



拉近網娛集團有限公司

LAJIN ENTERTAINMENT NETWORK GROUP LIMITED

2022

INTERIM REPORT





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

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

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

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

UNAUDITED INTERIM RESULTS

The board of Directors (the “Board”) of Lajin Entertainment Network Group Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 June 2022, together with the comparative unaudited figures for the corresponding periods in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and six months ended 30 June 2022

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Revenue	5	3,009	18,385	6,464	38,231
Cost of sales		(4,728)	(15,014)	(6,066)	(31,531)
Gross profit/(loss)		(1,719)	3,371	398	6,700
Other income and gains	6	349	2,711	622	2,851
Selling and distribution expenses		(75)	(475)	(144)	(663)
Administrative expenses		(13,454)	(14,028)	(26,777)	(23,563)
Finance costs		–	(36)	(77)	(69)
Share of losses of: Associates		(420)	(538)	(822)	(2,170)
Loss before tax	7	(15,319)	(8,995)	(26,800)	(16,914)
Income tax expense	8	–	–	–	(3)
Loss for the period		(15,319)	(8,995)	(26,800)	(16,917)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and six months ended 30 June 2022

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2022	2021	2022	2021
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
OTHER COMPREHENSIVE INCOME/(LOSS):					
<i>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:</i>					
Exchange differences on translation of foreign operations		(11,262)	3,493	(9,476)	3,177
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		(11,262)	3,493	(9,476)	3,177
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(26,581)	(5,502)	(36,276)	(13,740)
Loss for the period attributable to:					
Owners of the parent		(13,770)	(6,927)	(23,864)	(14,158)
Non-controlling interests		(1,549)	(2,068)	(2,936)	(2,759)
		(15,319)	(8,995)	(26,800)	(16,917)
Total comprehensive loss for the period attributable to:					
Owners of the parent		(25,497)	(3,396)	(33,713)	10,951
Non-controlling interests		(1,084)	(2,106)	(2,563)	(2,789)
		(26,581)	(5,502)	(36,276)	(13,740)
Loss per share attributable to ordinary equity holders of the parent	9				
— Basic and diluted		(0.33) cent	(0.17) cent	(0.57) cent	(0.34) cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

		At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		92,110	101,263
Investments in associates		22,055	23,647
Equity investment of designated fair value through other comprehensive income		3,741	3,912
Right-of-use assets		237	990
Other non-current assets		15,262	15,916
Total non-current assets		133,405	145,728
Current assets			
Trade receivables	10	8,670	16,556
Film rights and films and TV programmes under production	11	56,760	56,503
Investment in films		340	15
Prepayments, deposits and other receivables		58,255	74,137
Inventories		1,132	1,259
Cash and cash equivalents		44,496	50,666
Total current assets		169,653	199,136

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
LIABILITIES			
Current liabilities			
Trade payables	12	316	84
Other payables and accruals		64,321	69,262
Lease liabilities		–	821
Total current liabilities		64,637	70,167
Net current assets		105,016	128,969
Total assets less current liabilities		238,421	274,697
Non current liabilities			
Lease liabilities		–	–
Total non-current liabilities		–	–
Net assets		238,421	274,697
EQUITY			
Share capital	13	42,090	42,090
Reserves		210,145	243,858
Equity attributable to owners of the parent		252,235	285,948
Non-controlling interests		(13,814)	(11,251)
Total equity		238,421	274,697

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the parent									
	Share capital – Ordinary shares	Share premium	Fair value reserve	Contributed surplus	Other reserve	Exchange reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021	42,090	1,138,909	(18,858)	28,294	14,055	(17,180)	(780,011)	407,299	(2,530)	404,769
Loss for the period	-	-	-	-	-	-	(14,158)	(14,158)	(2,759)	(16,917)
Other comprehensive (loss)/income for the period	-	-	-	-	-	2,507	-	2,507	(30)	2,477
Total comprehensive loss for the period	-	-	-	-	-	2,507	(14,158)	(11,651)	(2,789)	(14,440)
At 30 June 2021 (unaudited)	42,090	1,138,909	(18,858)	28,294	14,055	(14,673)	(794,169)	395,648	(5,319)	390,329
At 1 January 2022	42,090	1,138,909*	(20,006)*	28,294*	14,426*	(6,495)*	(911,270)*	285,948	(11,251)	274,697
Loss for the period	-	-	-	-	-	-	(23,864)	(23,864)	(2,936)	(26,800)
Other comprehensive (loss)/income for the period	-	-	-	-	-	(9,849)	-	(9,849)	373	(9,476)
Total comprehensive loss for the period	-	-	-	-	-	(9,849)	(23,864)	(37,713)	(2,563)	(36,276)
At 30 June 2022 (unaudited)	42,090	1,138,909*	(20,006)*	28,294*	14,426*	(16,344)*	(935,134)*	252,235	(13,814)	238,421

