Lajin Entertainment Network Group Limited
拉近網娛集團有限公司 *

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

(Stock Code: 8172)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

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.

This announcement, 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 announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or in this announcement misleading.

* *For identification only*

ANNUAL RESULTS

The board of directors (the "Board") of Lajin Entertainment Network Group Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2023, together with the comparative audited figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
REVENUE	4	**28,915**	10,533
Cost of sales		**(19,865)**	(29,286)
Gross profit/(loss)		**9,050**	(18,753)
Other income and gains/(losses), net	5	**5,379**	1,831
Selling and distribution expenses		**(802)**	(163)
Administrative expenses		**(38,166)**	(53,528)
Other expenses		**(16,422)**	(21,613)
Finance costs		**–**	(74)
Share of losses of associates		**(1,876)**	(10,391)
LOSS BEFORE TAX	5	**(42,837)**	(102,691)
Income tax expense	6	**(9)**	(2)
LOSS FOR THE YEAR		**(42,846)**	(102,693)
Attributable to:			
Owners of the parent		**(42,222)**	(94,607)
Non-controlling interest		**(624)**	(8,086)
		(42,846)	(102,693)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	7	**HK$1.00 Cents**	HK$2.25 Cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023	2022
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(42,846)**	(102,693)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(3,183)**	(15,225)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income ("FVOCI"):		
Changes in fair value, net of tax	**753**	(2,702)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(2,430)**	(17,927)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(45,276)**	(120,620)
Attributable to:		
Owners to the parent	**(44,746)**	(113,441)
Non-controlling interests	**(530)**	(7,179)
	(45,276)	(120,620)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,083**	85,421
Investment properties		**75,813**	–
Investments in associates		**7,298**	9,342
Equity investments designated at FVOCI		**1,714**	993
Intangible assets		**17,513**	14,636
Total non-current assets		**103,421**	110,392
CURRENT ASSETS			
Trade receivables	*8*	**16,813**	4,351
Prepayments, other receivables and other assets		**19,140**	50,858
Film rights and films and TV programmes under production	*9*	**18,196**	26,103
Inventories		**837**	864
Cash and cash equivalents		**26,339**	31,938
Total current assets		**81,325**	114,114
CURRENT LIABILITIES			
Trade payables	*10*	**162**	80
Other payables and accruals		**66,156**	70,349
Total current liabilities		**66,318**	70,429
NET CURRENT ASSETS		**15,007**	43,685
NET ASSETS		**118,428**	154,077
EQUITY			
Equity attributable to owners of the parent			
Share capital		**42,090**	42,090
Reserves		**92,102**	119,765
		134,192	161,855
Non-controlling interests		**(15,764)**	(7,778)
Total equity		**118,428**	154,077

Notes:

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 Growth Enterprise Market (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.

During the year, the Group was involved in the following principal activities:

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and equity investments designated at fair value through other comprehensive income. These 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 when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The following new or amended HKFRSs are mandatory for the first time for the financial year beginning 1 January 2023 and the impacts of the adoption are disclosed below.

Amendments to HKAS 1	*Disclosure of Accounting Policies*

The amendments to HKAS 1 and HKFRS Practice Statement 2 aim to make accounting policy disclosures more informative by replacing the requirement to disclose 'significant accounting policies' with 'material accounting policy information'. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure. These amendments have no effect on the measurement or presentation of any items in the financial statements of the Company but affect the disclosure of accounting policies of the Company.

The following new or amended HKFRSs are mandatory for the first time for the financial year beginning 1 January 2023, but have no material effect on the Company's reported results and financial position for the current and prior accounting periods.

HKFRS 17	*Insurance Contracts*
Amendments to HKAS 8	*Definition of Accounting Estimations*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The following new or revised HKFRSs, potentially relevant to the Company's financial statements, have been issued, but are not yet effective and have not been early adopted by the Company. The Company's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[1]
Amendments to HKAS 1	*Non-current Liabilities with Covenants*[1]
Amendments to HKAS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024.
2 Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company do not anticipate that the applications of the amendments and revision in the future will have significant impacts on the consolidated financial statements.

3. 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 investment in internet contents;

(c) the new media segment comprises the promotion and demonstration through live video on the website.

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, recovery of amounts due on an impaired financial assets at FVTPL, share of losses of associates, other income as well as head office and corporate and other unallocated expenses are excluded from such measurement.

