy environment for the Group's layout in premium short plays. Second, the overseas markets for short plays is undergoing explosive growth, with the scale of overseas short plays expected to exceed US$6 billion to 9 billion in 2026[4]. The export of short plays has evolved from simple dubbing to the overseas expansion of the entire industrial chain. With continued expansion in Southeast Asian and North American markets, Artificial Intelligence Generated Content (AIGC) technology can be used to quickly adapt content for local markets, thereby reducing overseas expansion costs. Third, AIGC technology will deeply empower applications such as AI script generation, digital human performance and virtual scene construction, which will become more widespread, driving further reductions in production costs. Sub-sectors such as AI-generated comics will continue to expand, providing a constant stream of innovative content.

After years of strategic planning, the Group has possessed the Permit to Produce and Distribute Radio or Television Programs (《廣播電視節目製作經營許可證》), Internet Culture Operation Licence (《網絡文化經營許可證》), Value-added Telecommunications Business Operation Licence (《增值電信業務經營許可證》) and the Licence for Spreading Audio-Visual Programs via Information Network (《信息網絡傳播視聽節目許可證》), which are required for the entertainment and culture business in the PRC. In 2025, approval was obtained to expand the scope of operation of the Licence for Spreading Audio-Visual Programs via Information Network (《信息網絡傳播視聽節目許可證》) held by the Group, including adding mobile terminals to the broadcasting channels and expanding the business categories to internet drama, so as to meet new business plans. In 2026, the Group has been actively collaborating with high-quality industry partners, leveraging its licensing advantages to acquire traffic from various channels for subsequent monetization, with internet short plays as the core vehicle. By placing advertisements within the short plays episodes, the Group can precisely target the short plays platforms' users, creating a two-way flow of traffic between merchants and the platforms. Advertising placement has become the core engine driving profit growth in the short plays industry.

Leveraging such proven successful model, the Group can continuously generate advertising exposure revenue and earn advertising commissions. The greater the traffic and the higher the precision, the higher the commissions income, thereby maximizing the monetization of traffic value. As the user base of short plays platforms grows, innovative AI-driven interactive features can further drive top-up spending and in-app purchases, becoming a core C-end profit point for the platforms and diversifying profit channels for short plays operations. In addition, under the premise of locking in risks and reaping stable returns, the Group will maintain its brand participation in the film market, and continue to closely monitor market changes to seize new business opportunities.

3 "DataEye 2025 Short Plays Industry Data Report", https://mp.weixin.qq.com/s/g8Vp3UWRSS6twhjvgx0LJQ

4 China National Radio's Global Finance programme.

The Group entered into a formal agreement for the strategic cooperation in August 2025 with Alipay. Under the cooperation with Alipay, Alipay will provide hardware for handheld POS machine (including relevant chips) for the payment and settlement-related technology with relevant expertise and the Group is expected to attract consumers with the PASS Cards' unique designs, digital features and customised for the specific tourist attractions or other location, the PASS Cards serve the dual functions of being aesthetically pleasing and practical for payment solution and in turn benefit Alipay in the competitive digital payment market. Through Alipay's integration of their payment and settlement-related technology, the Cultural Tourism PASS Cards can also be used in connection with discounts or as coupons for purchases, increases the usefulness of such cards.

Another benefit from the cooperation with Alipay is that it opens another revenue source for the Group. Specifically, in addition to proceeds from the sale of PASS Cards themselves and technical service fees for the creation of PASS Cards, the PASS Cards can be used for purchases at retail shops and restaurants that cooperate with Alipay or other partners of the Group. The Group will be entitled to receive commission income when users of the PASS Cards make purchases. This business model has been validated in the Western District of Beijing project held in September 2025. This project has demonstrated the future growth of PASS cards under the "ticket-stub economy"(票根經濟)and aligns with key market drivers, being the ubiquitous mobile payments, high smartphone penetration and mini program infrastructure.

At the recent "Friends, Let's Tap – Alipay Offline Payment Partners Conference(朋友們碰一下支付寶線下支付合作夥伴大會)", the Group was honored with two distinguished awards: "2025 Alipay Digitalization Pioneer in Commercial Districts(2025支付寶商圈數字化先鋒)" and "Alipay Annual Best Partner – Top Tap Friend(支付寶優秀合作夥伴年度最佳好碰友)". These accolades not only highlight the deep collaboration between the Group and Alipay, but also affirms the effectiveness of the "Amber PASS Card" in delivering integrated solutions from scenario engagement to consumption.

Alipay provides an unparalleled ecosystem for the Group to build upon. Accordingly, the Group's cooperation with Alipay serves as a competitive strength for the Group and credibly supports the Company's belief that it can effectively leverage Alipay's network to grow the Group's business significantly.

In addition, the Group and Ant Group(螞蟻集團)has entered into a three-year Framework Cooperation Agreement for Cultural Tourism Intelligence Market Development(文旅智能體市場拓展框架合作協議)and has been authorized as an "Ant Toolbox Official Partner Service Provider(螞蟻百寶箱官方合作服務商). As the official solution provider for Alipay "Tap" technology in the cultural tourism sector, it possesses robust scenario implementation capabilities. Utilizing the "Tap Payment Connect" technology, the Amber PASS Card integrates payment and marketing functions, supports the full range of Alipay smart POS terminals, and provides users with a seamless experience – from "tapping to check in and receive red packets" to "automatically becoming a member after payment". For merchants, it enables cross-domain settlement capabilities with "payment-as-settlement". The solution has been successfully validated across multiple event scenarios, including the Shanghai International Light Festival, Beijing Animation Week, and City of Fans: Taiyuan Spoils You(歌迷之城 • 太原寵你). Through combined strategies such as unified payment collection, peripheral traffic attraction and checkins, and post-purchase red packets for repeat purchases, it has effectively increased merchant revenue and customer repurchase rates, successfully driving traffic from various events and concerts to sectors such as dining, lodging, cultural tourism, and retail. By leveraging technologies such as NFC "Tap" interactions, the Amber PASS Card effectively aggregates and converts offline fragmented traffic, serving as a core driver for the growth of the Group's new media business.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The revenue of the Group was approximately HK$12,817,000 for the year ended 31 December 2025 (2024: HK$5,332,000). It was mainly generated from the provision of investment in movies, TV programmes and internet contents, artiste management and new media business, representing an increase of 140.4% as compared to last year. The increase was mainly attributable to the increase in revenue from the Group's new media business.

Cost of sales for the year ended 31 December 2025 increased to approximately HK$5,799,000 (2024: HK$4,829,000), was mainly due to the increase in cost of sales from the Group's new media business.

During the year, loss for the year attributable to Owners of the Company was approximately HK$19,186,000 (2024: loss of HK$31,277,000).

Movies, TV programmes and internet contents

During the year under review, the revenue contributed by such segment was approximately HK$1,518,000 (2024: HK$3,794,000), mainly representing shared revenue from internet movies.

Artiste Management

During the year under review, the revenue contributed by such segment was approximately HK$106,000 (2024: HK$285,000).

New Media Business

During the year under review, the revenue contributed by such segment was approximately HK$11,193,000 (2024: HK$1,253,000).

Administrative expenses

Administrative expenses were mainly the staff costs, operating lease expenses, depreciation of fixed assets and amortization expenses and other general administrative expenses of the Group incurred during the year under review. Administrative expenses increased to approximately HK$32,948,000 from approximately HK$31,874,000 in the prior year primarily due to the increase of staff cost during the year.

Other expenses

During the year under review, other expenses in 2024 represented impairment loss of other receivables of HK$3,128,000 and impairment loss recognized on film rights and films and TV programmes under production of HK$5,464,000 and impairment loss on investments in associates of HK$450,000. Impairment losses recognised in 2024 was resulted from the worsened market condition leading to a higher risk of expected credit losses. No such impairments were recognized in 2025.

Liquidity and Financial Resources

At 31 December 2025, the Group had total assets of approximately HK$128,672,000 (2024: HK$136,262,000), including cash and cash equivalents of approximately HK$8,555,000 (2024: HK$7,626,000). During the year under review, the Group financed its operation with shareholders' loan the proceeds from fund raising activities of prior years.

In order to enhance liquidity of the Group, the Group entered into a loan agreement with a minority shareholder of one of the Group's subsidiaries on 16 January 2026, pursuant to which the minority shareholder agreed to provide an interest-free and unsecured loan of RMB10,000,000 without fixed terms of repayment to such subsidiary for working capital purposes. Up to the date of approval of the consolidated financial statements, the shareholder's loan proceeds has been fully received by the Group.

On 4 February 2026, the Company also entered into another shareholder loan agreement with one of the controlling shareholders of the Company ("Controlling Shareholder"). Pursuant to the agreement, the Controlling Shareholder agreed to provide an unsecured, interest-free shareholder loan, amounting to HK$5,000,000 with no fixed repayment terms to the Company to finance the Company's operating activities. Up to the date of approval of the consolidated financial statements, shareholder loan proceeds in the amount of HK$3,800,000 from the such Controlling Shareholder, have been received by the Group.

On 27 March 2026, the subscription of 10% of one of the Group's subsidiary equity on a diluted basis by an independent third party (the "Subscriber") involving the payment of RMB5,000,000 has been completed. Also, the Subscriber will provide an interest-free unsecured shareholder's loan of RMB10,000,000 to the subsidiary without fixed terms of repayment. The subscription proceeds and the shareholder's loan from the Subscriber will enable the Group to strengthen its cash flow position. Up to the date of approval of the consolidated financial statements, the subscription proceeds and the shareholder's loan were fully received by the Group. For further details, please refer to the Company's announcement dated 2 April 2026.

Details are set out in note 37 to the consolidated financial statements in this report.

CONTRACTUAL ARRANGEMENTS UNDER THE STRUCTURED CONTRACTS

The Group has been using the Structured Contracts arrangements to indirectly own and control companies engaged in production and distribution of media contents in the PRC.

PRC rules and regulations

On 25 December 2001, the State Council promulgated the Regulations on the Administration of Films(《電影管理條例》), which came into force on 1 February 2002. Pursuant to the Regulations on the Administration of Films, foreign organizations or individuals are prohibited to engage in the film production within the territory of the PRC without a PRC partner.

On 6 July 2005, the Ministry of Culture (withdrawn), the State Administration of Radio, Film and Television(國家廣播電影電視總局) (withdrawn), the General Administration of Press and Publication(新聞出版總署) (withdrawn), the National Development and Reform Commission (the "NDRC") and the Ministry of Commerce (the "MOFCOM") jointly promulgated the Several Opinions on Introduction of Foreign Investment into the Cultural Sector(《關於文化領域引進外資的若干意見》), which came into force on 6 July 2005. Pursuant to such opinions, foreign investment is prohibited to establish and operate companies for production and broadcast of radio and television programme, film production, and film import and distribution.

On 6 September 2024, the NDRC and the MOFCOM jointly promulgated the Special Management Measures for Foreign Investment Access (Negative List) (2024 version)(《外商投資準入特別管理措施(負面清單)(2024年版)》), which came into force on 1 November 2024. Pursuant to the Catalogue, (i) the foreign investment is restricted to engage in the production of radio and television programmes and the film production by way of cooperation with domestic investors; (ii) the companies for production and operation of radio and television programmes are prohibited from foreign investment; (iii) the foreign investment is not allowed in film production, film distribution and film theatre.

To operate the Group's media contents business in the PRC, The Group has established controls over four entities by contractual arrangements under the structured contracts, which are:

1. Beijing Lajin Huyu Wenhua Chuanmei Company Limited(北京拉近互娛文化傳媒有限公司)("OPCO1");

2. Jiaxuan Huanqiu Yingye Company Limited(稼軒環球影業有限公司)("OPCO2");

3. Beijing Lajin Yingye Company Limited(北京拉近影業有限公司)("OPCO3"); and

4. Wenzhou City Zhongbo Technology Company Limited(溫州市眾博科技有限公司)("OPCO4")

"OPCOs" below shall mean any or all of the above entities.

The registered owners of the OPCO1-4 are two management personnel of the Group ("Registered Owners"). The OPCO1-3 and Registered Owners have respectively entered into the relevant structured contracts (the "Structured Contracts") with Beijing Lajin Hudong Chuanmei Keji Company Limited(北京拉近互動傳媒科技有限公司)(the "WOFE", an indirect wholly-owned subsidiary of the Company), and the OPCO4 and Registered Owners have respectively entered into the Structured Contracts with Beijing Lajin Power Technology Limited(北京拉近動力科技有限公司) (the "WOFE", an indirect wholly-owned subsidiary of the Company). The Structured Contracts are designed to provide the Company with an effective control over and the right to enjoy the economic benefits and risks in and/or assets of OPCOs. Through the Structured Contracts, the control and economic benefits and risks from the business of OPCOs will flow to WOFEs. For accounting purposes, OPCOs are regarded as indirect wholly owned subsidiaries of the Company.

Major terms of the Structured Contracts

Under the Structured Contracts, WOFEs have an irrecoverable and exclusive priority right to acquire directly and/or through one or more nominees, the equity interests held by the Registered Owners in OPCOs, as permitted by applicable PRC laws and regulations. Further, each agreement under the Structured Contracts includes a provision that each such agreement is binding on the legal assignees or heirs of the parties to each such agreement. In the event of death, bankruptcy or divorce of any of the Registered Owners, WOFEs may exercise its option to replace the relevant shareholders and the newly appointed nominee shareholders will still be subject to the Structured Contracts.

Mr. Leung Wai Shun Wilson, an executive director of the Company, is responsible for overseeing the daily operation of the OPCOs. The Directors consider that the possibility of material potential conflicts of interest between the Company and the Registered Owners is remote. In case of any material potential conflicts of interest between the Company and the Registered Owners, the Board will ensure that any material potential conflict of interests will be reported to the independent non-executive Directors as soon as practicable when the Company becomes aware of such potential conflict. The Board will review and evaluate the implications and risk exposure of such event and will monitor any material irregular business activities and alert the Board, including the independent non-executive Directors, to take any precautionary actions where necessary.

The Contractual Arrangements comprised of (a) Exclusive Business Cooperation Agreements, (b) Exclusive Option Agreement, (c) Powers of Attorney of the registered owners, (d) Equity Pledge Agreements and (e) Spouse Undertaking. Key provisions of the Contractual Arrangements are as follows:

Exclusive Business Cooperation Agreements (獨家業務合作協定)

Given the aforementioned prohibition/restriction of foreign investments in the production and distribution of media contents in the PRC, the WOFEs entered into contractual arrangements with the OPCOs, pursuant to which WOFEs shall provide to OPCOs consultancy services, including but not limited to management consultation, technology support and marketing strategies.

At the discretion of WOFEs, WOFEs can assign the rights and novate the obligations under the services agreement to any company nominated by WOFE without the consent of OPCOs and the Registered Owners.

The initial term of the services agreement is a fixed term of 10 years from the date of the execution of the services agreement. Upon expiry of the services agreement, WOFEs have the sole discretion to renew the services agreement for further extensions of the terms once every 10 years. OPCOs are not allowed to refuse the renewal of the services agreement.

In consideration for the provision of the aforesaid consultancy services and subject to compliance with PRC laws and regulations, the OPCOs shall pay WOFEs a service fee every year equivalent to 100% of the pre-tax profit of the OPCOs during such period.

Exclusive Option Agreement (獨家購買權合同)

The respective Registered Owners of the OPCOs have granted to WOFE (or its designated nominee(s)), to the extent permitted under the laws of the PRC: (i) an irrevocable option to acquire all or part of their respective equity interests in the OPCOs; and (ii) an irrevocable option to acquire all or part of the assets of the OPCOs.

The exercise price in respect of each of the above options shall be the minimum price as required by PRC laws and regulations at the time of exercising such options. The respective registered shareholders of the OPCOs and/or the respective OPCOs shall convey any proceeds which they will receive upon the exercise of the aforesaid options in a gratuitous manner to the WOFEs or the person as designated by the WOFEs.

Powers of Attorney of the registered owners (授權委託書)

Each of the Registered Owners has executed a power of attorney in favour of WOFEs to irrevocably appoint WOFEs as his/her exclusive agent to exercise, inter alia, all his/her rights as shareholder of OPCOs and to execute any documents necessary for giving effect to the Structured Contracts.

Equity Pledge Agreements (股權質押協議)

The Registered Owner of the OPCOs have pledged all of their respective equity interests in the OPCOs to WOFEs, as security for the performance of their obligations and/or that of the OPCOs under the Exclusive Option Agreements, Exclusive Business Cooperation Agreements, the Shareholder's Entrustment Letters and such other agreements as concluded to supplement the abovementioned agreements.

Spouse Undertaking (配偶同意函)

A spouse undertaking signed by the spouse of each of the Registered Owners, in favor of WOFEs, acknowledging and consenting the signing of the Structured Contracts by registered owners.

There were no material changes to the Structured Contracts and/or the circumstances under which they were adopted, nor was there any unwinding of them or of a failure to do the same due to the restrictions that led to their adoption being removed.

OPCOs' Business activities

OPCOs are companies established in the PRC with limited liability which are principally engaged in the production and distribution of animation or television programmes (other than production of political news and other relevant radio and television programmes) and other related business. OPCOs also hold some key requisite PRC permits, licences and approvals for our business operations, including the Permit to Produce and Distribute Radio or Television Programs (廣播電視節目製作經營許可證), the Commercial Performance License (營業性演出許可證). Some of our intellectual property rights, including copyrights, trademarks, and domain names, are also held by the PRC contractual Entities. OPCOs are also used as the investment vehicle to invest in movies or other companies which give rise to business collaboration with the OPCOs.

Under the Permit to Produce and Distribute Radio or Television Programs (廣播電視節目製作經營許可證) renewed to OPCO1–4 dated 31 October 2025, 29 October 2025, 7 March 2025 and 1 April 2025 respectively by National Radio and Television Administration (國家廣播電視總局), OPCOs are allowed to engage in the provision and distribution of animation or Television Programmes (other than production of political news and relevant radio and television programmes) and other related business permitted under the relevant PRC rules for a period of two years.