* These reserve accounts comprise the total consolidated other reserves of HK\$210,145,000 as at 30 June 2022 (31 December 2021: HK\$243,858,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Net cash flows used in operating activities	(7,799)	(24,044)
Cash flows from investing activities		
Purchases of items of property, plant and equipment	(560)	(438)
Purchase of other intangible assets	(63)	(196)
Net cash flows used in investing activities	(623)	(634)
Net decrease in cash and cash equivalents	(8,422)	(24,678)
Cash and cash equivalents at the beginning of the reporting period	48,272	78,912
Effect of foreign exchange rate changes, net	2,236	(1,014)
Cash and cash equivalents at the end of the reporting period	42,086	53,220
Analysis of balances of cash and cash equivalents		
Cash and bank balances	42,086	53,220
Non-pledged time deposits with original maturity of less than three months	2,410	2,373
Cash and cash equivalents as stated in the statement of cash flows	44,496	55,593



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") for the six months ended 30 June 2022 have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by HKICPA and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2021. The Interim Financial Statements are presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (HK\$'000) except otherwise indicated.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The accounting policies used in the preparation of the Interim Financial Statements are consistent with these used in the annual consolidated financial statements of the Group for the year ended 31 December 2021, except for those as described below.

In the current period, the Group has applied, for the first time, the following revised standards, amendments and interpretations (the “revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group’s accounting period beginning on 1 January 2022.

Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to Conceptual Framework
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1 First-time Adoption of IFRSs, HKFRS 9 Financial Instruments, HKFRS 16 Leases and HKAS 41 Agriculture

The adoption of the revised HKFRSs has no material effect on the Interim Financial Statements.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has 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 investment in internet contents;
- (c) the new media e-commerce segment comprises the promotion and demonstration through live video on the website.

The new media e-commerce business is a content-driven retail business, which the Group explores as a new segment in 2020.

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 other receivables, impairment loss on prepayments, impairment loss on an investment in an associate, fair value loss of financial assets at fair value through profit or loss, share of profit/(loss) of a joint venture, share of profits and losses of associates, remeasurement loss on investment in a joint venture for step acquisition, impairment loss on goodwill as well as head office and corporate income and expenses are excluded from such measurement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT INFORMATION (CONTINUED)

A. Segment revenue and results

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

	Artiste management		Movies, TV programmes and internet contents		New media e-commerce		Total	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Segment revenue								
Revenue from external customers	232	113	1,500	16,324	4,732	21,794	6,464	38,231
Segment results	(1,180)	(810)	(12,930)	(8,341)	(10,284)	(3,848)	(24,394)	(12,999)
Reconciliation:								
Unallocated other income							153	31
Corporate and other unallocated expenses							(1,737)	(1,776)
Share of profits/(losses) of associates							(822)	(2,170)
Loss before tax							(26,800)	(16,914)
Income tax expense							-	(3)
Loss for the period							(26,800)	(16,917)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT INFORMATION (CONTINUED)

B. Geographical information

	Hong Kong For the six months ended 30 June		Mainland China For the six months ended 30 June		Korea For the six months ended 30 June		Total For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Revenue from external customers	-	-	6,464	38,231	-	-	6,464	38,231
*Non-current assets	-	-	125,059	136,415	4,605	5,401	129,664	141,816

* Non-current assets represent property, plant and equipment, investments in associates, right-of-use assets and intangible assets.