(a) Segment revenue and results

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

	Artiste Management		Movies, TV Programmes and Internet contents		New media business		Elimination		Consolidated	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue										
Revenue to external customers	**343**	362	**28,196**	4,874	**376**	5,297	**–**	–	**28,915**	10,533
Inter-segment revenue	**–**	90	**–**	–	**–**	1,191	**–**	(1,281)	**–**	–
	343	452	**28,196**	4,874	**376**	6,488	**–**	(1,281)	**28,915**	10,533
Segment results	**(327)**	(1,711)	**10,477**	(31,741)	**(26,391)**	(45,992)	**–**	–	**(16,241)**	(79,444)
Reconciliation										
Unallocated other income									**934**	464
Corporate and other unallocated expenses									**(13,698)**	(6,266)
Impairment loss recognised in respect of trade and other receivables, net									**(14,149)**	(6,414)
Impairment loss on investments in associates									**–**	(2,851)
Recovery of amounts due on an impaired financial assets at FVTPL									**2,193**	2,211
Share of losses of associates									**(1,876)**	(10,391)
Loss before tax									**(42,837)**	(102,691)

(b) Other segment information

	Artiste Management		Movies, TV Programmes and Internet contents		New media business		Elimination		Consolidated	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	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	**12**	10	**1**	1	**5,253**	9,663	**1,068**	–	**6,334**	9,674
Impairment loss recognised in respect of films and TV programmes under production	**–**	–	**2,273**	12,348	**–**	–	**–**	–	**2,273**	12,348
Impairment loss recognised in respect of trade and other receivables, net	**–**	–	**–**	–	**–**	–	**14,149**	6,414	**14,149**	6,414
Investments in associates	**–**	–	**1,945**	3,841	**–**	–	**5,353**	5,501	**7,298**	9,342
Capital expenditure*	**–**	–	**–**	–	**68**	1,152	**–**	–	**68**	1,152

* Capital expenditure consists of additions to property, plant and equipment and intangible assets during the year.

(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*	
	2023	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China	**28,915**	10,533	**99,762**	105,558
Korea	**–**	–	**1,945**	3,841
	28,915	10,533	**101,707**	109,399

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

(d) Information about major customers

Revenue from customers for the years ended 31 December 2023 and 2022 which individually amounted to over 10% of the total revenue of the Group is as follows:

	Reporting segment	2023 HK$'000	2022 HK$'000
Customer A	Movies, TV programmes and internet contents	**22,439**	1,685
Customer B	Movies, TV programmes and internet contents	**–**[1]	1,146
Customer C	New media business	**–**[1]	3,682

Note:

1 The corresponding revenue did not contribute over 10% of the total external sales of the Group.

4. REVENUE, OTHER INCOME AND GAINS/(LOSSES)

An analysis of revenue is as follows:

	2023 HK$'000	2022 HK$'000
Revenue from contracts with customers	**28,915**	10,533

Revenue from contracts with customers

(a) Disaggregated revenue information

	2023	2022
	HK$'000	*HK$'000*
Types of goods or services		
TV and internet programmes	**6,781**	3,592
Film distribution	**20,472**	262
Artiste management	**343**	362
Distribution agency service	**943**	1,020
New media business	**376**	5,297
Total revenue from contracts with customers	**28,915**	10,533
Geographical markets		
Mainland China	**28,915**	10,533
Timing of revenue recognition		
Transferred at a point in time	**28,572**	10,171
Transferred over time	**343**	362
	28,915	10,533

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2023	2022
	HK$'000	*HK$'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
New media business	**623**	516

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

TV and internet programmes

The performance obligation is satisfied 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.

Film distribution

The performance obligation is satisfied when the film is released.

Artiste management

The performance obligation is satisfied over time because the customers simultaneously receive and consume the services rendered by the artistes of the Group as the Group performs.

Distribution agency service

The performance obligation is satisfied at the point in time when the services are rendered.

New media business

The performance obligation is satisfied when control of assets is transferred to the customers and major obligations in the agreement have been fulfilled.

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

	2023	2022
	HK$'000	*HK$'000*
Amounts expected to be recognised as revenue:		
Within one year	–	623

	2023	2022
	HK$'000	*HK$'000*
Other income		
Rental income	**595**	–
Interest income	**264**	341
Others	**68**	73
	927	414
Gains/(losses), net		
Recovery of amount due on an impaired financial assets at FVTPL	**2,193**	2,211
Recovery of amount on an impaired film rights and films and TV programmes under production	**2,103**	–
Loss on disposal of property, plant and equipment	**–**	(120)
Loss on film investments	**–**	(12)
Loss on disposal of subsidiaries	**–**	(894)
Exchange differences, net	**156**	232
	4,452	1,417
	5,379	1,831

5. LOSS BEFORE TAX

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

	2023	2022
	HK$'000	*HK$'000*
Costs of film and TV programme rights	**11,776**	20,835
Cost of new media business****	**8,021**	8,079
Cost of artiste management services	**68**	372
Total cost of sales	**19,865**	29,286
Auditor's remuneration*	**1,320**	1,675
Depreciation of property, plant and equipment*	**4,778**	8,731
Depreciation of investment properties*	**1,068**	–
Depreciation of right-of-use assets*	**–**	943
Lease payments not included in the measurement of lease liabilities*	**806**	1,293
Amortisation of intangible assets*	**30**	60
Impairment loss recognised in respect of film rights and films and TV programmes under production*	**2,273**	12,348
Impairment loss on trade receivables*	**258**	3,322
Impairment loss on other receivables, net*	**13,891**	3,092
Impairment loss on investments in associates	**–**	2,851
Legal and professional fees*	**2,995**	5,286
Office operating expenses*/***	**1,857**	4,015
Management and service expenses*/***	**1,971**	663
Others*/***	**2,630**	1,085
Staff costs (including directors' remuneration):*/**		
– Salaries, allowances and other benefits	**19,706**	27,586
– Pension scheme contributions**	**1,005**	2,191
Total Staff costs	**20,711**	29,777

* These items are included in "administrative expenses" and "other expenses" in the consolidated statement of profit or loss.