Under the Internet Culture Operation Licence (《網絡文化經營許可證》) dated 12 August 2024 renewed to OPCO4 by Zhejiang Provincial Department of Culture and Travel (浙江省文化和旅遊廳), OPCO4 is allowed to operate the business of animation and comic products and music products using information network during the period from 12 August 2024 to 11 August 2027; under the Licence for Spreading Audio-Visual Programs via Information Network (《信息網絡傳播視聽節目許可證》dated 29 July 2025 renewed to OPCO4 by the National Radio and Television Administration ("**NRTA**") (國家廣播電視總局), OPCO4 is allowed to provide Internet audio-visual program services from 29 July 2025 to 29 July 2028 which has been approved by the NRTA to expand the scope of business to include the distribution of internet dramas/movies via mobile devices; under the Value-added Telecommunications Business Operation Licence of the People's Republic of China (《增值電信業務經營許可證》 dated 21 July 2025 renewed to OPCO4 by the Zhejiang Communications Administration (浙江省通信管理局), OPCO4 are allowed to engage in information service business from 21 July 2025 to 20 July 2030.

The Group has consolidated the financial results of OPCOs and its subsidiaries in its consolidated financial statements in accordance with HKFRSs. For the years ended 31 December 2024 and 2025, the financial results of OPCOs are as below:

	Revenue				Total Assets			
	2025		2024		As at 31 Dec 2025		As at 31 Dec 2024	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
OPCO1	1	–	11	0.2%	8,420	6.5%	10,435	7.7%
OPCO2	4	–	–	–	117	0.1%	100	0.1%
OPCO3	1,620	12.6%	4,079	76.5%	19,075	14.8%	20,546	15.1%
OPCO4	6,479	50.6%	1,241	23.3%	17,291	13.4%	15,235	11.2%

Risk relating to the Structured Contracts

The following risks are associated with the Structured Contracts:

– the PRC Government may determine that the Structured Contracts do not comply with applicable PRC laws and regulations;

– the Structured Contracts may not provide control as effective as direct ownership;

– failure by the Registered Owners to perform their obligations under the Structured Contracts;

– the Company may lose the ability to use and enjoy assets held by OPCOs if those companies declares bankruptcy or becomes subject to a dissolution or liquidation proceeding;

– the shareholders of OPCOs may have potential conflicts of interest with the Company;

– the Company's ability to acquire the entire equity interests and/or assets of OPCOs through WOFE may be subject to various limitations; and

– the Structured Contracts may be challenged by the PRC tax authorities.

Despite the above, as advised by the PRC legal advisers to the Company, the Contractual Arrangements are in compliance with and, to the extent governed by the PRC laws currently in force, are enforceable under, the current PRC laws. The Company will monitor the relevant PRC laws and regulations relevant to the Contractual Arrangement and will take all necessary actions to protect the Company's interest in the Structured Entities.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

As at 31 December 2025, the Company has in issue a total of 420,913,104 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 Company, was approximately 89.1% (2024: 59.6%). The change in gearing ratio was mainly derived from the decrease of total equities attributable to Owners of the Company from HK$98,949,000 to HK$82,252,000.

CHARGES ON THE GROUP'S ASSETS

At 31 December 2025, the Group did not have any charge on its assets except the charges on the properties as disclosed in note 13 to the financial statements.

Foreign Exchange Risk

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 closely monitors the exposures and will consider hedging the exposures should the need arise.

Commitments

At 31 December 2025, the Group had capital commitments of approximately HK$13,751,000 (2024: HK$45,060,000).

Contingent Liabilities

At 31 December 2025, the Group had no contingent liabilities (2024: Nil).

Employees

As at 31 December 2025, the Group had 68 employees, including approximately 64 employees in PRC and 4 employees in Hong Kong. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performances, professional experiences and the prevailing industry practices. The employees in Hong Kong joined the mandatory provident fund scheme. Other benefits include share options granted or to be granted under the share option scheme.

CONNECTED TRANSACTION

During the year ended 31 December 2025, there were no connected transactions or continuing connected transactions under the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements thereunder.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year, to the best knowledge of the management, the Group has complied with the relevant standards, laws and regulations that have a significant impact to our businesses. At the same time, the Group always maintains a safe working environment for staff in accordance with relevant safety policies.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group believes that human resources is the most important asset for the Group's sustainable development. We offer competitive remuneration packages and high quality working environment for our employees. It is our customs to respect each other and to ensure that fairness is applied to everyone. From time to time, we provide relevant on-the-job trainings to enhance employees' professional knowledge. The Group also organises different leisure events and frequent group discussions for the participation of employees to enhance the bonding of the employees and communications with management.

Due to the nature of our businesses, we do not rely on single suppliers or customers. Having said that, we are always trying to build up long term relationships with our existing and potential customers and suppliers and we are not aware of any unresolved disputes with any of the customers and suppliers during the year.

REMUNERATION POLICY

The Group's compensation strategy is to cultivate a pay-for-performance culture to reward employee performance that will maximize shareholder value in the long run. The Group from time to time reviews remuneration packages provided to its employees to ensure that the total compensation is internally equitable, externally competitive and supports the Group's business strategy.

PROFILES OF DIRECTORS AND MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Colin Xu

Mr. Colin Xu, aged 36, obtained his bachelor degree of Visual Art from Simon Fraser University in Canada in 2012. Prior joining to the Group, Mr. Xu invested in some private business and gained three years of experiences in food and beverage industry after he founded a food and beverage business in 2013. Mr. Xu joined Beijing Lajin Film Co., Ltd.*(北京拉近影業有限公司), a wholly-owned subsidiary of the Group, as a vice president in 2016 and is responsible for business development and customer relationship maintenance. Mr. Xu is also subsequently responsible for exploring business opportunities and identifying potential partners for the Group's new media business.

Mr. Leung Wai Shun Wilson

Mr. Leung Wai Shun Wilson, aged 52, has over 25 years of experience in the field of auditing, accounting and finance. Mr. Leung held various senior positions in different organisations, including in an international accounting firm and listed companies in Hong Kong. Prior to joining the Company, Mr. Leung was the chief financial officer of Zhong Ao Home Group Limited (stock code: 1538) during the period from November 2016 to October 2017 prior to joining the Company. Mr. Leung is also the company secretary and authorised representative of the Company. Mr. Leung is a fellow member of the Hong Kong Institute of Certified Public Accountants.

NON-EXECUTIVE DIRECTORS

Mr. Zou Xiao Chun

Mr. Zou Xiao Chun, aged 56, graduated from the Department of Law of Nanchang University(南昌大學法律專業專科)in June 1990 and was granted the Chinese Lawyers Qualification Certificate(中國律師資格證書)in July 1991. Mr. Zou was also granted the Chinese Tax Advisers Qualification Certificate(中國税務師資格證書)in September 1995 and the Pass Certificate for the National Notary Public Qualification Examination(國家公證員資格考試合格證書)in December 1995. Furthermore, Mr. Zou was qualified as an industrial economist(工業經濟師)in October 1996. Mr. Zou has been a practising lawyer for 35 years and has practiced in legal areas relating to capital markets in the PRC for 25 years. Since October 2025. Mr. Zou has been appointed as a visiting professor at the Law School of Nanchang University.

Mr. Zou is currently a member of the remuneration committee of the Company. In June 2006, Mr. Zou founded Beijing John & Law Firm(北京市中逸律師事務所)and he still serves as a founding partner of this firm. Between December 2008 and March 2011, Mr. Zou was a director and vice chairman of Beijing Centergate Technologies (Holding) Co., Limited(北京中關村科技發展(控股)股份有限公司)(a company listed on the Shenzhen Stock Exchange) and since May 2012, has been re-appointed as a director of such company. Since 2011, Mr. Zou has been appointed as a member of the Executive Committee of GOME Holding Group Company Limited(國美控股集團有限公司), a company owned or controlled by Mr. Wong Kwong Yu. Since December 2010, Mr. Zou has been an executive director of GOME Retail Holdings Limited (together with its subsidiaries, the "GOME Group"), a company listed on the main board of the Stock Exchange and controlled by Mr. Wong Kwong Yu. Since 2018, Mr. Zou was appointed as the Chairman of the board of directors of Beijing YiPing Capital Management Co., Limited and Jian Dao Zhong Chuang Investment Co., Limited. For the period from December 2018 to March 2024, Mr. Zou has been appointed as the Independent Non-Executive Director of Beijing Worldia Diamond Tools Co., Ltd(沃爾德金剛石工具股份有限公司)(a company listed on the STAR Market of the Shanghai Stock Exchange). From March 2015, Mr. Zou has been appointed as the non-executive director of the Company.

Mr. Zhou Ya Fei

Mr. Zhou Ya Fei, aged 57, graduated from the Beijing Institute of Technology with a master's degree. Prior to joining the Group, he was the Chief Financial Officer of GOME Appliance Co., Ltd. from 2000 to 2004, and subsequently remained his position as the Chief Financial Officer for GOME Retail Holdings Limited (Stock Code: 0493) from 2004 to 2008 after the asset injection, and has been the executive vice president of GOME Holding Group Company Limited (incorporated in Beijing) since 2009. Mr. Zhou has over 30 years of experience in PRC accounting, finance and tax consulting. Mr. Zhou has been appointed as an Executive Director and Chairman of the board of directors of Tong Tong AI Social Group Limited (formerly known as GOME Finance Technology Co., Ltd) (Stock Code: 0628) since 26 March 2021 and 18 March 2025 respectively. Currently, Mr. Zhou serves as member of both audit committee and nomination committee of the Company.

Mr. Li Xue Song

Mr. Li Xue Song, aged 57, is currently the head of the satellite business platform of CITIC Information Technology Group（中信信息科技集團）under CITIC Satellite Communication Co., Ltd.（中信衛星通信有限公司）(formerly known as "CITIC TMT Network Co. Ltd"（中信數字媒體網絡有限公司）, whose parent company is CITIC Group Corporation（中國中信集團有限公司）("CITIC Group"), a substantial shareholder of the Company), and an executive director of CITIC Digital Technology Co., Ltd.（中信數字技術有限責任公司）. Since joining CITIC Group in 2001 and up to now, Mr. Li has held senior management positions in many other subsidiaries of CITIC Group and has extensive experience in broadcasting and communication businesses.

Ms. Wu Qian

Ms. Wu Qian, aged 39, has held various positions in Gome Capital Management Limited ("Gome Capital") since September 2016, including Investment Manager, Investment Director, and Senior Investment Director. She currently serves as the General Manager of Gome Capital, responsible for strategic cooperation, investment and financing, and mergers and acquisitions related to companies under Gome Capital and Gome Holding Group Company Limited.

Ms. Wu has also been serving as a non-executive director at Tong Tong AI Social Group Limited（通通AI社交集團有限公司）(formerly known as Gome Finance Technology Co., Ltd.（國美金融科技有限公司）) (Stock Code: 628) since July 2024 and a director at Gome Telecom Equipment Co., Ltd.（國美通訊設備股份有限公司）(SSE Code: 600898) since June 2023. Ms. Wu graduated in 2007 from the University of International Business and Economics with a bachelor's degree in international finance.

Prior to Ms. Wu's appointment as a non-executive director the Company on 30 December 2024, Ms. Wu has obtained the legal advice referred to under Rule 5.09D of the GEM Listing Rules from the Company's legal adviser as to Hong Kong laws on 27 December 2024 and has confirmed that she understood her obligations as a Director of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Wai Hung

Mr. Ng Wai Hung, aged 62, is a practising solicitor and a partner in Iu, Lai & Li, Hong Kong. Mr. Ng has been admitted as a Hong Kong solicitor since 1992. Currently, Mr. Ng serves as the chairman of the nomination committee, and member of both audit committee and remuneration committee of the Company. Mr. Ng has been an independent non-executive director of Xinyi Electric Storage Holdings Limited since July 2016 and MediNet Group Limited since July 2024, all being companies listed on the Stock Exchange.

PROFILES OF DIRECTORS AND MANAGEMENT

Mr. Lam Cheung Shing, Richard

Mr. Lam Cheung Shing, Richard, aged 67, serves as the chairman of both audit committee and remuneration committee, and as a member of the nomination committee of the Company. Mr. Lam is a fellow member of Hong Kong Institute of Certified Public Accountants and obtained the Master's Degree in Business Administration in the Chinese University of Hong Kong in 2006. He spent over ten years in PricewaterhouseCoopers, an international accounting firm and was promoted to the position of senior audit manager, and is equipped with extensive experience in accountancy, taxation and corporate finance. Mr. Lam has currently been appointed as an independent non-executive director of Far East Holdings Company Limited (stock code: 0036), China Water Industry Group Limited (stock code: 1129), Legend Strategy International Holdings Group Company Limited (stock code: 1355), China Supply Chain Holdings Limited (stock code: 3708), Twintek Investment Holdings Limited (stock code: 6182), whose shares are listed on the Main Board of the Stock Exchange and Lajin Entertainment Network Group Limited (stock code: 8172) whose shares are listed on the GEM Board of the Stock Exchange. Besides, Mr. Lam served as Executive Director of Everchina International Holdings Limited ("Everchina" – stock code: 0202), whose shares are listed on the Main Board of the Stock Exchange, from August 2001 to October 2023 and was designated as the Deputy Chairman and CEO of Everchina since June 2009 until his retirement in October 2023. In addition, Mr. Lam was appointed as a director in various companies whose shares are listed on the Main Board of the Stock Exchange during the period from December 2001 to December 2014, namely Eagle Legend Asia Limited (now known as Kaisa Capital Investment Holdings Limited) (stock code: 936), Kai Yuan Holdings Limited (stock code: 1215) and Softpower International Limited (now known as China Pipe Group Limited) (stock code: 380).

Mr. Wang Ju

Mr. Wang Ju, aged 72, graduated from the Beijing Broadcasting Institute 北京廣播學院 (currently known as the Communication University of China (中國傳媒大學)) with a vocal major in the School of Art. Mr. Wang is the former Permanent Vice Chairman and Chief Secretary of the China Audio-Video and Digital Publishing Association (中國音像與數字出版協會). Prior to that, he was a music host of China National Radio 中央電台 (CNR), the chief editor of China Record Corporation (CRC) (中唱), an associate chairperson of the judging panel of the China Gold Record Award (中國金唱片獎) and a member of the judging panel of PRC Outstanding Publication Award (中華優秀出版物評獎), and more actively support the CMIC Music Awards (CMA) (唱工委音樂獎) in recent years which has great influence in the industry, and also acted as an expert in the judging panel of various national foundation programmes and various award programmes. He was also employed as a member of the National Technical Committee on Press and Publication Information of Standardization Administration of China (全國新聞出版標準化技術委員) under the Committee Panel of the Standardization Administration of the PRC (國家標準化管理委員會) and involved in the revision of the Copyright Law of the People's Republic of China (中華人民共和國著作權法) and other copyright laws at the invitation of the National Copyright Administration of the PRC (國家版權局). He is also an expert of the authority in the PRC approving the imported audio and video products from 2008 onwards.

SENIOR MANAGEMENT

Mr. Xu Zhongmin — Chief Strategist

Mr. Xu Zhongmin has extensive business connections and network in the entertainment industry in the PRC. He was the founder of Jingwen. Jingwen was a music producer and was one of the largest music album distributors in the PRC which has discovered and fostered a number of famous artistes including Han Hong(韓紅), Cui Jian(崔健), Wang Feng(汪峰), Guo Feng(郭峰) etc. It published and distributed albums of Mao Yamin(毛阿敏), Li Yundi(李雲迪), Lang Lang(郎朗)and other famous artistes in the PRC. While Jingwen was developing the local original music, it introduced music albums and video contents from international producers and distributors including Warner Bros. Records, EMI, Universal Music, Universal Picture, Discovery Channel and National Geographic Channel. It extended its business to publication of books and investment in multi-media educational materials. Mr. Xu was also actively involved in the investment in TV programmes and artiste management business and has been involved in producing concerts in the PRC and performance show PANDA! in Las Vegas, the United States of America. Mr. Xu is currently the chairman of Beijing Centergate Technologies (Holding) Co., Ltd. (stock code : 000931.SZ)

Ms. Zhan Li — Group Strategic Consultant

Ms. Zhan Li ("**Ms. Zhan**") joined Lajin Group in December 2025 as a strategic consultant of the Group. Ms. Zhan has over 20 years of profound experience in platform operations, strategic planning and innovative business development, including 16 years of senior management experience. She specialises in formulating corporate-level strategies, driving business breakthroughs from inception, achieving cross-departmental synergy and commercialisation, and possesses extensive experience in innovation and ecosystem cooperation in frontier fields such as digital copyright, Web3 and the integration of the digital and physical economies.

Prior to joining the Group, Ms. Zhan served as the co-founder and vice president of business of Lajin Zhongbo Technology Limited(拉近眾博科技有限公司). As one of the core founders, she was fully responsible for the company's strategic planning, business cooperation and ecological resource integration. During this period, she spearheaded the establishment of the "AMBER One-stop Self-publishing Platform" from scratch, providing music and art creators with blockchain-based digital copyright confirmation and distribution services, and successfully led the platform to enter into a comprehensive strategic cooperation with Alipay, becoming an ecosystem service provider for Ant Group. In addition, she also led the large-scale implementation and business model verification of the "AMBER PASS Intelligent Ticket Stub" system in various key cultural and tourism scenarios, such as the Badaling Great Wall and the Zhejiang Provincial Museum.

Previously, Ms. Zhan served as the senior vice president and chief operating officer of TVmining (Beijing) Technology Co., Ltd. (天脈聚源(北京)科技有限公司), where she assisted the CEO in formulating strategies and managing the operations of multiple business lines. She successfully led three major business transformations of the company, leading the team to achieve a leap in business revenue from the millions to the hundreds of millions, and was the company's sales champion for six consecutive years. Earlier in her career, she served as the director of the copyright and channels department at Jidong Pictures(激動影業), where she established what was then a leading distribution network for film and television content.

Ms. Zhan completed the Executive Master of Business Administration (EMBA) program at the National School of Development at Peking University. In addition, she currently serves as the deputy secretary-general of the New Media Committee of the China Television Artists Association, continuing to cultivate her expertise at the forefront of the industry. With her outstanding strategic insight, extensive practical business experience and strong cross-sector resource integration capabilities, Ms. Zhan will provide core support for the strategic development, innovation incubation and ecosystem cooperation of Lajin Group.