5. REVENUE

	For the three months ended 30 June		For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
New media e-commerce business	1,971	7,870	4,720	21,794
TV and Internet programme	631	8,308	975	12,768
Distribution agency fee	-	2,157	254	3,180
Sales of film rights	271	-	271	364
Artiste management	77	50	185	113
Others	59	-	59	12
	3,009	18,385	6,464	38,231

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. OTHER INCOME AND GAINS/(LOSSES)

	For the three months ended 30 June		For the six months ended 30 June	
	2022	2021	2022	2021
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Other income				
Gains on investment in films	–	360	(13)	388
Interest income	36	912	63	1,003
	36	1,272	50	1,391
Gains/(losses)				
Compensation income on convertible bonds	123	717	123	717
Exchange differences, net	191	(55)	164	(34)
Others	(1)	777	285	777
	313	1,439	572	1,460
	349	2,711	622	2,851

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. LOSS BEFORE TAX

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

	For the three months ended 30 June		For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	2,354	2,604	5,109	5,057
Amortisation of other assets	13	8	22	14
Lease payment not included in the measurement of lease liabilities	219	178	712	329
Depreciation of right-of-use assets	360	243	733	606
Exchange (gain)/loss, net	191	(55)	164	(34)
Staff costs including directors' remuneration				
– Salaries and allowance	8,028	5,893	14,643	10,685
– Pension scheme contributions	693	560	1,298	1,017
	8,721	6,453	15,941	11,702



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. INCOME TAX EXPENSE

No provision for Hong Kong profits tax and Korea corporate income tax has been provided as the Group did not generate any assessable profits arising in Hong Kong and Korea or the estimated assessable profit was wholly absorbed by tax losses brought forward during the period under review (for the six months ended 30 June 2021: Nil).

During the period, the amount of the PRC enterprise income tax was paid in accordance with the rate at 25% of assessable profit, and the income tax paid was Nil (for the six months ended 30 June 2021: HK\$3,000).

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

The calculation of the basic loss per share is based on the loss attributable to ordinary equity holders of the parent for the three months ended 30 June 2022 of approximately HK\$13,770,000 (for the three months ended 30 June 2021: HK\$6,927,000) and loss attributable to ordinary equity holders of the parent for the six months ended 30 June 2022 of approximately HK\$23,864,000 (for the six months ended 30 June 2021: HK\$14,158,000) and the weighted average number of 4,209,130,000 ordinary shares in issue during the three months ended 30 June 2022 (for the three months ended 30 June 2021: 4,209,130,000 ordinary shares) and the weighted average number of 4,209,130,000 ordinary shares in issue during the six months ended 30 June 2022 (for the six months ended 30 June 2021: 4,209,130,000 ordinary shares).

As the Company's share options and preferred shares where applicable had an anti-dilutive effect to the basic loss per share calculation for the three months and six months ended 30 June 2021, the conversion of the above potential dilutive shares is not assumed in the calculation of diluted loss per share.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally 6 months to 1 year. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Within 3 months	4,541	12,955
Over 3 months	4,129	3,601
	8,670	16,556

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. FILMS RIGHTS AND FILMS AND TV PROGRAMMES UNDER PRODUCTION

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

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

At 30 June 2022, no indication of impairment for the films and TV programmes rights has been identified and thus the Group did not recognize any impairment loss during the six-month period ended 30 June 2022 (30 June 2021: Nil).

12. TRADE PAYABLES

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

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Within 1 year	316	84
	316	84

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. SHARE CAPITAL

	At 30 June 2022		At 31 December 2021	
	Number of shares (Unaudited) '000	Share capital (Unaudited) HK\$'000	Number of shares (Audited) '000	Share capital (Audited) HK\$'000
Ordinary shares of HK\$0.01 each				
Issued and fully paid:				
At the beginning of the reporting period/year	4,209,130	42,090	4,209,130	42,090
At the end of the reporting period/year	4,209,130	42,090	4,209,130	42,090
Preferred shares of HK\$0.01 each				
Issued and fully paid:				
At the beginning of the reporting period/year	—	—	—	—
Conversion into ordinary shares	—	—	—	—
At the end of the reporting period/year	—	—	—	—

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. FAIR VALUE MEASUREMENT

The directors of the Company considered that the carrying amounts of the Group's financial instruments were approximate to their fair values as at 30 June 2022 and 31 December 2021.

