



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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

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* For identification only

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 2023, together with the comparative unaudited figures for the corresponding periods in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and six months ended 30 June 2023

		For the three months ended		For the six months ended	
		30 June		30 June	
		2023	2022	2023	2022
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	5	9,501	3,009	12,845	6,464
Cost of sales		<u>(2,009)</u>	<u>(4,728)</u>	<u>(3,643)</u>	<u>(6,066)</u>
Gross profit/(loss)		7,492	(1,719)	9,202	398
Other income and gains	6	257	349	49	622
Selling and distribution expenses		(230)	(75)	(234)	(144)
Administrative expenses		(7,517)	(13,454)	(15,331)	(26,777)
Interest expenses		–	–	–	(77)
Share of losses of:					
Associates		<u>(175)</u>	<u>(420)</u>	<u>(528)</u>	<u>(822)</u>
Loss before tax	7	(173)	(15,319)	(6,842)	(26,800)
Income tax expense	8	<u>(5)</u>	<u>–</u>	<u>(8)</u>	<u>–</u>
Loss for the period		<u>(178)</u>	<u>(15,319)</u>	<u>(6,850)</u>	<u>(26,800)</u>

	For the three months ended 30 June		For the six months ended 30 June	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Notes	HK\$'000	HK\$'000	HK\$'000	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	<u>(6,667)</u>	<u>(11,262)</u>	<u>(5,380)</u>	<u>(9,476)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>(6,667)</u>	<u>(11,262)</u>	<u>(5,380)</u>	<u>(9,476)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u><u>(6,845)</u></u>	<u><u>(26,581)</u></u>	<u><u>(12,230)</u></u>	<u><u>(36,276)</u></u>
Income/(loss) for the period attributable to:				
Owners of the parent	456	(13,770)	(5,177)	(23,864)
Non-controlling interests	<u>(634)</u>	<u>(1,549)</u>	<u>(1,673)</u>	<u>(2,936)</u>
	<u><u>(178)</u></u>	<u><u>(15,319)</u></u>	<u><u>(6,850)</u></u>	<u><u>(26,800)</u></u>
Total comprehensive loss for the period attributable to:				
Owners of the parent	(6,694)	(25,497)	(10,964)	(33,713)
Non-controlling interests	<u>(151)</u>	<u>(1,084)</u>	<u>(1,266)</u>	<u>(2,563)</u>
	<u><u>(6,340)</u></u>	<u><u>(26,581)</u></u>	<u><u>(12,230)</u></u>	<u><u>(36,276)</u></u>
Loss per share attributable to ordinary equity holders of the parent				
— Basic and diluted	9	9	9	9
	<u><u>0.01 cent</u></u>	<u><u>(0.33) cent</u></u>	<u><u>(0.12) cent</u></u>	<u><u>(0.57) cent</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

		At 30 June 2023 (Unaudited) <i>HK\$'000</i>	At 31 December 2022 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		78,551	85,421
Investments in associates		8,576	9,342
Equity investment of designated fair value through other comprehensive income		949	993
Other non-current assets		<u>13,970</u>	<u>14,636</u>
Total non-current assets		<u>102,046</u>	<u>110,392</u>
Current assets			
Trade receivables	<i>10</i>	7,368	4,351
Film rights and films and TV programmes under production	<i>11</i>	22,792	26,103
Prepayments, deposits and other receivables		43,965	50,858
Inventories		826	864
Cash and cash equivalents		<u>30,202</u>	<u>31,938</u>
Total current assets		<u>105,153</u>	<u>114,114</u>

		At 30 June 2023 (Unaudited) <i>HK\$'000</i>	At 31 December 2022 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
LIABILITIES			
Current liabilities			
Trade payables	12	144	80
Other payables and accruals		<u>65,208</u>	<u>70,349</u>
Total current liabilities		<u>65,352</u>	<u>70,429</u>
Net current assets		<u>39,801</u>	<u>43,685</u>
Net assets		<u><u>141,847</u></u>	<u><u>154,077</u></u>
EQUITY			
Share capital	13	42,090	42,090
Reserves		<u>108,801</u>	<u>119,765</u>
Equity attributable to owners of the parent		150,891	161,855
Non-controlling interests		<u>(9,044)</u>	<u>(7,778)</u>
Total equity		<u><u>141,847</u></u>	<u><u>154,077</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the parent									Total
	Share capital – Ordinary shares	Share premium	Fair value reserve	Contributed surplus	Other reserve	Exchange reserve	Accumulated losses	Sub-total	Non-controlling interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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)	<u>42,090</u>	<u>1,138,909</u>	<u>(20,006)</u>	<u>28,294</u>	<u>14,426</u>	<u>(16,344)</u>	<u>(935,134)</u>	<u>252,235</u>	<u>(13,814)</u>	<u>238,421</u>
At 1 January 2023	42,090	1,138,909*	(22,708)*	28,294*	14,426*	(22,202)*	(1,016,954)*	161,855	(7,778)	154,077
Loss for the period	–	–	–	–	–	–	(5,177)	(5,177)	(1,673)	(6,850)
Other comprehensive (loss)/income for the period	–	–	–	–	–	(5,787)	–	(5,787)	407	(5,380)
Total comprehensive loss for the period	–	–	–	–	–	(5,787)	(5,177)	(10,964)	(1,266)	(12,230)
At 30 June 2023 (unaudited)	<u>42,090</u>	<u>1,138,909*</u>	<u>(22,708)*</u>	<u>28,294*</u>	<u>14,426*</u>	<u>(27,989)*</u>	<u>(1,022,131)*</u>	<u>150,891</u>	<u>(9,044)</u>	<u>141,847</u>