PROFILES OF DIRECTORS AND MANAGEMENT

Mr. Hu Qinggang — Vice President of Lajin Group, CEO of Lajin Picture

Mr. Hu Qinggang ("**Mr. Hu**") has extensive experience in the finance field and had worked in the Finance Department of CITIC Group Corporation, a substantial shareholder of the Company, as the deputy director of the Finance and Planning Division. For the period from October 2006 to March 2020, Mr. Hu held the office of Executive Director, CFO, acting CEO of Frontier Services Group Limited (formerly known as DVN Holdings Limited) (stock code: 500). Mr. Hu holds a bachelor's degree in Economics from the Beijing University of Technology and a master's degree in Economics from the University of International Business and Economics in the PRC.

Mr. Wu Xin – CEO of Beijing Lajin Zhongbo Technology Limited*（北京拉近眾博科技有限公司）

Mr. Wu Xin ("**Mr. Wu**") grew up and studied in England during his teenager period and graduated from the department of mathematics, Trinity College, Cambridge University with a bachelor's degree in mathematics and a master's degree in arts. Mr. Wu joined Autonomy, the world's advanced pattern recognition and artificial intelligence company, where he was responsible for the research and development of core infrastructure and consulting on global major projects, and subsequently served as the first chief representative and general manager of Autonomy in Greater China, exploring the China market and working with partners to explore the market in the government, enterprise and telecommunications industries, which stimulated the rapid growth of the company in market value.

Since 2005, Mr. Wu has established a number of enterprises, and was selected as one of the first batch of national high-level innovative talents under the "Recruitment Program of Global Experts (Thousand Talents Plan)" by Organization Department of the Communist Party of China Central Committee in 2009. He has been awarded other major honors, including the first batch of "Scientific and Technological Entrepreneur Cultivation Project" in Jiangsu Province (2011), the "Excellent Talent with Outstanding Contributions in Dongcheng District" award in Beijing (2012), the Most Innovative Education Figures in 2013 by China.com.cn (2013), a member of the All-China Youth Federation, and an honorary professor of Communication University of China.

In 2008, he has founded TVmining, a video search company, which served hundreds of TV stations and media institutions across the country, with annual sales of exceeding RMB1 billion and more than 1,000 invention patents. TV Hongbao APP under Tvmining has over 50 million registered users and received a valuation strategy investment of RMB2 billion from Baidu in 2020.

Mr. Wu is currently the CEO of Beijing Lajin Zhongbo Technology Limited, a subsidiary of Lajin Group, and is responsible for leading the new media business of AMBER.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The board of Directors (the "Board") and the management of the Company are committed to establishing good corporate governance practices and procedures. The maintenance of high standard of business ethics and corporate governance practices has always been one of the Group's goals. The Company believes that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture, thereby leading to the enhancement of shareholders' value.

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.

Throughout the financial year ended 31 December 2025, the Group has complied with the code provisions in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix C1 of the GEM Listing Rules save for certain deviations, details of which will be explained in the relevant paragraphs in this report. The Board has, since the amendments to the GEM Listing Rules regarding corporate governance practices were first proposed by the Stock Exchange, continued to monitor and review the Group's progress in respect of corporate governance practices to ensure compliance. Meetings were held throughout the year and where appropriate, circulars and other guidance notes were issued to Directors and senior management of the Group to ensure awareness to issues regarding corporate governance practices.

THE BOARD

Responsibilities

The Board is responsible for the leadership and control of the Company and oversees the Group's business, strategic decisions and performances and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. In practice, the Board takes responsibility for decision making in all major matters of the Company including: the approval and monitoring of all policy matters, the setting of objectives, annual budgets and overall strategies, material transaction, appointment of directors and other significant financial and operational matters. The day-to-day management, administration and operation of the Company are delegated to the senior executives. These responsibilities include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by these senior executives and the Board has the full support of them to discharge its responsibilities. The statement of the auditor of the Company in relation to their reporting responsibilities for the consolidated financial statements is set out in the Independent Auditor's Report on pages 40 to 44 of this annual report.

Composition

As at 31 December 2025, the Board comprises nine Directors: including two executive Directors, Mr. Colin Xu and Mr. Leung Wai Shun Wilson, four non-executive Directors, namely, Mr. Zhou Ya Fei, Mr. Zou Xiao Chun, Mr. Li Xue Song and Ms. Wu Qian, and three independent non-executive directors, namely Mr. Ng Wai Hung, Mr. Lam Cheung Shing Richard and Mr. Wang Ju.

At least one of the independent non-executive Directors have appropriate professional qualifications, or accounting or related financial management expertise. The number of independent non-executive Directors is equal to one-third of the Board.

Biographical details of the Directors are set out in the section of Profiles of Directors and Management on pages 17 to 19.

The presence of seven non-executive Directors (including 3 independent non-executive Directors) is considered by the Board to be a reasonable balance between executive and non-executive Directors. All directors are renewable every 3-years. The Board is of the opinion that the ratio of executive to non-executive Directors is reasonable and such balance can provide adequate checks and balances for safeguarding the interests of shareholders and of the Group. The non-executive Directors provide to the Group with a wide range of expertise and experience so that independent judgement can effectively be exercised as well as ensuring that the interests of all shareholders are taken into account. They are also responsible for participating in Board meetings, dealing with potential conflicts of interest, serving on audit committee, remuneration committee and nomination committee, scrutinising the Group's performance and reporting. Through their active participation, they provide their valuable skills, expertise and experience to the Board and the committees on which they serve so that the management process can be critically reviewed and controlled. The Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. All the directors give sufficient time and attention to the Company's affairs.

The Board as a whole is responsible for the appointment of new director and nomination for re-election by shareholders at the annual general meeting of the Company. Under the Company's bye-laws, the Board may from time to time appoint a director either to fill a vacancy or as an addition to the Board. Any new director appointed to fill a casual vacancy shall hold office until the first general meeting after his appointment and shall then be eligible for re-election at the next following annual general meeting. Any new director appointed by the Board as an addition to the existing Board shall hold office until the next annual general meeting of the Company and shall then be eligible for re-election. Every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Pursuant to Article 87(1) of the Bye-laws, Mr. Colin Xu, Mr. Ng Wai Hung and Mr. Wang Ju will retire at the annual general meeting and, being eligible, will offer themselves for re-election.

INDEPENDENCE

The Company has three independent non-executive Directors, at least one of whom has appropriate financial management expertise, in compliance with the GEM Listing Rules. The Group has received from each independent non-executive Directors an annual confirmation of his independence. The Company considers these Directors to be independent under the guidelines set out in Rule 5.09 of the GEM Listing Rules.

All independent non-executive Directors are identified as such in all corporate communications containing the names of the directors. In addition, there is no material relationship among members of the Board.

GENDER DIVERSITY

The Company believes the balance of gender in the Board would bring more inspiration to the Board and enhance the business development of the Group, thus gender diversity is the essential factor for the Company to select suitable candidate as a Director. The Board has set a numerical target to maintain at least one female Director on the Board at all times, and will take opportunity to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Board appointments. The Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices.

As at the date of this report, the Board comprises nine directors, including eight male and one female. To achieve diversity at workforce level, the Group has put in place appropriate recruitment and selection practices such that a diverse range of candidates are considered. During the year under review, the Board was not aware of any mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

As at 31 December 2025, as set out in the section headed "B1. Employment" in the "2025 Environmental, Social and Government Report", among the 68 employees (including senior management) of the Group, the percentages of male employees and female employees are 72% and 28%, respectively. The Board considers that the Group's workforce (including senior management) are diverse in terms of gender.

DEVIATION FROM THE CG CODE

Throughout the year ended 31 December 2025, the Company complied with the CG Code in Appendix C1 to the GEM Listing Rules, with the exception of CG Code Provisions C.2.1 (separation of roles of chairman and chief executives) and B.2.2 (specific terms of Directors).

(a) Chairman and Chief Executive Officer

Under the CG Code provision C.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 at the Group level were still left vacant. However, the Company has appointed a number of Chief Executive Officers at subsidiary level for each business segments, who will be held responsible for the oversight of each business segments' operations. The Company will continue to look for the appropriate candidate to fill the vacancy as chairman and the chief executive officer where appropriate.

(b) Terms of Directors

Under the CG Code provision B.2.2, all Directors should be appointed for a specific term, subject to re-election. Directors are 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.

BOARD MEETINGS AND SHAREHOLDERS' MEETINGS

The Board regularly meets in person or through other means of communication at least two times every year to determine overall strategic direction and objectives and approve interim and annual results, and other significant matters. At least 14 days' notice of regular Board meeting are given to all Directors, who are all given an opportunity to attend and include matters in the agenda for discussion. Apart from regular meetings, senior management from time to time provides directors information on activities and development of the businesses of the Group. The company secretary assists in preparing the agenda for the meeting and ensures that all applicable rules and regulations in connection with the meetings are observed and complied with. The company secretary also takes detailed minutes of the meetings and keeps records of matters discussed and decision resolved at the meetings.

During the year under review, five board meetings were held. Details of the attendance of the Directors at the meetings of the Board and its respective committees are as follows:

Name of Director	Board Meetings Attended/ Eligible to attend	Audit Committee Meeting Attended/ Eligible to attend	Remuneration Committee Meeting Attended/ Eligible to attend	Nomination Committee Meetings Attended/ Eligible to attend	General Meetings Attended/ Eligible to attend
Mr. Leung Wai Shun Wilson	5/5	N/A	N/A	N/A	1/1
Mr. Colin Xu	5/5	N/A	N/A	N/A	1/1
Mr. Zhou Ya Fei	5/5	2/2	N/A	1/1	1/1
Mr. Zou Xiao Chun	5/5	N/A	1/1	N/A	1/1
Mr. Li Xue Song	5/5	N/A	N/A	N/A	1/1
Ms. Wu Qian	5/5	N/A	N/A	N/A	1/1
Mr. Ng Wai Hung	5/5	2/2	1/1	1/1	1/1
Mr. Lam Cheung Shing, Richard	5/5	2/2	1/1	1/1	1/1
Mr. Wang Ju	5/5	N/A	N/A	N/A	1/1

During regular meetings of the Board, the Directors discuss and formulate the overall strategies of the Group, monitor financial performances and discuss the annual, and interim results, set annual budgets, as well as discuss and decide on other significant matters. The execution of daily operational matters is delegated to management of the Group. Monthly updates on the Companies' performances is prepared by management to the Board so as to enable directors to discharge their duties.

The company secretary records the proceedings of each board meeting in detail by keeping minutes, including the record of all decisions by the board together with concerns raised and dissenting views expressed (if any). Drafts of board minutes are circulated to all directors for comment and approval as soon as practicable after the meeting. All minutes are open for inspection at any reasonable time on request by any director.

All Directors have access to relevant and timely information at all times as the management will supply the Board and its committees with all relevant information in a timely manner. They may make further enquiries if in their opinion it is necessary or appropriate to request for further information.

They also have unrestricted access to the advice and services of the company secretary, who is held responsible for providing Directors with board papers and related materials and ensuring that all proper Board procedures are followed and that all applicable laws and regulations are complied with. If considered necessary and appropriate by the Directors, they may retain the service of independent professional advisers at the Group's expense.

In case where a conflict of interest may arise involving a substantial shareholder or a Director, such matter will be discussed in a physical meeting and will not be dealt with by way of written resolutions. Independent non-executive directors with no conflict of interest will be present at meetings dealing with such conflict issues.

Independent non-executive directors and other non-executive directors will make positive contribution to the strategy and policies of the Company through independent, constructive and informed comments.

The board committees, including the audit committee, the remuneration committee and the nomination committee, have all adopted the applicable practices and procedures used in board meetings for all committee meetings.

The annual general meeting and other general meetings of the Company are the primary forum for communication by the Company with the shareholders and for shareholders' participation. All shareholders are encouraged to attend the general meetings or to appoint proxies to attend and vote at meetings on their behalf if they are unable to attend the meetings.

During the year ended 31 December 2025, apart from the annual general meeting held on 27 June 2025, the Company did not hold any other general meetings.

TRAINING AND SUPPORT FOR DIRECTORS

The Group provides a comprehensive and formal induction to each newly appointed director upon his/her appointment. Briefings and orientations are provided and organised to ensure that the new directors are familiar with the role of the Board, their legal and other duties as a director as well as the business and governance practices of the Group. Such programmes are tailored to each individual Director taking into account their background and expertise. The company secretary will continuously update all Directors on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements to ensure compliance of the same by all Directors.

Pursuant to CG Code provision C.1, all Directors should participate in continuous professional development, including reading of relevant materials or attending relevant seminars to develop and refresh their knowledge and skills in relation to their contribution to the Board. All the Directors also understand the importance of continuous professional development and are committed to participate any suitable training or read relevant materials in order to develop and refresh their knowledge and skills. The Company has received from each Director a confirmation of their participation in continuous professional development.

A summary of the training received by the Directors for the year under review is as follows:

	Type of Continuous Professional Development	
Name of Directors	**E-learning or reading on corporate governance, regulatory updates development and other relevant topics**	**Attending relevant training sessions (including webinars)**
Executive Directors		
Mr. Colin Xu	✓	✓
Mr. Leung Wai Shun Wilson	✓	✓
Non-executive Directors		
Mr. Zou Xiao Chun	✓	✓
Mr. Zhou Ya Fei	✓	✓
Mr. Li Xue Song	✓	✓
Ms. Wu Qian	✓	✓
Independent non-executive Directors		
Mr. Ng Wai Hung	✓	✓
Mr. Lam Cheung Shing, Richard	✓	✓
Mr. Wang Ju	✓	✓

Each Director will, upon his/her first appointment and thereafter on a yearly basis, disclose to the Group the number and nature of offices held by such director in public companies and organizations and other significant commitments.

REMUNERATION COMMITTEE

A remuneration committee was formed with specific written terms of reference. As at 31 December 2025, the remuneration committee consists of two independent non-executive Directors, namely, Mr. Lam Cheung Shing, Richard, Mr. Ng Wai Hung, and one non-executive Director, Mr. Zou Xiao Chun. Mr. Lam Cheung Shing, Richard is the chairman of the committee.

The remuneration committee is responsible for formulating and recommending to the Board the remuneration policy, determining the remuneration of executive Directors and members of senior management of the Group, as well as reviewing and making recommendations on the Company's share option scheme, bonus structure, provident fund and other compensation-related issues, and ensure that no director or any of his associates is involved in deciding his own remuneration and has access to professional advice if deemed necessary. The remuneration committee is also provided with other resources enabling it to discharge its duties.

The specific terms of reference of the remuneration committee are posted on the Company's website. The remuneration committee meets at least once a year.

During the year under review, the remuneration committee held one meeting to determine the remuneration package for the executive Directors, non-executive Directors and independent non-executive Directors, and approving the terms of executive Director's service contracts.

Remuneration (including share-based payment) of senior management other than directors for the full year of 2025:

Total Remuneration Bands	**Number of Executives**
HK$1 to HK$500,000	2
HK$500,001 to HK$1,000,000	1
HK$1,000,001 to HK$1,500,000	–

NOMINATION COMMITTEE

A nomination committee was formed with specific written terms of reference on 26 March 2012. As at 31 December 2025, the nomination committee consists of two independent non-executive Directors, namely, Mr. Ng Wai Hung, Mr. Lam Cheung Shing, Richard, and one non-executive Director, Mr. Zhou Ya Fei. Mr. Ng Wai Hung is the chairman of the nomination committee.

The duties of the nomination committee include reviewing the structure, size and composition of the Board at least annually, making recommendations on any proposed changes to the board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting individuals nominated for directorship, assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

The nomination committee assesses and considers the relevant experiences, skills and qualification, and independence (applicable to independent directors) in its nomination procedure to select and recommend candidates for directorship.

The specific terms of reference of the nomination committee are posted on the Company's website. The nomination committee meets at least once a year.

During the year under review, the nomination committee held one meeting to review and recommend the appointment and re-appointment of directors.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules. Rule 5.28 of the GEM Listing Rules requires that the audit committee must comprise a minimum of three members with a majority of independent non-executive Directors and at least one member must have appropriate professional qualifications or accounting or related financial management expertise. The main duties of the audit committee include the followings:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the compliance officer or external auditor before submission to the board.

(b) To review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditor.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

Other duties of the audit committee are set out in its specific terms of reference which are posted on the Company's website. The audit committee is provided with sufficient resources enabling it to discharge its duties.

As at 31 December 2025, the audit committee has three members, namely Mr. Lam Cheung Shing, Richard (chairman of the audit committee), Mr. Zhou Ya Fei and Mr. Ng Wai Hung, all being independent non-executive Directors except for Mr. Zhou Ya Fei who is a non-executive director of the Company. Mr. Lam Cheung Shing, Richard is a fellow member of both Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountant. 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. During the year, the audit committee held two meetings to review the Group's annual report and interim report.

The audit committee has also reviewed the financial reporting and compliance procedures, report on the company's internal control and risk management review and processes as well as the re-appointment of the external auditor. There is no disagreement between the Board and the audit committee regarding the selection, appointment, resignation or dismissal of external auditor.

The Company's annual report for the year ended 31 December 2025 has been reviewed by the audit committee. The accounts for the year were audited by Rongcheng (Hong Kong) CPA Limited whose term of office will expire upon the forthcoming annual general meeting. The Audit Committee has recommended to the Board that Rongcheng (Hong Kong) CPA Limited be nominated for appointment as the auditor of the Company at the forthcoming annual general meeting.

The company secretary keeps full minutes of all audit committee meetings. In line with practices consistent with Board meetings and other committee meetings, draft and final versions of audit committee meeting minutes are circulated to all members of the audit committee for comments, approval and record as soon as practicable after each meeting.

AUDITOR'S REMUNERATION

For the year ended 31 December 2025, the remuneration in respect of audit services provided by the auditor, Rongcheng (Hong Kong) CPA Limited, amounted to HK$860,000 (2024: HK$1,060,000). For non-audit services, no fees were paid.