15. COMMITMENTS

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

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Property, plant and equipment	1,312	2,010
Film rights and films and TV programmes under production	26,563	38,549
	27,875	40,559

16. MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS

(i) Compensation of key management personnel

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Salaries and allowances	1,942	1,929
Pension scheme contributions	123	119
	2,065	2,048



INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The revenue of the Group was approximately HK\$6,464,000 for the six months ended 30 June 2022 (2021: HK\$38,231,000), representing an decrease of 83.1% as compared with that for the six months ended 30 June 2021. The decrease was mainly due to the decrease in revenue from movies, TV programmes, internet content business and new media e-commerce business of the Group.

Cost of sales for the six months ended 30 June 2022 decrease to approximately HK\$6,066,000 (2021: HK\$31,531,000), which was mainly due to the decrease in the cost carried forward from movies, TV programmes and internet content business of the Group and the decrease in cost of new media e-commerce business. Administrative expenses were mainly staff costs, depreciation and other general administrative expenses of the Group incurred during the period under review. Administrative expenses increased to approximately HK\$26,777,000 from approximately HK\$23,563,000 in the corresponding period last year. It was mainly attributable to the increase in staff salaries and related expenses to approximately HK\$15,941,000 (2021: HK\$11,702,000) resulting from the increase in staff of the Group to develop e-commerce business.

Loss for the period attributable to owners of the parent was approximately HK\$23,864,000 (2021: HK\$14,158,000).



Movies, TV Programmes and Internet Contents

During the period under review, the revenue contributed by such segment was approximately HK\$1,500,000 (2021: HK\$16,324,000), representing the shared revenue from TV and internet programmes, income from distribution agency fee and income from sales of film rights.

Artiste Management

During the period under review, the revenue contributed by such segment was approximately HK\$232,000 (2021: HK\$113,000).

New media e-commerce business

During the period under review, the revenue contributed by such segment was approximately HK\$4,732,000 (2021: HK\$21,794,000).

BUSINESS REVIEW

Movies, TV Programmes and Internet Contents

Considering the pandemic and the overall situation of the film and television industry, the Group has been carefully selecting high-quality film and television projects for cooperation and investment since last year to effectively control and reduce investment risks. At the same time, the Group fully upgraded the distribution business segment, and opened cooperation channels for TV platform distribution, rural cinema distribution, second-round omni-channel distribution and overseas distribution. At present, cooperation in various types of distribution is actively underway, and has further explored the value output of previous projects. Relying on internet film and TV contents such as internet movies, internet dramas and variety shows, the Group has further improved the construction of the internet film and TV ecological chain system of Lajin Entertainment in the industry.



In terms of film distribution, no internet movie has been scheduled for release online in the first half of 2022 due to the production progress and censorship reasons of projects. However, the projects in reserve such as “Tibet Adventurer” (《藏地奇兵》), “Detrimental” (《見怪》), “Di Renjie — Dragon Hidden in the Maze” (《狄仁杰之龍隱迷窟》) and “Dragon Sparrow Guards: Myrlochar” (《龍雀衛·噬魂蛛》) achieved new progress, of which the preparation for marketing and distribution work is progressing in advance. Among them, “Tibet Adventurer” has obtained the Permit for Public Projection of Films and entered the technical review stage, the promotion and distribution work is also actively advancing. It is expected to be streaming on the dual platforms of Tencent and iQIYI in the third quarter of 2022. “Di Renjie — Dragon Hidden in the Maze” (renamed as “Dragon Hidden in the Maze”) has obtained the online filing number. It is expected to be streaming on the dual platforms of Youku and iQIYI from the third quarter to the fourth quarter of 2022, and is currently in the stage of distribution preparation; “Detrimental”, a thriller film created by the Hong Kong Golden Image Award team, has entered the stage of censoring and distribution preparation; “Dragon Sparrow Guards: Myrlochar” is in the distributing stage. The above four projects are coordinated by the Group for marketing and distribution, and are expected to be launched in the second half of the year. In addition, the Group also pays close attention to the revenue-distribution rules of the platform and changes in the market, timely adjusts the distribution strategy and perfects the overall distribution structure, so as to strive for more profit.