** At 31 December 2023, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2022: Nil).

*** These items are mainly included entertainment, telephone and internet expense, repair and maintenance, cleansing and others.

**** Cost of new media business included depreciation of property, plant and equipment of HK$488,000 and HK$217,000, respectively, for the year ended 31 December 2023 and 2022.

6. INCOME TAX

	2023	2022
	HK$'000	*HK$'000*
Current tax expense for the year	**9**	2

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.

Pursuant to the PRC Corporate Income Tax Law and its implementation regulations, provision for PRC income tax of the Group is calculated based on the statutory income tax rate of 25%.

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:

	2023	2022
	HK$'000	*HK$'000*
Loss before tax	**(42,837)**	(102,691)
Tax credit at the statutory tax rates	**(10,265)**	(25,085)
Profits and losses attributable to tax on associates	**310**	2,509
Tax effect of expenses not deductible for tax	**(1,230)**	3,130
Tax effect of income not subject to tax	**16**	(48)
Tax losses not recognised	**11,231**	19,631
Tax effect of utilisation of tax losses previously not recognised	**(53)**	(134)
Others	**–**	(1)
Total tax expense for the year	**9**	2

There was no share of tax attributable to associates (2022: Nil) included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

For the year ended 31 December 2023, there was no movement in deferred tax liabilities and assets. And during the year ended 31 December 2022, there was no movement in deferred tax assets.

At 31 December 2023, The Group has tax losses arising in Hong Kong of approximately HK$5,187,000 (2022: 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$167,882,000 (2022: HK$284,608,000) 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.

7. 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 parent of HK$42,222,000 (2022: HK$94,607,000), and the weighted average number of ordinary shares of 4,209,130,000 (2022: 4,209,130,000) in issue during the year.

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 2023 and 2022.

8. TRADE RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**17,599**	7,571
Impairment	**(786)**	(3,220)
	16,813	4,351

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.

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

	2023	2022
	HK$'000	*HK$'000*
0 – 365 days	**15,774**	2,601
Over 365 days	**1,825**	4,970
	17,599	7,571

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 2023

	Expected credit loss rate *%*	**Gross carrying amount** *HK$'000*	**Expected credit losses** *HK$'000*	**Net carrying amount** *HK$'000*
Current (not past due)	**–**	**15,774**	**–**	**15,774**
Past due	**100%**	**786**	**(786)**	**–**
		16,560	**(786)**	**15,774**
Individual assessment	**–**	**1,039**	**–**	**1,039**
	–	**17,599**	**(786)**	**16,813**

At 31 December 2022

	Expected credit loss rate *%*	Gross carrying amount *HK$'000*	Expected credit losses *HK$'000*	Net carrying amount *HK$'000*
Current (not past due)	–	2,601	–	2,601
Past due	100%	3,220	(3,220)	–
		5,821	(3,220)	2,601
Individual assessment	–	1,750	–	1,750
	–	7,571	(3,220)	4,351

9. FILM RIGHTS AND FILMS AND TV PROGRAMMES UNDER PRODUCTION

	Films and TV programme rights *HK$'000*	Films and TV programme under production *HK$'000*	Total *HK$'000*
At 1 January 2022	25,646	30,857	56,503
Additions	594	4,454	5,048
Transfer to film and TV programme rights	16,592	(16,592)	–
Charged to cost of sales	(20,391)	–	(20,391)
Impairment	(10,483)	(1,865)	(12,348)
Exchange realignment	(1,606)	(1,103)	(2,709)
At 31 December 2022 and 1 January 2023	10,352	15,751	26,103
Additions	**214**	**2,508**	**2,722**
Transfer to film and TV programme rights	**2,480**	**(2,480)**	**–**
Charged to cost of sales	**(7,879)**	**–**	**(7,879)**
Impairment	**(2,104)**	**(169)**	**(2,273)**
Exchange realignment	**(113)**	**(364)**	**(477)**
At 31 December 2023	**2,950**	**15,246**	**18,196**

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 2023 and 2022, 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 2023, as impairment indicators arose from certain film rights and films and TV programmes under production, an impairment loss of approximately HK$2,273,000 (2022: HK$12,348,000) was recognised in respect of film rights and films and TV programmes under production, which belong to Movies, TV programmes and internet contents segment. The impairment was made based on management's estimation of their recoverable amounts against their carrying amounts. The estimated recoverable amount at 31 December 2023 was determined based on the present value of expected future revenues and related cash flows arising from the distribution of the film rights and films and TV programmes under production.