DETAILS OF THE QUALIFIED OPINION AND BASIS FOR QUALIFIED OPINION

Shareholders' attention are drawn to note 13 to the consolidated financial statements of this annual report ("**Consolidated Financial Statements**"), in which as at 31 December 2025, the certificates of ownership under the name of the Group ("**Certificates of Ownership**") (《產權證》) in respect of the two buildings situated in Mainland China (the "**Properties**") with carrying amount of HK$66,393,000 (2024: HK$68,643,000) held by the Group have not yet been obtained. The Properties were acquired by the Group from a third-party property developer ("**Developer**") in December 2015 (the "**Acquisition**"). The entire development project which includes the Properties and other properties situated in the immediate vicinity has only issued one single certificate of ownership and still remains in the Developer's name up to the date of approval of the Consolidated Financial Statements. According to the sales and purchase agreement ("**S&P Agreements**") in relation to the Acquisition and physical occupation and utilization of the Properties since then, the directors of the Company (the "**Directors**") are of the opinion that the Group is legally entitled to occupy, utilize and receive benefits from the Properties without any restriction despite the lack of Certificates of Ownership since the Acquisition in which such situation has been disclosed in the previous annual reports.

Based on the public information in relation to real estate registration in Beijing, the Directors learned that the development project comprising properties situated in the immediate vicinity including the Properties, were pledged by the Developer to obtain loan from financial institution (the "**Pledged Properties**") during the course of audit of the Consolidated Financial Statements. Despite the fact that there is a specific clause in the S&P Agreements which stipulated that the Developer cannot pledge the Properties without the Group's consent, the Developer managed to obtain loan from financial institution and used the Pledged Properties as collateral in the capacity of the legal owner. Since 2023, the Properties were mainly used by the Group for rental income or otherwise kept vacant and thus were classified as investment properties in the Consolidated Financial Statements. The said pledge has still not yet been released up to the date of approval date of the Consolidated Financial Statements.

Given the circumstances described above and the materiality of the investment properties in the Consolidated Financial Statements, the management has requested the Developer to provide relevant information, including but not limited to the borrowing agreements, pledge agreement, and repayment status to clarify the situation and for the justification of fair value measurement of the investment properties as at the years ended 31 December 2024 and 2025, but in vain. Nevertheless, on the contrary, the Directors consider that there is no reliable evidence to directly recognise an appropriate amount of impairment to the Properties simply based on the current available information either.

Due to the limitation on scope of audit work, auditor of the Company was unable to evaluate whether the investment properties were appropriately stated on the consolidated financial statements or any impairment has to be recognised in the consolidated financial statements. Any adjustments that might have been found necessary from the above matters may have a significant effect on the Group's financial position as at 31 December 2024 and 2025 of its financial performance for the year ended 31 December 2024 and 2025, and the related disclosures in the respective consolidated financial statements.

As a result of the above, Shareholders' attention is drawn to the sections headed "Qualified Opinion" and "Basis for Qualified Opinion" as contained in the independent auditor's report on pages 40 to 44 of this annual report (the "**2025 Audit Modification**").

MANAGEMENT'S POSITION TOWARDS THE 2025 AUDIT MODIFICATION

Prior to the publication of the Company's 2025 annual results, the management of the Company held discussions with the independent auditor of the Company, and understood its concerns and the reason for the 2025 Audit Modification. The directors are of the view that the Group is legally entitled to occupy, utilize and receive benefits from the Properties without any restriction since the Acquisition despite the lack of Certificates of Ownership. Such rights are protected by the terms stipulated in the S&P Agreements which have been confirmed by the legal advisor in the PRC. No reliable evidence suggested that any impairment to the Properties is necessary or the amount of impairment, if any, can be reasonably determined and recognized in the consolidated financial statements for the years ended 31 December 2024 and 2025. There is no difference between the view of the management and the auditor on the limitation of scope of assessment on the fair value of the investment properties and impairment amount, if any.

AUDIT COMMITTEE'S VIEWS TOWARDS THE 2025 AUDIT MODIFICATION AND MANAGEMENT'S POSITION

The Audit Committee has reviewed the relevant information provided by the management and held a meeting with the auditor of the Company concerning this audit issue. The Audit Committee understood from the independent auditor that the 2025 Audit Modification was due to the reasons as mentioned above and under the section headed "Basis for Qualified of Opinion" as contained in the independent auditor's report on pages 40 to 44 of this annual report.

After careful consideration, the Audit Committee has reviewed and agreed with the management's position on the bases that:

(i) The Group has physically occupied, utilized and has been receiving benfits from the Properties since the Acquisition. Despite the lack of Certificates of Ownership, such rights are protected by the clauses and conditions stipulated in the S&P Agreements which have been confirmed by the PRC legal advisor;

(ii) Previous annual reports have disclosed the fact that Certificates of Ownership have not yet been obtained since the Acquisition and the accounting treatment of the investment properties was supported by the independent auditors since then;

(iii) No reliable evidence suggested that any impairment to the Properties is necessary or the amount of impairment, if any, can be reasonably determined and recognized in the consolidated financial statements for the years ended 31 December 2024 and 2025.

The Audit Committee concurs with the management's position and the Audit Committee has no objection with the 2025 Audit Modification due to limitation of audit scope.

ACTION PLANS TO ADDRESS THE 2025 AUDIT MODIFICATION

A PRC legal advisor has been appointed to advise on the appropriate follow-up actions. The management of the Company will continue negotiating with the Developer to obtain the relevant information, including but not limited to the borrowing agreements, pledge agreement, and repayment status and release the pledge of the Properties. When necessary, the management of the Company will initiate legal proceedings against the Developer to protect the interests of the Company and its shareholders.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

The Directors are responsible for the preparation of the financial statements, which give a true and fair view of the financial position of the Group. The auditor is responsible to form an independent opinion, based on the audit, on the financial statements prepared by the Directors and report the opinion solely to the shareholders of the Company.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTION

No corporate governance committee has been established and the Board will therefore be responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of directors and senior management, review and monitor the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance to the Corporate Governance Code and disclosure in the Corporate Governance Report.

During the financial year ended 31 December 2025, the Board has reviewed the Company's policies and practices on corporate governance.

INTERNAL CONTROL AND RISK MANAGEMENT

In order to comply with applicable code provisions set out in the Corporate Governance Code contained in Appendix C1 to the GEM Listing Rules, The Board acknowledges their overall responsibility for overseeing the Management in the design, implementation and monitoring of the risk management and internal control systems of the Group with a view to ascertaining the effectiveness of its operations. The Board has delegated such responsibility to the Management of the Group, under the supervision of the Board, the Management has established policies and procedures for daily operations and continuously improving such internal controls of the Group.

The Group established the risk management and internal control systems with aims to deal with identified risks, safeguarding the Group's assets, preventing and detecting fraud, misconduct and loss, ensuring the accuracy of the Group's financial reports and achieving compliance with applicable laws and regulations. For risk management, the Management has established a risk management policy and risk reporting mechanism. The Board, the Audit Committee, and the Management have reviewed the Group's financial, operation, compliance and strategic aspects and identified certain risk areas including environmental, social and governance risk.

The Group has its internal protocol on handing and dissemination of inside information that set out the procedures in handling inside information in an accurate and secure manner and to avoid possible mishandling of inside information within the Group.

During the year, the Board has engaged an independent professional firm with an aim to set up and maintain an effective internal audit function to facilitate the Board in assessing its risk management and internal controls. The Group has established an internal audit charter, conducted an annual risk assessment and devised an internal audit plan under a risk-based approach. An annual internal control review was performed according to the approved internal audit plan with a view to assisting the Board and the Audit Committee to evaluate the effectiveness and adequacy of the Group's risk management and internal control mechanism.

The Audit Committee and the Board have conducted an ongoing review and monitoring of the effectiveness and adequacy of the risk management, reviewed and discussed the internal control review reports submitted by the independent professional firm. Except for the adoption of additional internal control measures to address and minimise the risk of recurrence of the circumstances leading to the qualified opinion issued by the auditor of the Company as disclosed in Note 13 to the consolidated financial statements, the Audit Committee and the Board considered that the systems of internal control and risk management were effectively and satisfactorily operated in general and would serve to protect the interest of the shareholders and safeguard the assets of the Group during the year ended 31 December 2025.

COMPANY SECRETARY

The company secretary is an employee of the Company and is appointed by the Board. The company secretary assists the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. The company secretary is also responsible for advising the Board on governance matters. All Directors of the Company may call upon him for advice and assistance at any time in respect to their duties and the effective operation of the Board and board committee. Mr. Leung Wai Shun Wilson was appointed as the company secretary since 1 October 2018. The biographical details of Mr. Leung are set out in the section of Profiles of Directors and Management on page 17 of this report. Mr. Leung has undertaken not less than 15 hours of relevant professional training to update his skills and knowledge in 2025.

DELEGATION BY THE BOARD

The Board is responsible for decisions in relation to the overall strategic development of the Group's business. All directors have formal letters of appointment setting out key terms and conditions relative to their appointment. Due to the diversity and volume of the Group's business, responsibility in relation to the daily operations and execution of the strategic business plans are delegated to management of the Group.

All committees, namely the audit committee, the remuneration committee and the nomination committee, have specific terms of reference clearly defining the authorities and responsibilities of the respective committees. All committees are required by their terms of reference to report to the Board in relation to their decisions, findings or recommendations, and in certain specific situations, to seek the Board's approval before taking any actions.

The Board review, on a yearly basis, all delegations by the Board to different committees to ensure that such delegations are appropriate and continue to be beneficial to the Company as a whole.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Insurance cover has been taken out for Directors' and Officers' Liability to provide adequate cover, as determined by the Board, in respect of the Board members and senior management members of the Company.

SHAREHOLDERS RELATIONS

The Company is committed to maintaining a high level of transparency and employs a policy of open and timely disclosure of relevant information to its shareholders. The commitment to fair disclosure and comprehensive and transparent reporting of the Company's activities can be reflected in many aspects.

In endeavouring to maintain an on-going dialogue with shareholders, the annual general meeting provides a useful forum for shareholders to exchange views with the Board.

The proceedings of the annual general meeting are reviewed from time to time to ensure the Company conforms to the best practices regarding corporate governance. The annual general meeting circular, which is circulated to all shareholders at least 21 clear days or 20 clear business days (whichever is longer) prior to the holding of the annual general meeting, sets out the details in relation to each resolution proposed, voting procedures (including procedures for demanding and conducting a poll) and other relevant information and notice of at least 14 clear days or 10 clear business days (whichever is longer) shall be given to shareholders for all other general meetings. At the Company annual general meeting, all the resolutions were put to the vote by poll and the Company's Hong Kong Branch Share Registrar, was engaged as scrutineer to ensure the votes were properly counted. The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meeting are contained in the Company's Bye-laws.

The Company also communicates to its shareholders through its annual and interim reports. The Directors, company secretary or other appropriate members of senior management also respond promptly to inquiries from shareholders and investors.

SHAREHOLDERS' RIGHTS

According to the Bye-Laws, any one or more shareholder holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meeting of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an special general meeting to be called by the Board for the transaction of any business specified in such requisition. The requisition must be lodged with the Company's principal place of business of Hong Kong.

As regards proposing a person for election as a director, please refer to the procedures as set out in the Bye-Laws on the GEM website and the Company's website at http://www.irasia.com/listco/hk/lajin/index.htm.

Shareholders may at any time send their enquiries and concerns to the Board in writing to the company secretary at the Company's office in Hong Kong at Unit 3903A, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong.

INVESTOR RELATIONS

The Company is committed to a policy of open and timely disclosure of corporate information to shareholders and investors. The Company updates shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports and notices, announcements and circulars. The Company's website (http://www.irasia.com/listco/hk/lajin/index.htm) provides a communication platform to the public and the shareholders.

To strengthen its relationship with investors, the Company meets with analysts and holds interviews with reporters and columnists of the press and other economic journals in suitable opportunities.

During the year ended 31 December 2025, there were no significant changes to the Company's constitutional documents.

DIVIDEND POLICY

The Company has adopted the dividend policy which has set out the standard rules and guidelines to be followed by the Board in considering whether to recommend dividend. The policy sets out the consideration factors for recommendation and declaration of dividend payment, such as the Group's business and financial performance, working capital requirements, capital expenditure and future development plans, retained earnings and distributable reserves of the Group and other factors that the Board deems relevant. The payment of the dividend is also subject to shareholders' approval and compliance with applicable laws and regulations including the laws of Bermuda and the Bye-Laws of the Company.

The dividend policy does not constitute a binding commitment by the Company on its future dividend and shall not obligate the Company to declare dividend at any time or from time to time, but only represents a general rules and reference purpose regarding the dividend policy. The Board will review the policy and reserve the right to amend the said policy from time to time.

CONCLUSION

The Company believes that good corporate governance is significant in maintaining investor confidence and attracting investment. The management will devote considerable effort to strengthen and improve the standards of the corporate governance of the Group.

REPORT OF THE DIRECTORS

The Directors present the report of the directors and the audited consolidated financial statements for the year ended 31 December 2025.

BUSINESS REVIEW

The business review of the Company is as set out in the section of “Management Discussion and Analysis” on page 3 to 8 of this annual report.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. Details of the principal activities of its principal subsidiaries are set out in note 33 to the consolidated financial statements.

An analysis of the Group’s revenue for the year by geographic segment is set out in note 4 to the consolidated financial statement.

RESULTS AND APPROPRIATIONS

The results of the Group for year ended 31 December 2025 are set out in the consolidated statement of profit or loss and other comprehensive income on page 45 of this annual report.

The Directors do not recommend the payment of any final dividend in respect of the year.

FINANCIAL SUMMARY

The summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 109 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 12 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the Company’s share capital during the year are set out in note 23 to the consolidated financial statements.

RESERVES

Details of the movement in the reserves of the Group and the Company during the year are set out on page 47 of this annual report and in note 25 to the consolidated financial statements respectively.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the year ended 31 December 2025, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws and there is no restriction against such rights under the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

DISTRIBUTABLE RESERVES

The Company's deficit available for distribution to shareholders as at 31 December 2025 amounting to HK$13,336,000 (2024: reserves HK$28,902,000).

PUBLIC FLOAT

At the date of this report, the Company has maintained the prescribed public float under the GEM Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company.

DIRECTORS

The Directors of the Company during the year and up to the date of this report are as follows:

Executive Directors

Mr. Colin Xu
Mr. Leung Wai Shun Wilson

Non-Executive Directors

Mr. Zou Xiao Chun
Mr. Zhou Ya Fei
Mr. Li Xue Song
Ms. Wu Qian

Independent Non-Executive Directors

Mr. Ng Wai Hung
Mr. Lam Cheung Shing, Richard
Mr. Wang Ju

Pursuant to Article 87(1) of the Bye-laws, Mr. Colin Xu, Mr. Ng Wai Hung and Mr. Wang Ju will retire at the annual general meeting and, being eligible, will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Director being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

REPORT OF THE DIRECTORS

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 31 December 2025.

SHARE OPTION SCHEME

On 21 June 2024, the Company adopted a new share option scheme ("Share Option Scheme") after the expiry of the share option scheme adopted by the Company on 9 June 2024. 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 2034.

As at 31 December 2025, there were no outstanding options.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the share option schemes, at no time during the year ended 31 December 2025 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.

DIRECTORS' INTEREST IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws of the Company, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company against all losses and liabilities & etc which they may incur or sustain by reason about the execution of their duties, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the directors. The Company has also arranged appropriate directors' and liability insurance coverage for the directors and officers of the Group.

DONATION

During the year ended 31 December 2025, the Group made no charitable and other donations (2024: Nil).

SUBSTANTIAL SHAREHOLDERS

At 31 December 2025, 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$0.10 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)*	198,256,172	47.10%
Eagle King Investment Holding Limited	Interest of controlled corporation	*(i)*	198,256,172	47.10%
Mr. Wong Kwong Yu	Interest of controlled corporation	*(i)*	198,256,172	47.10%
Great Majestic Global Holdings Limited	Interest of controlled corporation	*(i)*	198,256,172	47.10%
Mr. Xu Zhong Min	Interest of controlled corporation	*(i)*	198,256,172	47.10%
CITIC Group Corporation	Interest of controlled corporation	*(ii)*	45,993,495	10.93%
CITIC Limited	Interest of controlled corporation	*(ii)*	45,993,495	10.93%
Famous Peak Investments Limited	Beneficial owner	*(ii)*	45,993,495	10.93%
First Charm Investments Limited	Beneficial owner	*(iii)*	31,154,541	7.40%
Mr. Ko Chun Shun Johnson	Interest of controlled corporation	*(iii)*	31,154,541	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) Mr. Ko Chun Shun, Johnson owns 100% of First Charm.

Save as disclosed above, as at 31 December 2025, 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.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

Sales

— the largest customer	21.0%
— five largest customers combined	31.8%

Purchases

Due to the nature of the Group's principal business, the Group has no major suppliers.

At no time during the year did the Directors, an associate of a director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in the major customers or suppliers noted above.

CONNECTED TRANSACTION

During the year ended 31 December 2025, there were no connected transactions or continuing connected transactions under the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements thereunder.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the independent non-executive Directors to be independent.

AUDITORS

Following the resignation of BDO Limited ("BDO") as the auditor of the Company on 9 January 2026, Rongcheng (Hong Kong) CPA Limited ("Rongcheng") was appointed as the auditor of the Company by the Board on the same day and to hold office until the conclusion of the next annual general meeting of the Company.

The consolidated financial statements of the Company for the year ended 31 December 2025 were audited by Rongcheng whose terms of office will expire upon the forthcoming annual general meeting of the Company. A resolution for the re-appointment of Rongcheng as the auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

The Board confirmed that there was no disagreement between BDO and the Company. Save as disclosed above, there were no other changes in auditor of the Company during the past three years.

On behalf of the Board

Leung Wai Shun Wilson
Director

Hong Kong, 30 April 2026

容诚 | RCHK

To the shareholders of Lajin Entertainment Network Group Limited
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Lajin Entertainment Network Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 45 to 108, which comprise the consolidated statement of financial position at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

Limitation of scope – impairment assessment of the investment properties

As disclosed in Note 13 to the consolidated financial statements, the Group records two buildings located in Mainland China as investment properties (the "Properties") with a carrying amount of HK$66,393,000 as at 31 December 2025 (2024: HK$68,643,000). The Properties were acquired by the Group from a third-party property developer (the "Developer") in December 2015. The entire development project which includes the Properties and other properties situated in immediate vicinity has only issued one certificate of ownership and still remains in the Developer's possession. The Group does not hold, and has been unable to obtain, the certificate of ownership for the Properties from the relevant PRC authority up to the approval date of the consolidated financial statements. The directors have stated that, in their view, the Group is legally entitled to occupy, utilize and deal with the Properties without any restriction despite the lack of certificate of ownership. The Group accounts for these Properties at cost less accumulated depreciation and any impairment losses.