In terms of investment and production, the Group continued to follow the strategy of last year, strictly controlled the volume and scale of investment and invested with prudence. In the first quarter of 2022, Part II of the series of “Huangmiao Village — Taoist Priest Qianhe” (《黃廟村之千鶴道長》), upgraded by Tencent’s popular IP《黃廟村·地宮美人》 and produced by the same team, has also completed the shooting in the second quarter and successfully entered the post-production stage. The film can be completed in the third quarter of the year on schedule, and is planned to be launched in the fourth quarter or the first quarter of next year, which will hopefully be another blockbuster. The film, starring Fat Chung (鍾發), an experienced Hong Kong actor, is distributed by Lajin Pictures. As the subject matter is a fantasy folk style which is popular among various platforms and the public at this stage, and its script and production team are also well recognized by the industry, the film has certain potential for a blockbuster.



In terms of expanding distribution channels, overseas distribution predominantly focuses on the copyright sales of domestic films to overseas markets. The overseas copyright sales areas cover Korea, Japan, India, Europe, South America and Hong Kong and Taiwan, and the revenue from copyright transactions is stable. For rural cinemas in the PRC, after acquiring films with themes suitable for release in the rural market, these films will be promoted to more than 300 rural cinemas in 32 provinces, autonomous regions and municipalities in the PRC. Rural cinema is a type of pipeline revenue, with low copyright cost, low investment risk and high profit and return rate. Furthermore, based on public welfare, the Group will provide films that promote core socialist values and are popular among rural people.

“Investment + distribution” became the main business model for internet movies. The involvement in the distribution business will, on the one hand, increase revenue and help recoup the investments timely; on the other hand, allow the Group to deepen project participation, not only strengthening its relationship with the platform, but also broadening the perspective of its investments in project production. As a result, the Group will have the priority in choosing high-quality projects, gradually build up a “C-end” (consumer) mindset, and accumulate resources and experience in marketing and other ends of the industry chain.

“Faithful Dog Hachiko” (《忠犬八公》)

The Group produced and co-presented the Chinese version film “Faithful Dog Hachiko” (《忠犬八公》) (the original version: “Hachi: A Dog’s Tale” (《忠犬八公的故事》) with Kaneto Shindo as the scriptwriter, which is the authorized work of the Group). iQIYI Pictures is now the investor and presenter of the project, which has been produced and co-presented by the Group. It has been selected as one of the key projects of the “Films Presented by iQIYI” program, and has started filming on 18 March 2021. It was successfully completed as scheduled on May 20, and its post-production is basically completed. The film has submitted for review and it is expected to be set for nationwide release at a selected time in 2022. The project was directed by Mr. Xu Ang and Ms. Ye Rufen, a famous executive producer from Taiwan, acted as the executive producer. The leading actor and actress are Feng Xiaogang (his representative work includes “Mr. Six” (《老炮兒》), etc.) and Chen Chong (her representative work includes “The Last Emperor” (《末代皇帝》) and “Sheep Without a Shepherd” (《誤殺》), etc.) respectively. With the excellent creators and leading actors,



this film has become a work with high audience expectations in 2022. After the release of the film, the Group, as the presenter and producer, not only gained more mature experience in film production, but also deepened the positive closed-loop effect of film research and development, production, distribution and marketing.

“The Tibet Code” (《藏地密碼》)

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

Artiste Management

Although the COVID-19 pandemic is still volatile and the industry continues to be cautious in developing new film and television projects, the Group continues to cooperate with outstanding talent management teams in the industry, and recruit numerous 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, conducting online marketing and making use of e-commerce.



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, folk, electronic, rap, etc.