10. TRADE PAYABLES

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

	2023	2022
	HK$'000	*HK$'000*
Within 1 year	**162**	80

The trade payables are non-interest bearing.

11. DIVIDEND

No dividend was paid or proposed during 2023, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Movies, TV Programmes and Internet Contents

In 2023, as the impact of the COVID-19 pandemic gradually faded out across the country, offline entertainment demand continued to pick up, and online viewers' attention was diverted, the habitual utilization of network users dropped as compared with the previous two years. In 2023, the attractiveness of the internet movie market was further reduced as a whole. From the number of filed projects, the number of online projects to the number of top projects and the box office output capacity, all of which are generally in a downward trend. Under the environment of "quality improvement and quantity reduction" of internet movies, the box office of a large number of mid-end projects was less than RMB10 million, the market performance of widely anticipated top projects was also not as expected. Although the investment in production and promotion has been upgraded, it is difficult to reverse the declining trend of the overall shared box office. According to the statistics from the public account of "Guduo Internet Film and Television" (《骨朵網絡影視》), there were only 34 internet movies with shared box office exceeding RMB10 million in 2023, representing a decrease of 17 compared with 2022 and a decrease of 31 compared with 2021. Each long-form video platforms have reduced their support for internet movies to varying degrees: the adjustment of models such as available across multi-platform, cancellation of rating, reduction of unit price of shared box office and pay-per-view can be regarded as the continuous "cost reduction and efficiency enhancement" of the platforms in the internet movie segment. The platforms are focusing on pursuing operational efficiency to achieve their own profit targets, which means that it will be difficult to attract high-quality internet movie content with a model of high shared box office in the short term.

The Group noticed this major trend change. In 2023, the Group has still carefully adjusted the investment layout in new internet movies, focusing on the distribution and promotion and marketing of previous reserve to be streaming in order to obtain better platform resources and promotion and marketing effects, and obtain relatively stable box office revenue; on the one hand, the retention of the internet movie promotion and distribution business will increase the revenue channels and will also help to monitor the timing of project payment collection; on the other hand, it will allow the Group to maintain a certain degree of sensitivity and competitiveness in this track, and maintain a close cooperative relationship with the platforms. When there are new opportunities and new breakthroughs in the industry, the Group is always in a favourable ecological position in the industry chain and can maintain sustainable development advantages.

The Group also noticed that the theatrical film market showed signs of strong recovery. According to the "Maoyan 2023 China Film Market Data Insight Report" (《猫眼2023中國電影市場數據洞察報告》), the total annual box office of theatrical films in Mainland China in 2023 was RMB54.915 billion, representing a year-on-year increase of 83.4%, among which the box office of domestic films was RMB46.005 billion, accounting for 83.77% of the total box office for the year; The total number of audiences for the year was 1.299 billion, representing a year-on-year increase of 82.7%, showing a trend of rapid recovery of vitality. On the content supply side, from "The Wandering Earth II" (《流浪地球2》)

and “Full River Red” (《滿江紅》) during the slot of Chinese New Year, “Lost in the Stars” (《消失的她》), “No More Bets” (《孤注一擲》), “Creation of the Gods I: Kingdom of Storms” (《封神第一部：朝歌風雲》), “Chang An” (《長安三萬里》) during the slot of summer holiday, to the “The Volunteers: To the War” (《志願軍：雄兵出擊》) and “Under the Light” (《堅如磐石》) during the slot of National Day, the theatrical film market in Mainland China has seen a steady stream of successful productions, the production and distribution of films and audience's demand for movie viewing are both hot. The above favourable information has also boosted capital and industry confidence, and the theatrical film market is expected to return to a virtuous circulation model.