Despite the fact that there is a specific clause in the sales and purchase agreement which stipulated that the Developer cannot pledge the Properties without the Group's consent, we found out that the Developer still managed to obtain loan (the "Borrowing") from a financial institution and to use the Properties together with other properties situated in the immediate vicinity under on single certificate of ownership as collateral.

Given the circumstances described above and the significance of the investment properties in the consolidated financial statements, we requested for the borrowing agreements, pledge agreement, and repayment status to clarify the pledge detail. We also inquired the management on the potential actions or arrangements they will make to the Developer in order to justify the assessment of recoverable amount of the investment properties as at the year ended 31 December 2024 and 2025.

However, we were unable to obtain sufficient appropriate audit evidence regarding to identifying the pledge detail, any default of the Borrowing and the future potential arrangement between the Group and the Developer about the Properties for the justification of the fair value measurement of the investment properties as at the year ended 31 December 2024 and 2025. Moreover, as the directors of the Company consider that there is no reliable evidence to directly recognise an appropriate amount of impairment to the Properties based on the current available information, therefore no impairment in respect of the investment properties has been made in the financial statements. However, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves about those management judgments, assumptions and estimations adopted in such impairment assessment, and hence the carrying amounts of the investment properties as at 31 December 2024 and 2025 were free from material misstatements. There was no other practical alternative audit procedure that we could perform.

BASIS FOR QUALIFIED OPINION *(continued)*

Limitation of scope – assessment on the fair value of the investment properties (continued)

Due to the limitation on our scope of work, we were unable to evaluate whether the investment properties were appropriately stated on the consolidated financial statements or any impairment has to be recognised in the consolidated financial statements.

Any adjustments that might have been found necessary from any of the above matters may have a significant effect on the Group's financial position as at 31 December 2024 and 2025 of its financial performance for the year ended 31 December 2024 and 2025, and the related disclosures in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") as issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	**How our audit addressed the key audit matter**
Impairment of film rights and films and TV programmes under production	
At 31 December 2025, the Group had film rights and films and TV programmes under production with a carrying amount of approximately HK$17,002,000 stated at cost less accumulated amortisation and any impairment losses. At the end of each reporting period, both internal and external market information is considered to assess whether there is any indication that film rights and films and TV programmes under production are impaired. An impairment loss is recognised to reduce an asset to its estimated recoverable amount. Management's assessment process for the impairment of film rights and films and TV programmes under production is complex, highly judgemental and is based on assumptions, which are affected by the expected future film market and customers' demand. Relevant disclosures are included in notes 3 and 19 to the consolidated financial statements.	Our procedures performed in relation to the impairment assessment of film rights and TV programmes under production included the following: – evaluating management's impairment assessment and the rationale for recording the specific impairment; – evaluating management's business plans with reference to the market situation; – inquiring management about the method used in the impairment assessment; – evaluating management's analysis of the series, main artistes or directors' recent works of the films/programmes and the targeted markets of the films/programmes; and – assessing the methodologies and assumptions used by management in determining the recoverable amounts of film rights and films and TV programmes under production.

KEY AUDIT MATTERS *(continued)*

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Impairment of certain intangible assets</td></tr>
<tr><td>At 31 December 2025, the Group had intangible assets of HK$17,591,000 including license and software of HK$14,122,000 and HK$3,327,000 respectively with an indefinite useful life and are subject to annual impairment assessment. The intangible assets with an indefinite useful life are stated at cost less any impairment loss.

Management has engaged an independent external valuer to perform impairment assessment of the license and software.

Due to the significant judgement and estimates involved for the impairment assessment of license and software, specific audit focus was placed on these areas.

Relevant disclosures are included in notes 16 to the consolidated financial statements.</td><td>Our procedures in relation to the impairment assessment of the license and software included:

– Obtaining an understanding of the valuation process and adoption of the key assumptions and estimations;

– Evaluating the competence, capabilities and objectivity of the independent external valuation expert, taking into account its experience and qualifications and business interests with the Group;

– Evaluating the appropriateness of the valuation methodologies and assumptions adopted by the management and the independent external valuation expert to estimate the fair values of the intangible assets;

– Assessing and challenging the reasonableness and relevance of key assumptions, parameters and inputs used based on the knowledge and understanding of the intangible assets; and

– Checking the mathematical accuracy of the fair value calculations.</td></tr>
</table>

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2024 were audited by another auditor who expressed an unmodified opinion on those statements on 31 March 2025.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Rongcheng (Hong Kong) CPA Limited
Certified Public Accountants
Ruan Qianting
Practising Certificate Number: P08288

Hong Kong, 30 April 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2025

	Notes	**2025** ***HK$'000***	2024 *HK$'000*
REVENUE	*5*	**12,817**	5,332
Cost of sales		**(5,799)**	(4,829)
Gross profit		**7,018**	503
Other income and gains, net	*5*	**2,993**	4,529
Selling and distribution expenses		**(953)**	(314)
Administrative expenses		**(32,948)**	(31,874)
Other expenses		**–**	(9,042)
Share of losses of associates	*14*	**–**	(1,619)
LOSS BEFORE TAX	*6*	**(23,890)**	(37,817)
Income tax expense	*9*	**–**	–
LOSS FOR THE YEAR		**(23,890)**	(37,817)
OTHER COMPREHENSIVE INCOME (EXPENSE)			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**2,282**	(1,897)
Items that will not be reclassified to profit or loss in subsequent periods:			
Fair value change on equity investments designated at fair value through other comprehensive income ("FVTOCI"):		**(247)**	(1,443)
OTHER COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR, NET OF INCOME TAX		**2,035**	(3,340)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		**(21,855)**	(41,157)
Loss for the year attributable to:			
Owners of the Company		**(19,186)**	(31,277)
Non-controlling interest		**(4,704)**	(6,540)
		(23,890)	(37,817)
Total comprehensive expense attributable to:			
Owners to the Company		**(16,697)**	(35,243)
Non-controlling interests		**(5,158)**	(5,914)
		(21,855)	(41,157)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			*(Restated)*
Basic and diluted	*11*	**4.56 Cents**	7.40 Cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	Notes	2025 HK$'000	2024 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**234**	193
Investment properties	13	**66,393**	68,643
Investments in associates	14	**–**	5,178
Equity investments designated at FVTOCI	15	**–**	243
Intangible assets	16	**17,591**	16,911
Total non-current assets		**84,218**	91,168
CURRENT ASSETS			
Trade receivables	17	**45**	7,035
Prepayments, other receivables and other assets	18	**17,819**	15,940
Film rights and films and TV programmes under production	19	**17,002**	13,683
Inventories		**1,033**	810
Cash and cash equivalents	20	**8,555**	7,626
Total current assets		**44,454**	45,094
CURRENT LIABILITIES			
Trade payables	21	**118**	427
Other payables and accruals	22	**22,832**	20,755
Amount due to a shareholder		**6,712**	–
Total current liabilities		**29,662**	21,182
NET CURRENT ASSETS		**14,792**	23,912
TOTAL ASSETS LESS CURRENT LIABILITIES		**99,010**	115,080
NON-CURRENT LIABILITIES			
Other payables	22	**43,594**	37,809
NET ASSETS		**55,416**	77,271
EQUITY			
Equity attributable to owners of the Company			
Share capital	23	**42,090**	42,090
Reserves	25	**40,162**	56,859
		82,252	98,949
Non-controlling interests		**(26,836)**	(21,678)
Total equity		**55,416**	77,271

Colin Xu
Director

Leung Wai Shun Wilson
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2025

	Notes	Attributable to owners of the Company								Non-controlling interests	Total
		Share capital	Share premium	Fair value reserve	Contributed surplus	Other reserves	Exchange reserve	Accumulated losses	Subtotal		
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(note i)		*(note ii)*	*(note iii)*					
At 1 January 2024		42,090	1,138,909	(21,955)	28,294	14,426	(25,479)	(1,042,093)	134,192	(15,764)	118,428
Loss for the year		–	–	–	–	–	–	(31,277)	(31,277)	(6,540)	(37,817)
Other comprehensive income for the year											
Changes in fair value of equity investment designated in FVTOCI		–	–	(1,443)	–	–	–	–	(1,443)	–	(1,443)
Exchange differences arising from the translation of foreign operations		–	–	–	–	–	(2,523)	–	(2,523)	626	(1,897)
Total comprehensive income for the year		–	–	(1,443)	–	–	(2,523)	(31,277)	(35,243)	(5,914)	(41,157)
At 31 December 2024 and 1 January 2025		**42,090**	**1,138,909**	**(23,398)**	**28,294**	**14,426**	**(28,002)**	**(1,073,370)**	**98,949**	**(21,678)**	**77,271**
Loss for the year		**-**	**-**	**-**	**-**	**-**	**-**	**(19,186)**	**(19,186)**	**(4,704)**	**(23,890)**
Other comprehensive income for the year											
Changes in fair value of equity investment designated in FVTOCI		**-**	**-**	**(247)**	**-**	**-**	**-**	**-**	**(247)**	**-**	**(247)**
Exchange differences arising from the translation of foreign operations		**-**	**-**	**-**	**-**	**-**	**2,736**	**-**	**2,736**	**(454)**	**2,282**
Total comprehensive income for the year		**-**	**-**	**(247)**	**-**	**-**	**2,736**	**(19,186)**	**(16,697)**	**(5,158)**	**(21,855)**
At 31 December 2025		**42,090**	**1,138,909**	**(23,645)**	**28,294**	**14,426**	**(25,266)**	**(1,092,556)**	**82,252**	**(26,836)**	**55,416**

Notes:

(i) Under the Companies Act 1981 of Bermuda (as amended), the share premium of the Company can be used for paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares.

(ii) The contributed surplus of the Company represents the capital reduction and capital reorganisation of share capital and reserves of the Company during the year ended 31 December 2010. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus if: (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.

(iii) The other reserves mainly represent the proportion of share of reserves of the Group's associates.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2025

	Notes	2025 HK$'000	2024 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(23,890)**	(37,817)
Adjustments for:			
Interest income	5	**(9)**	(83)
Share of losses of associates	14	**–**	1,619
Depreciation of property, plant and equipment	6	**180**	891
Depreciation of investment properties	6	**5,021**	4,407
Amortisation of intangible assets	6	**29**	29
Impairment loss recognised in respect of films and TV programmes under production	6	**–**	5,464
Impairment loss on investments in associates	6	**–**	450
(Reversal of)/impairment loss on trade and other receivables, net	5	**(218)**	2,839
Operating loss before working capital changes		**(18,887)**	(22,201)
Decrease in trade receivables		**6,990**	10,213
Increase in other receivables and other assets		**(1,661)**	(75)
Increase in film rights and films and TV programmes under production		**(2,232)**	–
Decrease in inventories		**(223)**	27
(Decrease)/increase in trade payables		**(309)**	265
Increase/(decrease) in other payables and accruals		**11,452**	(7,592)
Cash used in operations		**(4,870)**	(19,363)
Interest received		**9**	83
Tax paid		**–**	–
Net cash flows used in operating activities		**(4,861)**	(19,280)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2025

	Notes	2025 HK$'000	2024 HK$'000
CASH FLOWS FROM INVESTING ACTIVITY			
Purchases of items of property, plant and equipment		**(216)**	(19)
Net cash flows used in investing activity		**(216)**	(19)
CASH FLOWS FROM FINANCING ACTIVITY			
Advance from a shareholder		**6,712**	–
Net cashs flow from financing activity		**6,712**	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,635**	(19,299)
Cash and cash equivalents at beginning of year		**7,626**	26,339
Effect of foreign exchange rate changes, net		**(706)**	586
CASH AND CASH EQUIVALENTS AT END OF YEAR		**8,555**	7,626
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*20*	**8,555**	7,626

1. CORPORATE INFORMATION

Lajin Entertainment Network Group Limited (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 addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the following principal activities:

- Artiste management service;
- Movies, TV programmes and internet contents services; and
- New media business.

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of Stock Exchange and by the Hong Kong Companies Ordinance of Hong Kong. They have been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income. These consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

2.2 APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

Amendments to an HKFRS Accounting Standard that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to an HKFRS Accounting Standard as issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2025 for the preparation of the consolidated financial statements:

Amendments to HKAS 21 and HKFRS 1	Lack of Exchangeability

The application of the amendments to an HKFRS Accounting Standard in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.2 APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS *(continued)*

New and amendments to HKFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRS Accounting Standards that have been issued but are not yet effective:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Annual improvements to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards - Volume 11[2]
HKFRS 18	Presentation and Disclosure in Financial Statements[3]
Amendments to HKAS 21	Translation to a Hyperinflationary Presentation[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2026.
3 Effective for annual periods beginning on or after 1 January 2027.

Except for new HKFRS Accounting Standards mentioned below, the Group anticipates that the application of all other new and amendments to HKFRS Accounting Standards will have no material impact on the consolidated financial statements of the Group in the foreseeable future.

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 Presentation and Disclosure in Financial Statements, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 Presentation of Financial Statements. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKFRS 7. Minor amendments to HKAS 7 Statement of Cash Flows and HKAS 33 Earnings per Share are also made. HKFRS 18, and amendments to other standards, will be effective for accounting periods beginning on or after January 1, 2027, with early application permitted. The application of HKFRS 18 has no impact on the Group's financial positions and performance, but has impact on presentation of the consolidated statements of profit or loss.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Fair value measurement

The Group measures its equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Impairment of non-financial assets *(continued)*

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Property, plant and equipment and depreciation

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture and equipment	20%
Computer equipment	$33^1/_3$%
Motor vehicles	25%

Investment properties

Investment property is property held to earn rentals. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property, calculated as the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss in the period in which the property is derecognised.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Intangible assets (other than goodwill and film rights and films and TV programmes under production)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Licence and software with indefinite useful life is stated at cost less any impairment. Other intangible assets are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives.

Film rights and films and TV programmes under production

Film rights

Film rights are stated at cost less accumulated amortisation and accumulated impairment losses (if any). The Group amortises costs of film rights based on the expected pattern of consumption of the expected future economic benefits. The Group begins to amortise the capitalised costs of film rights when a film is released and it begins to recognise revenue from that film.

At the end of each reporting period, both internal and external market information are considered when assessing whether there is any indication that film rights are impaired. If any such indication exists, the carrying amounts of such assets are assessed and where relevant, impairment losses are recognised to reduce the asset to its estimated recoverable amounts. Such impairment losses are recognised in profit or loss.

Films and TV programmes under production

Films and TV programmes under production represent films, televisions drama series, scripts and TV programmes under production and are stated at cost at the date incurred, less any identified impairment losses. Costs include all costs associated with the production of films and TV programmes. Films and TV programmes under production are transferred to film rights when the permit of public screening is received.

At the end of each reporting period, both internal and external market information is considered when assessing whether there is any indication that films and TV programmes under production are impaired. If any such indication exists, the carrying amounts of such assets are assessed and where relevant, impairment losses are recognised to reduce the assets to their recoverable amounts. Such impairment losses are recognised in profit or loss.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Leases

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Group as a lessee

The Group applies the short-term lease recognition exemption to its short-term leases of office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

The Group as a lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Financial Instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Financial Instruments *(continued)*

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established generally by regulation or convention in the market place concerned.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the other reserve; and are not subject to impairment assessment. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, and is continues to be held in the other reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the other income line item in profit or loss.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Financial Instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under ECL model on financial assets (including trade receivables and other receivables and other assets, which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of past events and current conditions at the reporting date as well as the forecast of future economic conditions.

The Group always recognises lifetime ECL for trade receivables

For other receivables and other assets, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Financial Instruments *(continued)*

Financial assets *(continued)*

The Group always recognises lifetime ECL for trade receivables (continued)

(i) Significant increase in credit risk ***(continued)***

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

2.3 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Financial Instruments *(continued)*

Financial assets *(continued)*

The Group always recognises lifetime ECL for trade receivables (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Financial Instruments *(continued)*

Financial assets *(continued)*

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is continues to be held in the other reserve.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities including trade payables, other payables and amount due to a shareholder are subsequently measured at amortised cost, using the effective interest method.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Income tax

Income tax expense represents the current tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/(loss) before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Artiste management

Artiste management service income is recognised over the scheduled period on a straight-line basis because the customers simultaneously receive and consume the services rendered by the artistes of the Group. The performance obligation is satisfied over time because the customers simultaneously receive and consume the services rendered by the artistes of the Group.

TV and internet programmes

TV and internet programme revenue is recognised when master tapes and materials have been delivered to television stations and online entertainment content platforms and the right to play has been licensed in accordance with the terms of the underlying agreements and the right to receive payment is established, based on the pre-determined share of the sales proceeds from the licensing of the related TV and internet programme set out in the respective agreements.

Film distribution

Film production and distribution income is recognised based on the pre-determined share of the distributable box office receipts from the public screening of the related films set out in the respective film investment agreements when the film is released. The performance obligation is satisfied when the film is released.

Distribution agency service

Distribution agency income is recognised at the point in time when the services are rendered.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers *(continued)*

Development of software system (recognised in new media business)

The Group provides a service of developing of customised software products for specialised business operations. Such services are recognised as a performance obligation satisfied at the point in time when the system has been accepted by and the control of the system has been transferred to the customer. Payment of the transaction price is due immediately at the point the customer accepted and obtained the control of the system.

Promotion and demonstration through new media channels (recognised in new media business)

The Group sells PASS Cards in music and tourism market, the performance obligation is satisfied when the PASS Card is passed to the customers. When the customer initially purchases the goods online or paid in advance, the transaction price received by the Group is recognised as the goods have been delivered to the customer.