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

Lajin Music initiated a “Searching for Chinese Root Music Program” as a major founder previously. The project is established based on the cultural foundation of the Chinese nation, blended with the most advanced production technology and media communication methods and the professionalism of the music industry, and plans to establish a copyright database of the most outstanding, best-selling, and symbolic root music signifying the Chinese cultural confidence. In addition, by adopting different media communication methods, the project will be promoted by integrating with music works, local culture, tourism resources and local products. Eventually, with the support of resources from various levels of government, the project will be established into a comprehensive, novel, and commercially closed-loop cultural project. However, due to the impact of the pandemic and the restrictions of pandemic prevention policies, people’s mobility was restricted, which makes the development of the Chinese Root Music Program difficult. Nonetheless, the content of the project is in line with the national policy and market direction, and is of special significance. It is expected to be promoted throughout the country after the pandemic easing and the adjustment of pandemic prevention policies.



New media e-commerce business

In the first half of 2022, demand for online services continued due to the impact of the pandemic policies across mainland China. Live-streaming shopping and contact-free delivery continued to become the norm for online shopping under the pandemic. According to the “China Online Live-streaming Industry Development Research Report 2021” (《2021年度中國在線直播行業發展研究報告》), the number of online live-streaming users is expected to exceed 660 million in 2022. Among them, live e-commerce has become the live-streaming category with the largest number of users in internet live-streaming after rapid development in the past few years. Consumers have gradually deepened their awareness of the interactive, social and entertainment characteristics of live-streaming, and their acceptance of internet live-streaming and live e-commerce has been further improved. The average daily view duration of live-streaming continues to increase, and the proportion of live e-commerce users in the overall Internet users has increased significantly. Consumption via live-streaming is recognized increasingly.

Since its establishment, the Group dedicated itself to the deployment of the pan-entertainment industry chain, continuously cultivating high-quality contents, and enhancing the entertainment, fun and branding elements of contents. The Group accurately studies and judges the form and direction of entertaining consumption in future, realizes a two-way empowerment by entertainment contents and the e-commerce industry. The Group continues to deploy the strategy for influencer incubation and brand store broadcasting. Brand store broadcasting focuses on specialized products and has conducted pilot tests for market reaction. Positioning, content script writing, speech training, video shooting and other work for the influencers/hosts to be incubated are ready for them to kick off. While deploying the strategy, Lajin will be ready to respond to the rapid changes in the industry, and will sort out, adjust and plan the e-commerce business in a timely manner.



EVENT AFTER THE REPORTING PERIOD

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

LIQUIDITY AND FINANCIAL RESOURCES

At 30 June 2022, the Group had total assets of approximately HK\$303,058,000 (31 December 2021: HK\$344,864,000), including cash and cash equivalents of approximately HK\$44,496,000 (31 December 2021: HK\$50,666,000). During the period under review, the Group financed its operation with the proceeds from fund raising activities.

CAPITAL STRUCTURE

As at the date of this report, the Company has in issue a total of 4,209,131,046 ordinary shares.

GEARING RATIO

The gearing ratio, expressed as percentage of total liabilities excluding deferred tax liabilities over total equity attributable to owners of the parent, was approximately 25.6% (31 December 2021: 24.5%). The change in gearing ratio was mainly derived from the decrease of equity attributable to owners of the parent from approximately HK\$285,948,000 to HK\$252,235,000 as compared with that in prior year.

CHARGE ON THE GROUP'S ASSETS

At 30 June 2022, the Group did not have any charge on its assets.



FOREIGN EXCHANGE RISKS

Most of the income and expense of the Group are determined in RMB. The Group has not used any foreign currency derivative instruments to hedge its exposure to foreign exchange risk. However, the management monitors closely the exposures and will consider hedging the exposures should the need arise.

COMMITMENTS

At 30 June 2022, the Group had capital commitments of approximately HK\$27,875,000 (31 December 2021: HK\$40,559,000).

CONTINGENT LIABILITIES

At 30 June 2022, the Group had no material contingent liabilities (31 December 2021: Nil).

EMPLOYEES

At 30 June 2022, the Group had 98 employees, including approximately 95 employees in PRC and 3 employees in Hong Kong. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practices. The employees in Hong Kong joined the mandatory provident fund scheme.



SIGNIFICANT INVESTMENT

The Group did not hold any significant investment during the period ended 30 June 2022.