In terms of film genres, suspense film, crime film and comedy film are undoubtedly the powerful genres in 2023. The suspense/comedy film “Full River Red” (《滿江紅》) during the slot of Chinese New Year was a strong leader with a box office of RMB4.54 billion, which became the champion of the annual box office in 2023; The high-quality “suspense and crime” films with a focus on real-world topics stood out in various genres this year. This type of film ran through all film schedules of the year, with the emergence of phenomenal works such as “No More Bets” (《孤注一擲》), “Lost in the Stars” (《消失的她》) and “Under the Light” (《堅如磐石》). The Group also noticed that comedy films have no shortage of brilliant and excellent works in all film schedules, highlighting the rigid demand for this type. As a rigid demand in the market, taking “Full River Red” (《滿江紅》), the box office champion during the slot of Chinese New Year, “Life Journey” (《人生路不熟》), the box office champion during the slot of Labor Day and “Johnny Keep Walking!” (《年會不能停》), the box office champion during the slot of Chinese New Year as a representation, comedy films well met the audience's demand for movie viewing. In this context, the Group participated in the investment in the comedy film “Dreams of Getting Rich II” (《發財日記2》), which was the shared box office champion of internet movies in 2021 and a sequel to “Dreams of Getting Rich” (《發財日記》) after its original team of IP upgraded. “Dreams of Getting Rich” (《發財日記》) was previously streaming on iQIYI, Youku, Tencent in the form of “paid on demand” during the slot of Chinese New Year. The on-demand and shared box office in the whole network hit a record high, and its effective broadcast market share reached 25.45%. As a sequel entering the theatrical film market, “Dreams of Getting Rich II” (《發財日記2》) has been further upgraded based on the achievements of original creators, and is expected to be completed for shooting in 2024, with considerable box office potential. The Chinese version of “Faithful Dog Hachiko” (《忠犬八公》), a theatrical film produced and co-presented by the Group, has been released in cinemas across the country on 31 March 2023. As of the date of this announcement, it has achieved a box office of over RMB286 million. With this project as the reference, the Group has explored a successful model of “high-quality copyright + peer/platform cooperation”, which can promote the development and production of the Group's other IP reserves at low cost. At present, the reserve IP resources such as “The Tibet Code” (《藏地密碼》) and “Legend of the Galactic Heroes” (《銀河英雄傳說》) have been maximized its development and utilized to promote the development, production and realization of on-hand projects with extremely low costs.

In terms of internet movie distribution, a total of three reserve projects, "Dragon Hidden in the Maze" (《龍隱迷窟》), "Dragon Sparrow Guards: Myrlochar" (《龍雀衛之噬魂蛛》) and "Detrimental" (《見怪》) were released in 2023. Affected by the platform rules and resource adjustments, the shared box office of the three projects came in below expectations relatively. Currently, the production of the reserve project, namely "Mr. Qianhe" (《千鶴先生》) (formerly known as "Huangmiao Village – Taoist Priest Qianhe" (《黃廟村之千鶴道長》), has been completed, and obtained the distribution license for internet movie, and obtained the S+ rating in Tencent. It is scheduled to be launched simultaneously on three video platforms (namely iQIYI/Youku/Tencent) on 25 January 2024. The film is produced by the same team of the Tencent's popular IP "Huangmiao Village" (《黃廟村》). As the genre is a fantasy folk style which is popular among various platforms and the public at this stage, the expected box office sharing of the film is favourable with the above reasons.

The Group timely adjusts the distribution strategy due to its attention to the revenue-distribution rules of the video platforms and changes in the market since 2023. At the same time, the Group continues to perfect the overall distribution structure, and in addition to the first-round distribution of new projects, the Group is also pushing forward the second and third round of overseas work of historical projects and other new media pre-sales work actively, so as to strive for more profit. Among them, two first-run internet movies, i.e. "Transamerica" (《窈窕老爹》) and "Heroes of Desert" (《大漠神龍》), have launched on Mango TV in the second quarter of 2023, which are the third round of internet distribution after the launch on iQIYI and Sohu, and the project's multi-round distribution has effectively improved the capital recovery rate.

Besides, the distribution of rural cinemas in the PRC is also progressing steadily and orderly. The Group is in the process of purchasing or acting as an agent for films suitable for release in rural markets as planned. In the future, it will be expanded to more than 300 rural cinemas in 32 provinces, autonomous regions and municipalities across the country.

Moreover, the Group is also focusing on the copyright sales of domestic videos to overseas markets, covering East Asia countries and regions, Southeast Asia, South Asia, Europe and South America. Currently, a number of overseas copyright transactions for our own copyright projects have been concluded, and it is planned to gradually expand to other external projects.

At the same time, the Group has fully upgraded the distribution business segment. In addition to the traditional first-round internet media distribution, the Group also carried out in-depth development of businesses such as TV platform distribution, rural cinema distribution, overseas distribution and second-round omni-channel distribution. Relying on high-quality film and television IP and the peripheral contents of internet film and TV, the Group integrated digital rights technology to actively explore new business growth paths and further improve the Group's diversified, balanced and vertical internet film and TV ecological system.

Artiste Management

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 and exposures under our new media business.

Music

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.

Leveraging on the Group's new media business, the music sector has successfully achieved a breakthrough "from 0 to 1", with more than 300 musicians recruited in the second half of the year. The achievement of this important milestone demonstrates the Group's attention and support to original musicians, as well as its deep accumulation and resource integration capabilities in the music sector.

New media business

In the global boom of the Web3.0 authors economy, the Group has keenly captured the huge potential of the new media business segment. We have invested a lot of resources to build an innovative platform called AMBER APP, which has combined blockchain, Artificial Intelligence Generated Content (AIGC), digital watermark, NFC, Augmented Reality (AR) and other technologies to provide authors with unprecedented creation and publishing experience. In the wave of Web3.0, we not only pay attention to the needs of authors, but also combine the uniqueness of the music industry to seek a new business model of "authors economy + musician self-publishing + music art-toy", injecting new momentum into the growth of new media business.