Franchisee fee for the PASS Cards distribution (recognised in new media business)

The Group distributes the PASS Cards through operators/representatives for each scenic area. The recognition of franchisee fees depends on identifying the performance obligations promised in the franchise agreement. The transaction price is allocated to each separate performance obligation. Revenue for the significant initial services is recognised as those services are performed, while revenue allocated to the franchise license is recognised over time. The Group received the payment in advance once they signed the franchisee agreements with the operators/representatives.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of consolidated financial statements in accordance with HKFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Accounting for companies governed under contractual arrangements as subsidiaries

The Company and some of its subsidiaries do not hold any equity interests in certain of their subsidiaries. Nevertheless, under the contractual agreements entered into between the Group and the shareholders who are the registered owners of those subsidiaries, the directors of the Company determine that the Group has the power to govern the financial and operating policies of those subsidiaries so as to obtain benefits from their activities. As such, those subsidiaries are accounted for as subsidiaries of the Group for accounting purposes.

The Group's revenue generated from the entities which are controlled by the Group through the contractual agreements described above amounted to approximately HK$12,998,000 (2024: HK$5,332,000) for the year ended 31 December 2025. At 31 December 2025, total assets and total liabilities of these entities amounted to approximately HK$121,960,000 (2024: HK$46,316,000) and HK$26,962,000 (2024: HK$26,089,000), respectively.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of film rights and films and TV programmes under production

At the end of each reporting period, both internal and external market information are considered when assessing whether there is any indication that film rights and films and TV programmes under production are impaired. If any such indication exists, the carrying amounts of such assets are assessed and where relevant, impairment losses are recognised to reduce the assets to their estimated recoverable amounts. Such impairment losses are recognised in profit or loss.

Management bases its estimates of recoverable amount of each film and TV programme on the historical performance of similar films and TV programmes, incorporating factors such as the past box office record of the leading actors and actresses, the genre of the film, anticipated performance in the home entertainment, television and other ancillary markets, and agreements for future sales.

These estimated recoverable amounts can change significantly due to a variety of factors. Such change in estimations may result in the write-down of the carrying values of the assets to their recoverable amounts. This could have an impact on the Group's results of operations. The carrying amounts of film rights and films and TV programmes under production are disclosed in note 19 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

Provision for expected credit losses on other receivables

The loss allowances for other receivables are based on assumptions about risk of default and expected loss rates. The Group makes adjustment in making these assumptions and selecting the inputs to the expected credit loss calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. The information about the provision for expected credit losses on the Group's other receivables is disclosed in note 18 to the consolidated financial statements.

Impairment of non-financial assets (other than goodwill and film rights and films and TV programmes under production)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. They are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Income taxes

The Group is subject to income taxes in various jurisdictions. Estimates are required in determining the provision for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

4. OPERATING SEGMENT INFORMATION

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

(a) the artiste management segment comprises the provision of artiste management service;

(b) the movies, TV programmes and internet contents segment comprises investment, production and distribution of movies, TV programmes and in internet contents;

(c) the new media business segment comprises development of software system, the promotion and demonstration through the new media channels (i.e. PASS CARD, AMBER APP and etc.).

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's loss before tax except that impairment loss recognised in respect of trade and other receivables, impairment loss on investments in associates, share of losses of associates, other income as well as head office and corporate and other unallocated expenses are excluded from such measurement.

4. OPERATING SEGMENT INFORMATION *(continued)*

(a) Segment revenue and results

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

	Artiste Management		Movies, TV Programmes and Internet contents		New media business		Consolidated	
	2025	2024	**2025**	2024	**2025**	2024	**2025**	2024
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue *(note 5)*								
Revenue to external customers	**106**	285	**1,518**	3,794	**11,193**	1,253	**12,817**	5,332
Segment results	**(65)**	203	**(9,817)**	(15,265)	**(10,291)**	(10,490)	**(20,173)**	(25,552)
Reconciliation								
Unallocated other income							**1,901**	124
Corporate and other unallocated expenses							**(5,436)**	(7,481)
Impairment loss recognised in respect of trade and other receivables, net							**(182)**	(2,839)
Impairment loss on investments in associates							**–**	(450)
Share of losses of associates							**–**	(1,619)
Loss before tax							**(23,890)**	(37,817)

4. OPERATING SEGMENT INFORMATION *(continued)*

(b) Other segment information

	Artiste management		Movies, TV programmes and internet contents		New media business		Unallocated		Consolidated	
	2025	2024	**2025**	2024	**2025**	2024	**2025**	2024	**2025**	2024
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Depreciation of property, plant and equipment and investment properties	**–**	–	**–**	–	**180**	891	**5,021**	4,407	**5,201**	5,298
Impairment loss recognised in respect of films and TV programmes under production	**–**	–	**–**	5,464	**–**	–	**–**	–	**–**	5,464
(Reversal of)/impairment loss recognised in respect of trade and other receivables, net	**–**	–	**(400)**	–	**–**	–	**182**	2,839	**(218)**	2,839
Investments in associates	**–**	–	**–**	–	**–**	–	**–**	5,178	**–**	5,178

(c) Geographical information

In determining the Group's geographical information, revenue information is based on the locations of the customers, and asset information is based on the locations of the assets.

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets*	
	2025 ***HK$000***	2024 HK$000	**2025** ***HK$000***	2024 HK$000
Mainland China	**12,817**	5,332	**84,218**	89,143
Korea	**–**	–	**–**	1,782
	12,817	5,332	**84,218**	90,925

* Non-current assets represent property, plant and equipment, investment properties, investments in associates and intangible assets.

4. OPERATING SEGMENT INFORMATION *(continued)*

(d) Information about major customers

Revenue from customers for the years ended 31 December 2025 and 2024 which individually amounted to over 10% of the total revenue of the Group is as follows:

	Reporting segment	2025 HK$'000	2024 HK$'000
Customer A	Movies, TV programmes and internet contents	**N/A***	3,600
Customer B	New media business	**2,690**	N/A*
Customer C	New media business	**1,390**	N/A*

* The corresponding revenue did not contribute over 10%, of the total revenue of the Group.

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2025 HK$'000	2024 HK$'000
Revenue from contracts with customers	**12,817**	5,332

Revenue from contracts with customers

(a) Disaggregated revenue information

	2025 HK$'000	2024 HK$'000
Types of goods or services		
TV and internet programmes	**1,501**	3,714
Film distribution	**17**	31
Artiste management	**106**	285
Distribution agency service	**–**	49
New media business	**11,193**	1,253
Total revenue from contracts with customers	**12,817**	5,332
Geographical markets		
Mainland China	**12,817**	5,332
Timing of revenue recognition		
Transferred at a point in time	**12,183**	5,047
Transferred over time	**634**	285
	12,817	5,332

5. REVENUE, OTHER INCOME AND GAINS, NET *(continued)*

Revenue from contracts with customers *(continued)*

(b) Performance obligations

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) at 31 December are as follows:

	2025 ***HK$'000***	2024 *HK$'000*
Amounts expected to be recognised as revenue:		
Within one year	**2,432**	–
1-2 years	**2,432**	–
2-3 years	**1,765**	–
	6,629	–

	2025 ***HK$'000***	2024 *HK$'000*
Other income		
Rental income	**1,898**	2,181
Interest income	**9**	83
Others	**7**	1,198
	1,914	3,462
Gains/(losses), net		
Recovery of amount on an impaired film rights and films and TV programmes under production	**–**	1,039
Exchange differences, net	**(7)**	28
Reversal of impairment loss on trade and other receivables, net	**218**	–
Others	**868**	–
	1,079	1,067
	2,993	4,529

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	**2025** **HK$'000**	2024 HK$'000
Costs of film and TV programme rights		**387**	2,034
Cost of new media business		**5,412**	2,713
Cost of artiste management services		**–**	82
Total cost of sales		**5,799**	4,829
Auditor's remuneration*		**860**	1,105
Depreciation of property, plant and equipment	*12*	**180**	891
Depreciation of investment properties	*13*	**5,021**	4,407
Lease payments not included in the measurement of lease liabilities		**1,116**	503
Amortisation of intangible assets	*16*	**29**	29
Impairment loss on investments in associates	*14*	**–**	450
Impairment loss recognised in respect of film rights and films and TV programmes under production	*19*	**–**	5,464
Reversal of impairment loss on trade receivables	*17*	**–**	(436)
(Reversal of)/ provision for impairment loss on other receivables, net*	*18*	**(218)**	3,275
Legal and professional fees		**1,456**	2,334
Office operating expenses		**2,813**	2,362
Management and service expenses		**4,460**	3,080
Others		**148**	723
Staff costs (including directors' remuneration):[i]			
– Salaries, allowances and other benefits		**17,049**	15,790
– Pension scheme contributions[i]		**987**	939
Total Staff costs		**18,036**	16,729

Note

i) At 31 December 2025, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2024: Nil).

7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the applicable GEM Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

For the year ended 31 December 2025:

	Fees *HK'000*	Salaries, and allowances *HK'000*	Discretionary bonus *HK'000*	Pension scheme contributions *HK'000*	Total *HK'000*
Executive directors:					
Mr. Colin Xu	–	596	–	130	726
Mr. Leung Wai Shun Wilson	–	1,166	–	95	1,261
Non-executive directors:					
Mr. Zou Xiao Chun (note (a))	–	–	–	–	–
Mr. Zhou Ya Fei (note (b))	–	–	–	–	–
Mr. Li Xue Song (note (c))	–	–	–	–	–
Ms. Wu Qian (appointed on 30 December 2024) (note (d))	–	–	–	–	–
Independent non-executive directors:					
Mr. Lam Cheung Shing Richard	120	–	–	–	120
Mr. Ng Wai Hung	120	–	–	–	120
Mr. Wang Ju	120	–	–	–	120
	360	1,762	–	225	2,347

During the years ended 31 December 2025 and 2024, no share option expense was recognised by the Group and no amount is included in the above directors' remuneration disclosures.

During the years ended 31 December 2025 and 2024, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes:

(a) Mr. Zou Xiao Chun, a non-executive director, has waived his directors' fees for 2025 and 2024.

(b) Mr. Zhou Ya Fei, a non-executive director, has waived his director's fees for 2025 and 2024.

(c) Mr Li Xue Song, a non-executive director, has waived his directors' fees for 2025 and 2024.

(d) Ms. Wu Qian, a non-executive director, has waived her directors' fees for 2025 and 2024.

7. DIRECTORS' REMUNERATION *(continued)*

For the year ended 31 December 2024:

	Fees *HK'000*	Salaries, and allowances *HK'000*	Discretionary bonus *HK'000*	Pension scheme contributions *HK'000*	Total *HK'000*
Executive directors:					
Mr. Colin Xu	–	651	–	126	777
Mr. Leung Wai Shun Wilson	–	1,179	–	95	1,274
Non-executive directors:					
Mr. Zou Xiao Chun (note (a))	–	–	–	–	–
Mr. Zhou Ya Fei (note (b))	–	–	–	–	–
Mr. Li Xue Song (note (c))	–	–	–	–	–
Ms. Wu Qian (appointed on 30 Decemberr 2024) (note (d))	–	–	–	–	–
Independent non-executive directors:					
Mr. Lam Cheung Shing Richard	120	–	–	–	120
Mr. Ng Wai Hung	120	–	–	–	120
Mr. Wang Ju	120	–	–	–	120
	360	1,830	–	221	2,411

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2024: two directors), details of whose remuneration are set out in note 7 above. Details of the remuneration for the year of the remaining three (2024: three) highest paid employees who are not directors of the Company are as follows:

	2025 **HK$'000**	2024 *HK$'000*
Salaries and allowances	**1,215**	1,367
Pension scheme contributions	**59**	139
Discretionary bonus	**–**	–
	1,274	1,506

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	2025	2024
Nil to HK$1,000,000	**3**	3

During the years ended 31 December 2025 and 2024, no share option expense was recognised by the Group and included in the above non-director and non-chief execution highest paid employees' remuneration disclosures.

9. INCOME TAX EXPENSE

	2025 **HK$'000**	2024 *HK$'000*
Current tax expense for the year	**–**	–

No provision for Hong Kong profits tax and Korea corporate income tax has been made for both years as the Group did not generate any assessable profits arising in Hong Kong and Korea.

No provision for PRC income tax has been made for the year ended 31 December 2025 and 2024 as the Group did not generate any assessable profits arising in the PRC.

9. INCOME TAX EXPENSE *(continued)*

A reconciliation of the tax credit applicable to loss before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense for the year is as follows:

	2025 ***HK$'000***	2024 *HK$'000*
Loss before tax	**(23,890)**	(37,817)
Tax credit at the statutory tax rates	**(5,972)**	(9,454)
Tax effect of share of results of associates	**–**	267
Tax effect of expenses not deductible for tax	**(1,300)**	(1,336)
Tax effect of income not subject to tax	**2**	17
Tax losses not recognised	**7,270**	10,570
Tax effect of utilisation of tax losses previously not recognised	**–**	(64)
Total tax expense for the year	**–**	–

There was no share of tax attributable to associates included in “Share of profits and losses of associates” in the consolidated statement of profit or loss for the year ended 31 December 2024 and 2025.

For the year ended 31 December 2025 and 2024, there was no material unrecognised in deferred tax liabilities.

At 31 December 2025, the Group has tax losses arising in Hong Kong of approximately HK$8,876,000 (2024: approximately HK$5,187,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of approximately HK$236,553,000 (2024: HK$209,906,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

10. DIVIDEND

No dividend was paid or proposed during 2025, nor has any dividend been proposed since the end of the reporting period (2024: Nil).

11. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company of HK$19,275,000 (2024: HK$31,277,000), and the weighted average number of ordinary shares of 420,913,000 (2024: 420,913,000 (restated)) in issue during the year.

The weighted average number of ordinary shares for the year ended 31 December 2025 and 2024 has been retrospectively adjusted for the ten-to-one share consolidation of the Company which became effective on 29 May 2025. The loss per share calculations for 2025 and 2024 have been adjusted so as to be based on the new number of shares under the share consolidation.

Diluted loss per share were the same as the basic loss per share as the Group had no potential dilutive ordinary shares during the years ended 31 December 2025 and 2024.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and equipment	Computer equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1 January 2024	2,784	15,145	7,776	1,353	27,058
Additions	–	–	19	–	19
Exchange realignment	(92)	(496)	(255)	(44)	(887)
At 31 December 2024 and at 1 January 2025	**2,692**	**14,649**	**7,540**	**1,309**	**26,190**
Additions	**–**	**–**	**202**	**14**	**216**
Write off	**–**	**(894)**	**(2,413)**	**–**	**(3,307)**
Exchange realignment	**114**	**595**	**113**	**55**	**877**
At 31 December 2025	**2,806**	**14,350**	**5,442**	**1,378**	**23,976**
Accumulated depreciation					
At 1 January 2024	2,154	14,989	7,479	1,353	25,975
Charged for the year	560	103	228	–	891
Exchange realignment	(82)	(494)	(249)	(44)	(869)
At 31 December 2024 and at 1 January 2025	**2,632**	**14,598**	**7,458**	**1,309**	**25,997**
Charged for the year	**96**	**14**	**69**	**1**	**180**
Write off	**–**	**(894)**	**(2,413)**	**–**	**(3,307)**
Exchange realignment	**78**	**594**	**145**	**55**	**872**
At 31 December 2025	**2,806**	**14,312**	**5,259**	**1,365**	**23,742**
Net carrying amount					
At 31 December 2025	**–**	**38**	**183**	**13**	**234**
At 31 December 2024	60	51	82	–	193

The Group estimates the recoverable amounts of the property, plant and equipment based on higher of fair value less costs of disposal and value in use. The carrying amount of the relevant assets does not exceed the recoverable amount based on value in use and no impairment has been recognised.

13. INVESTMENT PROPERTIES

	HK$'000
Cost	
At 1 January 2024	108,017
Exchange realignment	(3,539)
At 31 December 2024 and 1 January 2025	104,478
Exchange realignment	4,386
At 31 December 2025	108,864
Accumulated depreciation	
At 1 January 2024	**32,204**
Charge for the year	**4,407**
Exchange realignment	**(776)**
At 31 December 2024 and 1 January 2025	**35,835**
Charge for the year	**5,021**
Exchange realignment	**1,615**
At 31 December 2025	**42,471**
Net carrying amount	
At 31 December 2025	**66,393**
At 31 December 2024	68,643

(a) The Group's investment properties consist of commercial properties situated in the PRC. Investment properties are stated at cost less accumulated depreciation and impairment loss. For the years ended 31 December 2025 and 2024, no impairment loss was charged to the statement of profit and loss.

(b) As at 31 December 2025, the certificates of ownership under the name of the Group ("Certificates of Ownership") (《產權證》) in respect of the two buildings situated in Mainland China (the "Properties") with carrying amount of HK$66,393,000 (2024: HK$68,643,000) held by the Group have not yet been obtained. The Properties were acquired by the Group from a third-party property developer ("Developer") in December 2015 (the "Acquisition"). The entire development project which includes the Properties and other properties situated in the immediate vicinity has only issued one single certificate of ownership and still remains in the Developer's name up to the date of approval of the consolidated financial statements. According to the sales and purchase agreement in relation to the Acquisition and physical occupation and utilisation of the Properties since then, the directors of the Company are of the opinion that the Group is legally entitled to occupy, utilise and receive benefits from the Properties without any restriction despite the lack of Certificates of Ownership since the Acquisition.

13. INVESTMENT PROPERTIES *(continued)*

(b) *(continued)*

Based on the public information in relation to real estate registration in Beijing, the directors of the Company learned that the development project comprising properties situated in the immediate vicinity including the Properties, were pledged by the Developer to obtain loan from financial institution ("Pledged Properties") during the course of audit of the consolidated financial statements. Despite the fact that there is a specific clause in the S&P Agreements which stipulated that the Developer cannot pledge the Properties without the Group's consent, the Developer managed to obtain loan from financial institution and used the Pledged Properties as collateral in the capacity of the legal owner. The said pledge has still not yet been released up to the date of approval date of the consolidated financial statements.