SHARE OPTION SCHEME

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

As at 30 June 2022, there are no outstanding options.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the Share Option Scheme and employee award plan, at no time during the six months ended 30 June 2022 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors and chief executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2022, the register of substantial shareholders maintained by the Company under Section 336 of the SFO showed that the following shareholders had an interest of 5% or more in the issued share capital of the Company:

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

Name of substantial shareholder	Capacity	Notes	Interest in shares	Approximate percentage of the Company's issued share capital
Jiaxuan Group Company Limited ("Jiaxuan")	Beneficial owner	(i)	1,982,561,725	47.10%
Eagle King Investment Holding Limited	Interest of controlled corporation	(i)	1,982,561,725	47.10%
Mr. Wong Kwong Yu	Interest of controlled corporation	(i)	1,982,561,725	47.10%
Great Majestic Global Holdings Limited	Interest of controlled corporation	(i)	1,982,561,725	47.10%
Mr. Xu Zhong Min	Interest of controlled corporation	(i)	1,982,561,725	47.10%
CITIC Group Corporation	Interest of controlled corporation	(ii)	459,934,954	10.93%
CITIC Limited	Interest of controlled corporation	(ii)	459,934,954	10.93%
Famous Peak Investments Limited	Beneficial owner	(ii)	459,934,954	10.93%
First Charm Investments Limited	Beneficial owner	(iii)	311,545,414	7.40%
Mr. Ko Chun Shun, Johnson	Interest of controlled corporation	(iii)	311,545,414	7.40%



Notes:

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

Save as disclosed above, at 30 June 2022, the Company has not been notified by any persons (other than the Directors and chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which were to be recorded in the register required to be kept under Section 336 of the SFO and/or who were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

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

None of the Directors and chief executives, nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2022.

COMPETING INTEREST

At 30 June 2022, none of the Directors, the substantial shareholders nor their respective associates had an interest in any business which competes or may compete with the business of the Group.



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

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The corporate governance principles of the Company emphasise a quality Board, sound internal controls, transparency and accountability to all shareholders. By applying rigorous corporate governance practices, the Group believes that its accountability and transparency will be improved thereby instilling confidence to shareholders and the public.

The Company has complied with the code provisions in the Corporate Governance Code (the "CG Code") and Corporate Governance Report as set out in Appendix 15 of the GEM Listing Rules for the six months ended 30 June 2022, with the exception of CG Code Provisions A.2.1 (separation of roles of chairman and chief executives), A.4.1 (specific terms of non-executive Directors) and A.6.7 (non-executive directors attending general meetings).

a. Chairman and Chief Executive Officer

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



b. Terms of non-executive Directors

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

c. Non-executive Directors attending general meeting

Under the Code provision A.6.7 of CG Code, non-executive Directors and independent non-executive Directors should attend general meetings. Certain non-executive Directors and independent non-executive Directors were unable to attend the annual general meeting and special general meeting of the Company due to other business commitments.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2022, the Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, the Company's Directors confirmed they have complied with the required standards of dealings and the code of conduct regarding securities transactions by directors adopted by the Company.



AUDIT COMMITTEE

The audit committee consists of three members, namely Mr. Lam Cheung Shing Richard (chairman of the audit committee), Mr. Zhou Ya Fei and Mr. Ng Wai Hung, all being non-executive Directors or independent non-executive Directors. The primary duties of the audit committee are to review the Company's annual report and financial statements, quarterly reports and interim report and to provide advice and comment thereon to the Board. The audit committee will also be responsible for reviewing and supervising the financial reporting and internal control procedures of the Group.

The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters with the management team of the Company. The audit committee has reviewed the interim report and results for the six months ended 30 June 2022 before proposing to the Board for approval.

By order of the Board
Lajin Entertainment Network Group Limited
Leung Wai Shun Wilson
Executive Director

Hong Kong, 12 August 2022

As at the date of this report, the executive directors are Ms. Zhai Shan Shan and Mr. Leung Wai Shun Wilson; the non-executive directors are Mr. Zou Xiao Chun, Mr. Zhou Ya Fei and Mr. Li Xue Song and the independent non-executive directors are Mr. Ng Wai Hung, Mr. Lam Cheung Shing Richard and Mr. Wang Ju.