The AMBER APP opens the door to self-publishing for a large number of original musicians, allowing them to own 100% of the copyright. Through in-depth cooperation with China Copyright Chain Company*(中國版權鏈公司), it provides official blockchain storage for each original music work to ensure that the rights and interests of musicians are fully protected. In addition, AMBER also combines ISRC certification to enhance the value of original music in an all-round way. We have never stopped on the road of technological innovation, continuously invested in research and development, and are committed to improving user experience. We have integrated cutting-edge technologies such as AI, blockchain and AR into the music industry, bringing unprecedented experience to users and opening a new chapter of self-publishing for musicians.

As the core innovative product of AMBER, the Music Pass Card integrates NFC technology and NFT collection concept, providing a new monetization method for musicians. It not only has the collection value of traditional record, but also brings fans a new experience of online and offline integration through AR technology. This innovative business model has not only been well received by the market, but also provided musicians with a broader publishing platform to help them achieve more interests and gains. Musicians have successfully gathered their fans, published digital albums, distributed Music Pass Card through AMBER, and integrated with live shows to realize a boom of purchase and collection among the fans. In addition, the digital commemorative ticket stub LIVEPASS launched by AMBER at Zhao Chuan's Beijing Concert also achieved great success, conducted innovation of the market and led the trend.

The outstanding performance of AMBER has been highly recognised both inside and outside the industry. We were invited to participate in industry events such as the China Copyright Annual Conference and the China International Copyright Expo, demonstrating our strong determination in music copyright protection and innovation. The Music Pass Card project was even highly appraised by the National Copyright Administration and was highly recognised by our peers. In addition, AMBER also actively carried out cooperation negotiations with well-known musicians, domestic leading music festivals and performance companies, and implemented a number of cooperation, opening up new market channels for AMBER and creating a win-win situation.

Leveraging with the three years of experience in the pandemic, we understand that only by constantly innovating and adapting to market changes can we stand out in the competitive market. Therefore, we will continue to strive to explore new business opportunities and develop a more diversified and sustainable business model to maximize returns and bring the best interests to the Group's shareholders. Under the general trend of the integration of Web3.0 and the music industry, AMBER will join hands with a lot of musicians to create a more brilliant future.

Prospects and challenges

Looking at the theatrical film market in 2023, compared with the past three years during the pandemic, there was a sharp increase of 70%[#] in box office, the number of audiences increased by 60%[#], and the per capita viewing frequency increased to 2.58[#] times. The double supply indicators (namely project approval and release quantity) rebounded. China ranked second in the global box office with a cumulative box office of US$7.571[#] billion, continuing to maintain a leading position in the world's major film markets. In the face of the favourable situation of supply and demand, the Group will actively adjust the investment strategy of theatrical films, explore valuable investment targets under the premise of superior themes, high-quality creators, competent producers and partners, fully integrate the accumulated resources in the theatrical film industry, and continue to explore the investment and production of the "diversified comedy" type of theatrical film, with a view to sharing the dividends of comedy theatrical films and improving the stability of revenue and the rate of return of the Group.

In view of the downturn of the internet movie market, there were several industry bottlenecks, such as a slowdown in the growth of the number of online video users, a decline in the number of films released and the number of views. In 2024, against the backdrop of top-movie effect and fierce competition in the internet movie market, the Group is expected to focus on quality instead of quantity of investment in this field by adhering to the general principles of cost reduction and efficiency enhancement, quality improvement and quantity reduction, and work hard on forward-looking genres, professional cooperation teams, and accuracy of production and promotion, so as to optimize the Group's position in the internet movie market.

However, under the general trend of fragmentation of entertainment time, the formation of the habit of watching short videos by the public, the maturity and development of the whole industry chain of internet literature, and the shift of advertising to short video have spawned the outbreak of internet short plays in 2023. The blowout growth of internet short plays of various genres gradually occupies an important position in the film and television entertainment industry. According to iiMedia Research, the market size of internet short plays in China was RMB37.39 billion in 2023, accounting for approximately 70% of the market size of theatrical film in the same year, representing a year-on-year increase of 267.65% as compared with 2022, and it is estimated that the market size will reach 100 billion by 2027; In the third quarter of 2023 alone, the number of internet short plays distributed in China reached 150, nearly twice the total for the whole year of 2022. With the increasing popularity of short videos in the market, the number of internet short plays in China will maintain an upward trend. The investment and production of internet short plays currently has the advantages of "low entry threshold, light investment volume, fast pace of production and short payback period", and is in a stage of rapid growth. In the future, it should be an inevitable trend for the continuous upgrading and iteration in the aspects of stories, creators and productions.