Given the circumstances described above and the materiality of the investment properties in the consolidated financial statements, the management has requested the Developer to provide relevant information, including but not limited to the borrowing agreements, pledge agreement, and repayment status to clarify the situation and for the justification of fair value measurement of the investment properties as at the year ended 31 December 2024 and 2025, but up to the date of approval date of the consolidated financial statements, the management is still not able to get those information from the Developer. Nevertheless, on the contrary, the directors of the Company consider that there is no reliable evidence to directly recognise an appropriate amount of impairment to the Properties simply based on the current available information.

14. INVESTMENTS IN ASSOCIATES

	2025 ***HK$'000***	2024 *HK$'000*
Share of net assets	**5,142**	12,558
Goodwill on acquisition	**10,057**	10,057
	15,199	22,615
Provision for impairment	**(15,199)**	(17,437)
	–	5,178

The Group's associates are all held through wholly-owned subsidiaries of the Company.

Notes:

(i) At 31 December 2024, as the directors of the Company considered an associate with Korean drama and film production as its major business had unclear future profitability due to facing severe difficulties for production companies under keen competition in domestic market. The Group performed an impairment assessment during the year ended 31 December 2024. The recoverable amount of the investment in this associate has been determined based on a net asset approach. As a result of this analysis, an impairment of HK$450,000 was recognised in other expenses in the consolidated statement of profit or loss for the year ended 31 December 2024 and accordingly the carrying amount of this associate became nil as at 31 December 2024.

(ii) During the year ended 31 December 2025, the Group derecognised its investment in an associate. On 30 July 2025, a final award was rendered by the Beijing Arbitration Commission in connection with the capital injection agreement entered into in 2017 between the Group and the associate, pursuant to which the agreement was rescinded. As a result, the Group had no further obligation to inject the remaining capital of RMB5.14 million. In prior periods, the associate was principally engaged in live streaming activities.

As at 31 December 2024, in light of the uncertain future profitability arising from the National Radio and Television Administration's further enhancement of regulations on internet celebrities, which increased the difficulty of incubating new internet celebrity accounts, the directors performed an impairment assessment of the investment. The recoverable amount was determined using a net asset approach, and no impairment was recognised for the year ended 31 December 2024.

14. INVESTMENTS IN ASSOCIATES *(continued)*

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2025 ***HK$'000***	2024 *HK$'000*
Share of the associates' loss for the year	–	(1,619)
Aggregate carrying amount of the Group's investments in the associates	–	5,178

15. EQUITY INVESTMENTS DESIGNATED AT FVTOCI

	2025 ***HK$'000***	2024 *HK$'000*
Equity securities designed at FVTOCI		
Unlisted equity investments, at fair value	–	243

The above equity investments were irrevocably designated at FVTOCI as the Group considers these investments to be strategic in nature. The movements in fair value measurements in Level 3 during the year are disclosed in notes 31.

16. INTANGIBLE ASSETS

	License	**Software**	**Other intangible assets**	**Total**
	(note (i))	*(note (ii))*	*(note (iii))*	
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Cost				
At 1 January 2024	14,013	3,301	319	17,633
Exchange realignment	(459)	(108)	(10)	(577)
At 31 December 2024 and at 1 January 2025	**13,554**	**3,193**	**309**	**17,056**
Exchange realignment	**568**	**134**	**15**	**717**
At 31 December 2025	**14,122**	**3,327**	**324**	**17,773**
Accumulated amortisation				
At 1 January 2024	–	–	120	120
Charged for the year	–	–	29	29
Exchange realignment	–	–	(4)	(4)
At 31 December 2024 and at 1 January 2025	**–**	**–**	**145**	**145**
Charged for the year	**–**	**–**	**29**	**29**
Exchange realignment	**–**	**–**	**8**	**8**
At 31 December 2025	**–**	**–**	**182**	**182**
Net carrying amount				
At 31 December 2025	**14,122**	**3,327**	**142**	**17,591**
At 31 December 2024	13,554	3,193	164	16,911

The intangible asset with indefinite useful life is tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Subsequent to initial recognition, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

16. INTANGIBLE ASSETS *(Continued)*

Notes:

(i) The licence was granted by the National Radio and Television Administration of the PRC to Wenzhou City Zhongbo Technology Limited ("Wenzhou Zhongbo"), which was acquired by the Group in 2020, for the permission to conduct certain audio-visual program services.

The license was stated at cost and no impairment was recognised as at 31 December 2025 and 2024.

At 31 December 2025, the recoverable amount of license has been determined based on multi-period excess method under income approach by an independent professional valuer. The multi-period excess method estimating the incremental cash flows that the Group is expected to generate from holding the license compared to a scenario without the license. The projected incremental cash flows over the license's useful life were discounted to present value using a discount rate that reflects the risks associated with the asset. The resulting valuation represents the fair value of the license as at the reporting date.

At 31 December 2024, the recoverable amount of license has been determined based on a comparable transactions method under market approach by an independent professional valuer. The comparable transactions method utilises information on transactions involving assets that are the same or similar to the subject asset to arrive at an indication of value.

The licence has an indefinite useful life and subject to renewal by the authority. The licence is under the name of Wenzhou Zhongbo exclusively and it is not freely and legally transferable to another PRC company.

(ii) During the year ended 31 December 2024, capitalised development cost of software was recorded as intangible assets. The software has an indefinite useful life.

The software was stated at cost and no impairment was recognised as at 31 December 2025 and 2024.

At 31 December 2025 and 2024, the recoverable amount of software has been determined based on fair value less costs of disposal with reference to the assessment performed by an independent professional valuer.

(iii) Other intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over 10 years.

17. TRADE RECEIVABLES

	2025	2024
	HK$'000	*HK$'000*
Trade receivables	**395**	7,385
Impairment	**(350)**	(350)
	45	7,035

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

17. TRADE RECEIVABLES *(continued)*

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

	2025 **HK$'000**	2024 HK$'000
0 – 365 days	**395**	7,385
	395	7,385

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating, and other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

At 31 December 2025

	Expected credit loss rate **%**	**Gross carrying amount** ***HK$'000***	**Expected credit losses** ***HK$'000***	**Net carrying amount** ***HK$'000***
Current (not past due)	**–**	**45**	**–**	**45**
Past due	**100%**	**350**	**(350)**	**–**
	–	**395**	**(350)**	**45**

17. TRADE RECEIVABLES *(continued)*

At 31 December 2024

	Expected credit loss rate *%*	Gross carrying amount *HK$'000*	Expected credit losses *HK$'000*	Net carrying amount *HK$'000*
Current (not past due)	–	7,035	–	7,035
Past due	100%	350	(350)	–
	–	7,385	(350)	7,035

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2025 ***HK$'000***	2024 *HK$'000*
Deposits	**761**	330
Prepayments	**6,248**	1,463
Other receivables	**30,638**	34,198
	37,647	35,991
Impairment allowance	**(19,828)**	(20,051)
	17,819	15,940

The expected credit losses of financial assets in other receivables and deposits are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

Included in other receivables, HK$2,495,000 (2024: HK$3,193,000) are due from a related company, which are unsecured, non-interest bearing and repayable on demand.

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS *(continued)*

Financial assets included in other receivables and deposits at amortised cost are subject to impairment under the general approach and they are classified within the following stages of measurement of ECLs.

At 31 December 2025

		Gross carrying amount HK$'000	Expected credit losses HK$'000
Stage 1	12-month expected credit loss	10,879	–
Stage 2	Lifetime expected credit loss	–	–
Stage 3	Lifetime expected credit loss with credit impaired	20,520	19,828
		31,399	19,828

At 31 December 2024

		Gross carrying amount HK$'000	Expected credit losses HK$'000
Stage 1	12-month expected credit loss	5,358	–
Stage 2	Lifetime expected credit loss	4,900	1,012
Stage 3	Lifetime expected credit loss with credit impaired	24,270	19,039
		34,528	20,051

The movements in provision for impairment of other receivables and deposits are as follows:

	2025 HK$'000	2024 HK$'000
At 1 January	20,051	16,642
(Reversal of)/provision for impairment losses recognised	(218)	3,275
Exchange realignment	(5)	134
At 31 December	19,828	20,051

19. FILM RIGHTS AND FILMS AND TV PROGRAMMES UNDER PRODUCTION

	Films and TV programme rights	Films and TV programme under production	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2024	2,950	15,246	18,196
Impairment	–	(5,464)	(5,464)
Exchange realignment	209	742	951
At 31 December 2024 and 1 January 2025	3,159	10,524	13,683
Addition	**2,232**	**–**	**2,232**
Transfer to film and TV programme rights	**65**	**(65)**	**–**
Exchange realignment	**856**	**231**	**1,087**
At 31 December 2025	**6,312**	**10,690**	**17,002**

In light of the specific circumstances of the film and TV industry, the Group regularly reviews its film rights and films and TV programmes under production to assess the marketability/future economic benefits of film rights and films and TV programmes under production and the corresponding recoverable amounts.

At 31 December 2025 and 2024, the directors of the Company believe that any reasonably possible change in the key assumptions on which the recoverable amounts are based would not cause the carrying amounts of the film and TV programme rights to exceed the recoverable amounts.

During the year ended 31 December 2024, as impairment indicators arose from film rights and films and TV programmes under production, an impairment loss of approximately HK$5,464,000 was recognised in respect of film rights and films and TV programmes under production, which belong to Movies, TV programmes and internet contents segment. There was no such indicators noted for the year ended 31 December 2025. The impairment was made based on management's estimation of their recoverable amounts against their carrying amounts. The estimated recoverable amounts at 31 December 2025 and 2024 were determined based on the expected future revenues and related cash flows arising from the distribution of the film rights and films and TV programmes under production.

20. CASH AND CASH EQUIVALENTS

	2025	2024
	HK$'000	*HK$'000*
Cash and bank balances	**8,555**	7,626
Cash and cash equivalents as stated in the consolidated statement of financial position	**8,555**	7,626

At the end of the reporting period, the cash and bank balances of the Group denominated in United States Dollars ("USD"), South Korea Won ("KRW") and Renminbi ("RMB") amounted to approximately HK$1,884,000 (2024: HK$3,041,000), HK$266,000 (2024: HK$281,000) and HK$6,317,000 (2024: HK$4,304,000), respectively.

These amounts are denominated in a currency other than the functional currency of the entity to which they relate.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

21. TRADE PAYABLES

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

	2025	2024
	HK$'000	*HK$'000*
Within 1 year	**118**	427

The trade payables are non-interest bearing.

22. OTHER PAYABLES AND ACCRUALS

	Notes	2025 HK$'000	2024 HK$'000
Contract liabilities	(a)	**6,629**	–
Salary payables		**1,751**	1,349
Other payables	(b)	**56,138**	54,870
Accruals		**1,908**	2,345
		66,426	58,564
Less: other payables-non-current portion	(b)	**(43,594)**	(37,809)
		22,832	20,755

Notes:

(a) Details of contract liabilities are as follows:

	2025 HK$'000	2024 HK$'000
New media business		
Short-term advances received from customers	**2,432**	–
Long-term advances received from customers	**4,197**	–
	6,629	–

(b) Other payables mainly represented building consideration payable of HK$39,397,000 (2024: HK$37,809,000). As at 31 December 2025 and 2024, it is non-interest-bearing and not expected to be repayable within one year.

23. SHARE CAPITAL

	2025 Number of shares '000	2025 Share capital HK$'000	2024 Number of shares '000	2024 Share capital HK$'000
Ordinary shares of HK$0.10 (2024: HK$0.01) each				
Authorised:				
At 1 January	**8,000,000**	**80,000**	8,000,000	80,000
Share consolidation *(Note)*	**(7,200,000)**	**–**	–	–
At 31 December	**800,000**	**80,000**	8,000,000	80,000
Issued and fully paid:				
At 1 January	**4,209,130**	**42,090**	4,209,130	42,090
Share consolidation *(Note)*	**(3,788,217)**	**–**	–	–
At 31 December	**420,913**	**42,090**	4,209,130	42,090
Preferred shares of HK$0.10 (2024: HK$0.01) each				
Authorised:				
At 1 January	**2,000,000**	**20,000**	2,000,000	20,000
Share consolidation *(Note)*	**(1,800,000)**	**–**	–	–
At 31 December	**200,000**	**20,000**	2,000,000	20,000
Issued and fully paid:				
At 1 January	**–**	**–**	–	–

Note:

Pursuant to the Company's announcement on 15 April 2025, the Company's circular dated 8 May 2025 and the Company's announcement on 27 May 2025:

Share Consolidation

The Board proposed to implement the share consolidation pursuant to which (i) every issued and unissued ten (10) existing shares of the par value of HK$0.01 each in the share capital of the Company will be consolidated into one (1) consolidated share of pal value of HK$0.1 each in the share capital of the Company; and (ii) every issued and unissued ten (10) Existing preferred shares of par value of HK$0.01 each in the share capital of the Company be consolidated into one (1) consolidated preferred share of par value of HK$0.1 each.

On 27 May 2025, the Company held an extraordinary general meeting and an ordinary resolution was passed, approving the share consolidation every issued and unissued ten (10) existing shares of the par value of HK$0.01 each in the share capital of the Company will be consolidated into one (1) consolidated share of pal value of HK$0.1 each in the share capital of the Company which effective on 29 May 2025.

24. SHARE-BASED PAYMENT TRANSACTION

Share option scheme

Pursuant to a resolution passed at the annual general meeting of the Company held on 21 June 2024, a share option scheme (“Option Scheme”) was adopted by the Company.

The major terms of the Option Scheme are summarised as follows:

(i) The purpose is to enable the Company to grant options to the participants in order to recognise and motivate the contributions of the participants of the Group.

(ii) The eligible participants under the Option Scheme include (a) the employee participant(s) and (b) the service provider(s), provided that the Board may have absolute discretion to determine whether or not one falls within the above category.

Employee participants include the director(s) and employee(s) (whether full-time or part-time) of any member of the Group.

Service providers include person(s) who provide services to any member of the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of the Group, which include any independent copyright owner, producer, licensor, licensee (including sub-licensee), artistes, distributor, contractor, supplier, agent, consultant or adviser to any member of the Group: (i) where the continuity and frequency of their services are akin to those of employees of the Group; or (ii) after stepping down from an employment or director position with the Group, who provide advisory services, consultancy services and/or other professional services to the Company on areas relating to the Group’s principal business activities from time to time including in (a) the artiste management segment; (b) the movies, TV programmes and internet contents segment; and/or (c) the new media segment that are desirable and necessary from a commercial perspective and help maintain or enhance the competitiveness of the Group, for example, offering specific industry advice on the Group’s business and financial or commercial strategy, and provided that any placing agent or financial adviser providing advisory services for fundraising, mergers or acquisitions, and other professional services provider such as auditor or valuer who provide assurance or are required to perform their services with impartiality and objectivity are excluded from such category and the Board shall have absolute discretion to determine whether or not one falls within such category.

(iii) The total number of shares in respect of which share options may be granted under the Option Scheme and the options and awards to be granted under any other share scheme(s) shall not in aggregate exceed 10% of the issued share capital of the Company as at the date of adoption of the Option Scheme (the “Adoption Date”), without prior approval from the Company’s shareholders. Within such limit, the maximum number of Shares which may be issued in respect of all share options which may be granted at any time under the Option Scheme, respectively, together with the options and awards which may be granted under any other share schemes for the time being of the Company to service providers shall not exceed 0.5% of the issued share capital of the Company as at the Adoption Date.

(iv) Unless shareholder approval has been obtained, no share option may be granted to any person if the total number of shares of the Company already issued and to be issued to him under all the share options granted to him in any 12-month period up to and including the date of grant (excluding any share options lapsed) exceeds 1% of total number of Company’s shares in issue.

24. SHARE-BASED PAYMENT TRANSACTION *(continued)*

Share option scheme *(continued)*

(v) Share options granted to substantial shareholders (as defined in the GEM Listing Rules), independent non-executive directors or any of their respective associates (excluding any share options lapsed) in excess of 0.1% of the Company's shares in issue within any 12-month period must be approved in advance by the Company's shareholders with such grantee, his/her associates and all core connected persons of the Company abstaining from voting in favour of the proposed grant at such general meeting.

(vii) Generally, a share option must be held by the grantee for at least twelve (12) months before the option can be exercised.

(viii) The amount payable on acceptance of the share option is HK$1.00 and payments must be made within 21 days from the date of grant.

(ix) The subscription price of a share option must not be less than the highest of:

a. the closing price of a share of the Company on the Stock Exchange on the date of grant;

b. the average closing price of a share of the Company from the five business days immediately preceding the date of grant; and

c. the nominal value of a share of the Company on the date of grant.

(x) The Option Scheme is effective for 10 years from the date of adoption.

As at the end of the financial year (i.e. 31 December 2025) and the date of this annual report, the total number of shares available for issue under the Option Scheme was 42,091,310 shares of the Company, being approximately 10% of the shares of the Company in issue. As at 1 January 2025 and 31 December 2025, being the beginning and the end of the Company's financial year, and taking into account the Share Consolidation which became effective on 29 May 2025, the total number of share option available for grant under the Option Scheme was 420,913,104 and 42,091,310, respectively.

As at 1 January 2025 and 31 December 2025, being the beginning and the end of the Company's financial year, and taking into account the share consolidation which became effective on 29 May 2025, the service provider sub-limit was 21,045,655 Shares and 2,104,565 Shares, respectively.

The vesting period of options shall not be less than 12 months in general. However, the Board (or the remuneration committee of the Company where it relates to grants of options to an employee participant who is a director and/or senior manager of the Company) has discretion in allowing a shorter vesting period to an employee participant in the circumstances set out in the Option Scheme.

During the year ended 31 December 2025 and 2024, no options were granted, exercised, cancelled or lapsed and no share-based compensation options were recognised. At 31 December 2025 and 2024, there was no outstanding share option under the Option Scheme.

As at the date of this annual report, the remaining life of the Option Scheme was approximately 8 years and 1 month.

25. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 47 of the financial statements.

In accordance with the regulations in the PRC and the respective articles of association, the PRC subsidiaries of the Group are required to make an appropriation of retained profits equal to at least 10% of their respective after tax profits, calculated in accordance with the PRC accounting standards and regulations. Such appropriations are classified in the consolidated statement of financial position as statutory reserves and start from the first period in which after-tax profits exceed all prior year accumulated losses. Appropriations to these reserves are not required after these reserves have reached 50% of the registered capital of the respective companies. In addition, the PRC subsidiaries may, subject to a shareholders' resolution, draw a discretionary reserve from their after-tax profits. The reserves shall be used to offset accumulated losses, or to increase registered capital of the companies. Where the statutory reserves are converted into capital, the remaining statutory reserve balance shall be no less than 25% of the registered capital prior to the conversion.

26. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2025 ***HK$'000***	2024 *HK$'000*
Within operating activities	**1,116**	503

27. RELATED PARTY TRANSACTIONS

(a) Outstanding balances with related parties

(i) The balance due from a related company of HK$2,495,000 (2024: HK$3,193,000), included in the Group's other receivables, are unsecured, non-interest bearing and repayable on demand.

(ii) As at 31 December 2025, amount due to a shareholder of HK$6,712,000 (2024: Nil) is unsecured, interest free and repayable on demand.

(iii) As at 31 December 2024, an amount HK$5,177,000, included in the Group's other payables, are unsecured, non-interest bearing and repayable on demand.

(b) Compensation of key management personnel (included directors)

	2025 ***HK$'000***	2024 *HK$'000*
Salaries and allowances	**4,044**	3,052
Pension scheme contributions	**286**	335
	4,330	3,387

28. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2025 ***HK$'000***	2024 *HK$'000*
Contracted, but not provided for:		
Film rights and films and TV programmes under production	**13,751**	45,060

29. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at the end of the reporting period (2024: Nil).

30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

2025

Financial assets

	Financial assets at amortised costs *HK$'000*	Financial assets at fair value through other comprehensive income – Equity investments *HK$'000*	Total *HK$'000*
Equity investments designated at FVTOCI	–	–	–
Trade receivables	45	–	45
Financial assets included in other receivables and other assets	11,571	–	11,571
Cash and cash equivalents	8,555	–	8,555
	20,171	–	20,171

Financial liabilities

	Financial liabilities at amortised cost *HK$'000*
Trade payables	118
Financial liabilities included in other payables and accruals	59,797
Amount due to a shareholder	6,712
	66,627

30. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2024

Financial assets

	Financial assets at amortised costs *HK$'000*	Financial assets at fair value through other comprehensive income – Equity investments *HK$'000*	Total *HK$'000*
Equity investments designated at FVTOCI	–	243	243
Trade receivables	7,035	–	7,035
Financial assets included in other receivables and other assets	14,477	–	14,477
Cash and cash equivalents	7,626	–	7,626
	29,138	243	29,381

Financial liabilities

	Financial liabilities at amortised cost *HK$'000*
Trade payables	427
Financial liabilities included in other payables and accruals	51,816
	52,243

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2025	2024	**2025**	2024
	HK$000	*HK$'000*	***HK$000***	*HK$'000*
Equity investments at FVTOCI	**–**	243	**–**	243

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in other receivables and other assets and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments.

The fair values of the financial assets are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following method and assumption were used to estimate the fair values:

The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market-based valuation technique and income approach with the discounted cash flow method based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation "EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The valuation also requires the directors to determine the amounts of premiums and discounts that market participants would take into account when pricing the investments. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values as at 31 December 2024.

At 31 December 2025 and 2024, the fair value of the equity investments designated at FVTOCI is determined by net asset approach.

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

At 31 December 2025

	Fair value measurement using			
	Quoted prices In active markets (Level 1) *HK$000*	**Significant observable Inputs (Level 2) *HK$'000***	**Significant unobservable inputs (Level 3) *HK$000***	**Total *HK$'000***
Equity investments at FVTOCI	**–**	**–**	**–**	**–**

At 31 December 2024

	Fair value measurement using			
	Quoted prices In active markets (Level 1) HK$000	Significant observable Inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$000	Total HK$'000
Equity investments at FVTOCI	–	–	243	243

The movements in fair value measurements in Level 3 during the year are as follows:

	2025 *HK$'000*	2024 *HK$'000*
Equity investments at FVTOCI – unlisted:		
At 1 January	**243**	1,714
Change in fair value recognised in other comprehensive income	**(247)**	(1,443)
Exchange realignment	**4**	(28)
At 31 December	**–**	243

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily from its bank balances with a floating interest rate. The Group does not use derivative financial instruments to hedge its interest rate risk.

At the end of the reporting period, the Group had no significant exposures to interest rate risk. The exposures to the interest rate risk are monitored on an ongoing basis.

Foreign currency risk

The Group operates in Hong Kong, Korea and Mainland China and the majority of transactions are denominated in HK$, USD, KRW and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, which are denominated in a currency that is not the functional currency of the relevant entity.

At the end of each reporting period, the carrying amounts of the Group's monetary assets and liabilities, which are denominated in foreign currencies, are as follows:

	Assets		**Liabilities**	
	At 31 December			
	2025 ***HK$'000***	2024 *HK$'000*	**2025** ***HK$'000***	2024 *HK$'000*
USD	**261**	260	**–**	–

The Group is mainly exposed to the foreign currency risk of USD against HK$. Management will monitor foreign exchange exposure to mitigate the foreign currency risk.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Sensitivity analysis

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in HK$ against USD, with all other variables held constant, of the Group's loss before tax (due to changes in the monetary assets and liabilities).

	Increase/ (decrease) in HK$ rate	Increase/ (decrease) in Loss before tax *HK$'000*
2025		
If USD weakens against HK$	**5%**	**13**
If USD strengthens against HK$	**(5%)**	**(13)**
2024		
If USD weakens against HK$	5%	13
If USD strengthens against HK$	(5%)	(13)

Management considered the sensitivity analysis is unrepresentative of the inherent foreign currency risk as the exposure at the end of the reporting period did not reflect the exposure during the year.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification at 31 December.

31 December 2025

	12-month ECLS	Lifetime ECLs			
	Stage 1 *HK$'000*	**Stage 2** *HK$'000*	**Stage 3** *HK$'000*	**Simplified approach** *HK$'000*	**Total** *HK$'000*
Trade receivables*	–	–	–	45	45
Financial assets included in other receivables and other assets					
– Normal**	10,879	–	–	–	10,879
– Doubtful**	–	–	–	–	–
– Default**	–	–	692	–	692
Cash and cash equivalents					
– Normal	8,555	–	–	–	8,555
	19,434	–	692	45	20,171

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Maximum exposure and year-end staging *(continued)*

At 31 December 2024

	12-month ECLS	Lifetime ECLs			
	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Simplified approach *HK$'000*	Total *HK$'000*
Trade receivables*	–	–	–	7,035	7,035
Financial assets included in other receivables and other assets					
– Normal**	5,358	–	–	–	5,358
– Doubtful**	–	3,888	–	–	3,888
– Default**	–	–	5,231	–	5,231
Cash and cash equivalents					
– Normal	7,626	–	–	–	7,626
	12,984	3,888	5,231	7,035	29,138

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 17 to the consolidated financial statements.

The credit quality of the financial assets included in other receivables and other assets is determined as the following categories:

Normal – The counterparty has a normal risk of default and does not have any past-due amounts;

Doubtful – The amount has been pass due.

Default – The amount is pass due and there is evidence indicating the asset is credit-impaired.

Further quantitative data in respect of the Group's exposure to credit risk arising from other receivables are disclosed in note 18 to the consolidated financial statements.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of its financial instruments and projected cash flows from operations.

The liquidity risk is under continuous monitoring by management. The management of the Company will raise bank borrowings whenever necessary.

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Within 1 year or on demand *HK$'000*	Over 1 year *HK$'000*	Total *HK$'000*
At 31 December 2025			
Trade payables	**118**	**–**	**118**
Other payables and accruals	**20,400**	**39,397**	**59,797**
Amount due to a shareholder	**6,712**	**–**	**6,712**
	27,230	**39,397**	**66,627**
At 31 December 2024			
Trade payables	427	–	427
Other payables and accruals	17,061	37,809	54,870
	17,488	37,809	55,297

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to the stakeholders through the optimisation of the debt and equity balance. Note 2.1 disclosed more detail information regarding the Company's plans and measures for capital management.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to Owners of the Company, comprising mainly share capital and reserve.

Management reviews the capital structure on a regular basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of management, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The Group is not subject to any externally imposed capital requirements.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management *(continued)*

The gearing ratio at the end of the reporting period was as follows:

	2025	2024
	HK$'000	*HK$'000*
Trade payables	**118**	427
Other payables and accruals	**59,797**	58,564
Amount due to a shareholder	**6,712**	–
Total debt *(note i)*	**66,627**	58,991
Equity attributable to owners of the Company	**82,346**	98,949
Total debt to equity ratio	**80.91%**	59.62%

Note:

(i) Total debt comprises trade payables, other payables and accruals.

33. PARTICULARS OF INTERESTS IN SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of Incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company 2025 Direct	Percentage of equity attributable to the Company 2025 Indirect	Percentage of equity attributable to the Company 2024 Direct	Percentage of equity attributable to the Company 2024 Indirect	Principal activities
Lajin Film Co., Limited	British Virgin Islands	US$1	**100**	**–**	100	–	Investment holding
Lajin Sino-Korean Entertainment Holding Limited	British Virgin Islands	US$1	**100**	**–**	100	–	Investment holding
Lajin Entertainment Network (HK) Limited	Hong Kong	US$1	**100**	**–**	100	–	Investment holding
Lajin Global Pictures (HK) Limited	Hong Kong	US$1	**100**	**–**	100	–	Investment holding
Hong Kong Xuanhe Management Limited	Hong Kong	HK$29,000,000	**–**	**100**	–	100	Artists management and investment holding
Lajin Sino-Korean Entertainment Limited	Hong Kong	HK$1	**–**	**100**	–	100	Investment holding
Lajin Sport Limited	Hong Kong	HK$1	**–**	**100**	–	100	Investment holding
Lajin Picture Limited	Hong Kong	HK$1	**–**	**100**	–	100	Investment holding
Lajin Power (HK) Limited	Hong Kong	HK$2	**–**	**100**	–	100	Sourcing and production of media contents
北京拉近互動傳媒科技有限公司*(i)*	PRC/Mainland China	RMB250,000,000	**–**	**100**	–	100	Culture and entertainment Media contents
北京拉近互娛文化傳媒有限公司*(ii)*	PRC/Mainland China	RMB10,000,000	**–**	**100**	–	100	Culture and entertainment Media contents
北京拉近眾博科技有限公司*(ii)*	PRC/Mainland China	RMB15,000,000	**–**	**56.7**	–	56.7	New media e-commerce business

33. PARTICULARS OF INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of Incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company 2025		Percentage of equity attributable to the Company 2024		Principal activities
			Direct	Indirect	Direct	Indirect	
稼軒環球影業有限公司*(ii)*	PRC/Mainland China	RMB50,000,000	–	100	–	100	Culture and entertainment Media contents
北京拉近影業有限公司*(ii)*	PRC/Mainland China	RMB3,000,000	–	100	–	100	Culture and entertainment Media contents
柏視數碼(上海)有限公司*(i)*	PRC/Mainland China	US$10,000,000	–	100	–	100	Digital technology
北京新美星秀文化傳媒有限公司*(ii)*	PRC/Mainland China	RMB625,000	–	80	–	80	Artists management
北京大早晚集影視傳媒有限公司*(ii)*	PRC/Mainland China	RMB3,000,000	–	100	–	100	Culture and entertainment Media contents
溫州市眾博科技有限公司*(ii)*	PRC/Mainland China	RMB12,000,000	–	100	–	100	Culture and entertainment Media contents
拉近沃星影業(天津)有限公司*(ii)*	PRC/Mainland China	RMB5,000,000	–	50.1	–	50.1	Culture and entertainment Media contents
北京拉近星途科技傳媒有限公司*(i)*	PRC/Mainland China	RMB10,000,000	–	100	–	100	New media e-commerce business
拉近網娛科技(杭州)有限公司*(ii)*	PRC/Mainland China	RMB1,000,000	–	51	–	–	New media e-commerce business

(i) Companies are registered as wholly-foreign-owned enterprises under PRC law.

(ii) The Company does not have legal ownership in the equity of these subsidiaries. However, under certain contractual agreements (including power of attorney agreement, loan agreement, equity option agreement, equity interest pledge agreement and exclusive technical consulting and services agreement) entered into with the registered owners of these subsidiaries, the Company and its other legally-owned subsidiaries control these companies by way of controlling the voting rights, governing their financial and operating policies, appointing or removing the majority of the members of their controlling authorities, and casting the majority of votes at meetings of such authorities. In addition, such contractual agreements also transfer the risks and rewards of these companies to the Company and/or its other legally-owned subsidiaries. As a result, these companies are treated as subsidiaries of the Company and their financial results have been consolidated by the Company.

33. PARTICULARS OF INTERESTS IN SUBSIDIARIES *(continued)*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

34. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of Subsidiary	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		At 31 December					
		2025	2024	**2025**	2024	**2025**	2024
		%	%	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
北京拉近眾博科技有限公司	PRC/ Mainland China	**43.3**	43.3	**4,069**	603	**(18,009)**	(7,248)
拉近網娛科技(杭州)有限公司	PRC/ Mainland China	**49**	–	**600**	–	**224**	–
北京新美星秀文化傳媒有限公司	PRC/ Mainland China	**20**	20	**–**	11	**–**	(1,499)
拉近沃星影業經(天津)有限公司	PRC/ Mainland China	**49.9**	49.9	**5**	93	**4**	233

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(a) Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2025 *HK$'000*	2024 *HK$'000*
ASSETS		
Non-current assets		
Investments in subsidiaries	–	–
Current assets		
Prepayments, other receivables and other assets	893	887
Due from subsidiaries	33,766	74,984
Cash and cash equivalents	240	1,224
Total current assets	34,899	77,095
LIABILITIES		
Current liabilities		
Other payables and accruals	1,654	1,566
Due to subsidiaries	4,491	4,537
Total current liabilities	6,145	6,103
Net current assets	28,754	70,992
Net assets	28,754	70,992
EQUITY		
Share capital	42,090	42,090
Reserves	(13,336)	28,902
Total equity	28,754	70,992

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

(b) A summary of the Company's reserves is as follows:

	Share premium *HK$'000* *(note i)*	Contributed surplus *HK$'000* *(note ii)*	Accumulated losses *HK$'000*	Total *HK$'000*
Balance at 1 January 2024	1,138,909	28,294	(963,436)	203,767
Loss and total comprehensive expense for the year	–	–	(174,865)	(174,865)
At 31 December 2024 and 1 January 2025	1,138,909	28,294	(1,138,301)	28,902
Loss and total comprehensive expense for the year	–	–	(42,238)	(42,238)
At 31 December 2025	**1,138,909**	**28,294**	**(1,180,539)**	**(13,336)**

Notes:

(i) Under the Companies Act 1981 of Bermuda (as amended), the share premium of the Company can be used for paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares.

(ii) The contributed surplus of the Company represents the capital reduction and capital reorganisation of share capital and reserves of the Company during the year ended 31 December 2010. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus if: (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.

36. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2025, the Group recognised a non-cash transaction arising from a final arbitral award issued by the Beijing Arbitration Commission on 30 July 2025 in relation to a capital injection agreement entered into in 2017 with a former associate.

Pursuant to the final award, the capital injection agreement was rescinded, and the Group was released from its obligation to make further capital contributions of approximately RMB5.14 million (equivalent to approximately HK$5.14 million).

As a result, the Group derecognised its investment in the associate during the year and recognised a corresponding adjustment through other payables. The transaction did not involve any cash inflow or outflow.

37. SUBSEQUENT EVENTS

Subsequent to the reporting period end, the Group entered into several financing arrangements as follows:

On 16 January 2026, a subsidiary of the Group entered into a loan agreement with its minority shareholder, pursuant to which the minority shareholder agreed to provide an unsecured and interest-free loan of RMB10,000,000 with no fixed terms of repayment for working capital purposes. As at the date of approval of the consolidated financial statements, the full amount of the loan had been received by the Group.

On 4 February 2026, the Company entered into a shareholder loan agreement with one of the Company's controlling shareholders, under which the controlling shareholder agreed to provide an unsecured and interest-free loan of HK$5,000,000 to the Company with no fixed terms of repayment to finance the Company's operating activities. As at the date of approval of the consolidated financial statements, loan proceeds amounting to HK$3,800,000 had been received by the Group.

On 27 March 2026, the Group completed a subscription by an independent third party for a 10% equity interest, on a diluted basis, in one of the Group's subsidiaries, for a cash consideration of RMB5,000,000. In addition, the subscriber agreed to provide an unsecured and interest-free shareholder's loan of RMB10,000,000 to the same subsidiary with no fixed terms of repayment. As at the date of approval of the consolidated financial statements, both the subscription proceeds and the shareholder's loan had been fully received. Details of this transaction were disclosed in the Company's announcement dated 2 April 2026.

38. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 April 2026.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out below. This summary does not form part of the audited financial statements.

RESULTS

	For the year ended 31 December				
	2025	2024	2023	2022	2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**12,817**	5,332	28,915	10,533	68,340
Loss before tax	**(23,890)**	(37,817)	(42,837)	(102,691)	(140,130)
Income tax (expense)/credit	**–**	–	(9)	(2)	(3)
Loss for the year	**(23,890)**	(37,817)	(42,846)	(102,693)	(140,133)
Loss for the year attributable to:					
Owners of the Company	**(19,186)**	(31,277)	(42,222)	(94,607)	(131,259)
Non-controlling interests	**(4,704)**	(6,540)	(624)	(8,086)	(8,874)
	(23,890)	(37,817)	(42,846)	(102,693)	(140,133)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	At 31 December				
	2025	2024	2023	2022	2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**128,672**	136,262	184,746	224,506	344,864
Total liabilities	**(73,256)**	(58,991)	(66,318)	(70,429)	(70,167)
Non-controlling interests	**26,836**	21,678	15,764	7,778	11,251
	82,252	98,949	134,192	161,855	285,948

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

香港金鐘夏慤道16號遠東金融中心3903A室
Unit 3903A, Far East Finance Centre,
16 Harcourt Road, Admiralty, Hong Kong

北京市經濟技術開發區經海六路東尚E園4號樓
Building No.4, Dongshang E Garden,
Jinghai 6th Road, Beijing Economic and
Technological Development Area