It is expected that the regulatory efforts will be strengthened and the entire industry will gradually become more standardized. In this context, the Group actively deployed the investment and production of internet short plays. In the future, we will carefully study and evaluate policies and norms, explore creative methods, accumulate platform resources, explore high-quality scripts and creative teams, etc., with a view to identifying suitable investment targets and creating popular short plays.

Source: 2023 China Movie Annual Investigation Report (《2023中國電影年度調查報告》), www.1905.com

After years of strategic planning, the Group has possessed the Permit to Produce and Distribute Radio and 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. On the one hand, the Group can leverage on the advantages of licences and channels to explore the possibility of platform construction, dissemination and distribution of internet short plays, seek greater profit margins in the industry chain of internet short plays, and tap greater industry dividends. On the other hand, short videos have become an important part of the daily entertainment of the public, and are undergoing a leap from "grassroots" (individual independence) creation to professionalization and refinement. Relying on a large number of high-quality film and television dramas, artistes and peripheral resources, the Group's original or recreated contents can become high-quality digital assets with collecting value and transaction value for audiences or artistes' fans. With the increasingly mature protection of video intellectual property in domestic regulations, coupled with various innovative technologies such as blockchain technology as an important support for anti-counterfeiting traceability, the Group expects that its business segments can be linked, and the video digital asset trading will also empower film and television creation and production, so that the value of the works can achieve diversification, free trading, and clear copyright and other visions.

With the maturity of the global Web3.0 technology and AIGC technology and the vigorous development of the authors economy, the authors in the fields of music and art have established a closer connection with fans through the decentralized platforms, so as to achieve a more equitable income distribution. The digital music market has become a dominant force in the industry. Especially, driven by smartphones and streaming media platforms, users' demand for digital music continues to rise. The live music performance market has ushered in recovery and reform in the post-pandemic era, and digitalization, virtualization and online and offline integration has brought unprecedented monetization opportunities to musicians. The cross-over cooperation and the globalization of the music industry have further promoted the diversification and international development of the industry.

Against this backdrop of the global music industry moving towards greater fairness, digitization, diversification and globalization, the Group, under the brand of AMBER, as a one-stop monetization tool platform for self-publishing on behalf of original musicians, is facing unprecedented opportunities and challenges.

Looking forward to 2024, AMBER is actively preparing to cooperate with well-known musicians to launch the album Pass Card, hoping not only to attract the attention and participation of a large number of fans, but also to bring a new revenue model to traditional well-known musicians. Moreover, AMBER is exploring the possibility of applying NFC technology in different fields, which is expected to lead a new trend of the industry and bring huge market opportunities to AMBER. Meanwhile, with the continuous advancement of globalization and the increasingly frequent international exchanges in the music industry, AMBER will open up a broader development space by seeking cooperation opportunities with overseas music industries and markets. These projects not only carry the Group's strategic vision, but also have huge market value and development prospects. The music industry in which AMBER operates is ushering in a golden period of rapid change and development. With its unique technological advantages and innovation strategies, AMBER is expected to stand out in this market and become an important player in the digital music industry, promoting the exchange and integration of global music culture. Meanwhile, AMBER will continue to adapt to market changes and technological development, actively respond to challenges, seize opportunities and realize sustainable development.

FINANCIAL REVIEW

The revenue of the Group was approximately HK$28,915,000 for the year ended 31 December 2023 (2022: HK$10,533,000). 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 174.52% as compared to last year. The increase was mainly attributable to the increase in revenue from the Group's movies, TV programmes and internet content business.

Cost of sales for the year ended 31 December 2023 decreased to approximately HK$19,865,000 (2022: HK$29,286,000), was mainly due to the decrease in cost of sales from the Group's new media business and movies, TV programmes and internet content business since most of the revenue earned during the year are related to production fee and box office incentives which have no corresponding cost of sales.

During the year, loss for the year attributable to owners of the parent was approximately HK$42,222,000 (2022: loss of HK$94,607,000).

Movies, TV programmes and internet contents

During the year under review, the revenue contributed by such segment was approximately HK$28,196,000 (2022: HK$4,874,000), mainly representing license income and film distribution revenue.

Artiste Management

During the year under review, the revenue contributed by such segment was approximately HK$343,000 (2022: HK$362,000).

New Media Business

During the year under review, the revenue contributed by such segment was approximately HK$376,000 (2022: HK$5,297,000).

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 decreased to approximately HK$38,166,000 from approximately HK$53,528,000 in the prior year primarily due to the decrease of staff cost during the year.

Other expenses

During the year under review, other expenses represented impairment loss recognized in respect of film rights and films and TV programmes under production of approximately HK$2,273,000 (2022: HK$12,348,000); impairment loss on trade receivables of approximately HK$258,000 (2022: HK$3,322,000) and impairment loss on other receivables of approximately HK$13,891,000 (2022: HK$3,092,000). Other expenses also included an impairment loss on investments in associates of approximately HK$2,851,000 for the year ended 31 December 2022 which is nil during the year under review.

Impairment loss on other receivables consisted of an impairment on a refund of an internet drama prepayment of HK$647,000 (2022: Nil), an impairment of a refund of merchandises prepayment of HK$3,323,000 (2022: Nil) and an impairment of advances to the management of an associate for the procurement of goods of HK$9,921,000 (2022: HK$2,867,000). Impairment losses recognised during the year under review was resulted from the worsened market condition leading to a higher risk of expected credit losses.

Liquidity and Financial Resources

At 31 December 2023, the Group had total assets of approximately HK$184,746,000 (2022: HK$224,506,000), including cash and cash equivalents of approximately HK$26,339,000 (2022: HK$31,938,000). During the year under review, the Group financed its operation with the proceeds from fund raising activities of prior years.

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 18 September 2021, the NDRC and the MOFCOM jointly promulgated the Special Management Measures for Foreign Investment Access (Negative List) (2021 version)(《外商投資準入特別管理措施(負面清單)(2021年版)》), which came into force on 1 January 2022. 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 ("OPCO4")

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

The registered owners of the OPCO1-3 are two management personnel of the Group, the registered owners of OPCO4 is a management personnel and an independent party ("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, was 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 19 October 2021, 18 November 2021, 20 April 2021 and 13 April 2021 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 Commercial Performance Licence (營業性演出許可證) dated 9 September 2021 renewed to OPCO1 by Beijing Municipal Bureau Of Culture (北京市文化局), OPCO1 is allowed to engage in business of performance brokerage and artiste management for a period from 11 June 2021 to 10 June 2024.

Under the Internet Culture Operation Licence (《網絡文化經營許可證》) dated 23 August 2021 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 20 August 2021 to 19 August 2024; 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 2022 renewed to OPCO4 by the National Radio and Television Administration (國家廣播電視總局), OPCO4 is allowed to provide Internet audio-visual program services from 29 July 2022 to 29 July 2025; 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 20 November 2019 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 20 November 2019 to 19 November 2024.

The Group has consolidated the financial results of OPCOs and its subsidiaries in its consolidated financial statements in accordance with HKFRSs. For the year ended 31 December 2022 and 2023, the financial results of OPCOs are as below:

	Revenue				**Total Assets**			
		2023		2022		**As at 31 Dec 2023**		As at 31 Dec 2022
	HK$'000	**%**	*HK$'000*	%	***HK$'000***	**%**	*HK$'000*	%
OPCO1	**45**	**0.2%**	823	7.8%	**15,446**	**8.4%**	16,155	7.2%
OPCO2	**–**	**–**	–	–	**4,968**	**2.7%**	25,070	11.2%
OPCO3	**28,539**	**98.7%**	5,242	49.8%	**31,827**	**17.2%**	41,259	18.4%
OPCO4	**261**	**0.9%**	94	–	**21,310**	**11.5%**	15,565	6.9%

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.

CAPITAL STRUCTURE

As at 31 December 2023, 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 49.4% (2022: 43.5%). The change in gearing ratio was mainly derived from the decrease of total equities attributable to owners of the parent from HK$161,855,000 to HK$134,192,000.

CHARGES ON THE GROUP'S ASSETS

At 31 December 2023, the Group did not have any charge on its assets.

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 2023, the Group had capital commitments of approximately HK$44,730,000 (2022: HK$24,759,000).

Contingent Liabilities

At 31 December 2023, the Group had no contingent liabilities (2022: Nil).

Employees

As at 31 December 2023, the Group had 51 employees, including approximately 48 employees in PRC and 3 employees in Hong Kong. Their remuneration, promotion and salary review are assessed based on job responsibilities, work 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

Details of connected transaction can be referenced on the annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year, to the best knowledge of the management, except for the non-compliance with Rule 17.104 of the GEM Listing Rules as set out in the Corporate Governance Report on the annual report, 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.

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

During the year ended 31 December 2023, 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.

Throughout the financial year ended 31 December 2023, 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 15 of the GEM Listing Rules save for certain deviations, details of which will be explained in the relevant paragraphs in this announcement. 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.

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.

AUDIT COMMITTEE

As at 31 December 2023, 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. The primary duties of the audit committee are to review the Company's annual report and financial statements, quarterly reports and interim reports and to provide advice and comment thereon to the Board. The audit committee is responsible for reviewing and supervising the financial reporting, internal control and risk management procedures of the Group.

The annual results for the year ended 31 December 2023 have been reviewed by the Audit Committee.

SCOPE OF WORK OF BDO LIMITED ON THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Company's auditor, BDO Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE

The annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk). The 2023 annual report will be despatched to the Shareholders and will be available on the websites of the Stock Exchange in due course.

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

Hong Kong, 28 March 2024

As at the date of this announcement, the executive directors are Mr. Colin Xu 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.