* These reserve accounts comprise the total consolidated other reserves of HK\$108,801,000 as at 30 June 2023 (31 December 2022: HK\$119,765,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023	2022
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Net cash flows used in operating activities	(1,529)	(7,799)
Cash flows from investing activities		
Purchases of items of property, plant and equipment	(10)	(560)
Purchase of other intangible assets	—	(63)
Net cash flows used in investing activities	(10)	(623)
Net decrease in cash and cash equivalents	(1,539)	(8,422)
Cash and cash equivalents at the beginning of the reporting period	29,516	48,272
Effect of foreign exchange rate changes, net	(176)	2,236
Cash and cash equivalents at the end of the reporting period	<u>27,801</u>	<u>42,086</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	27,801	42,086
Non-pledged time deposits with original maturity of less than three months	<u>2,401</u>	<u>2,410</u>
Cash and cash equivalents as stated in the statement of cash flows	<u>30,202</u>	<u>44,496</u>

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 2023 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 2022. 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.

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 2022, 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 2023.

HKFRS 17	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The adoption of the revised HKFRSs has no material effect on the Interim 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 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 and prepayments, impairment loss on investments in associates, recovery of amount 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		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	
	2023	2022	2023	2022	2023	2022	2023	2022
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue								
Revenue from external customers	<u>207</u>	<u>232</u>	<u>12,493</u>	<u>1,500</u>	<u>145</u>	<u>4,732</u>	<u>12,845</u>	<u>6,464</u>
Segment results	<u>(200)</u>	<u>(1,180)</u>	<u>(3,354)</u>	<u>(12,930)</u>	<u>(1,323)</u>	<u>(10,284)</u>	<u>(4,877)</u>	<u>(24,394)</u>
Reconciliation:								
Unallocated other income							86	153
Corporate and other unallocated expenses							(1,523)	(1,737)
Share of profits/ (losses) of associates							<u>(528)</u>	<u>(822)</u>
Loss before tax							(6,842)	(26,800)
Income tax expense							<u>(8)</u>	<u>—</u>
Loss for the period							<u>(6,850)</u>	<u>(26,800)</u>

B. Geographical information

	Hong Kong		Mainland China		Korea		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	
	2023	2022	2023	2022	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<i>HK\$'000</i>		<i>HK\$'000</i>		<i>HK\$'000</i>		<i>HK\$'000</i>		
Revenue from external customers	<u>-</u>	<u>-</u>	<u>12,845</u>	<u>6,464</u>	<u>-</u>	<u>-</u>	<u>12,845</u>	<u>6,464</u>
	At 30 June	At 31 December	At 30 June	At 31 December	At 30 June	At 31 December	At 30 June	At 31 December
	2023	2022	2023	2022	2023	2022	2023	2022
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	<i>HK\$'000</i>		<i>HK\$'000</i>		<i>HK\$'000</i>		<i>HK\$'000</i>	
*Non-current assets	<u>-</u>	<u>-</u>	<u>97,777</u>	<u>105,558</u>	<u>3,320</u>	<u>3,841</u>	<u>101,097</u>	<u>109,399</u>

* 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	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>		<i>HK\$'000</i>	
New media business	26	1,971	145	4,720
TV and Internet programme	3,306	631	6,084	975
Distribution agency fee	192	-	525	254
Sales of film rights	5,884	271	5,884	271
Artiste management	93	77	207	185
Others	-	59	-	59
	<u>9,501</u>	<u>3,009</u>	<u>12,845</u>	<u>6,464</u>

6. OTHER INCOME AND GAINS/(LOSSES)

	For the three months ended 30 June		For the six months ended 30 June	
	2023	2022	2023	2022
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Other income				
Gains on investment in films	–	–	–	(13)
Interest income	<u>29</u>	<u>36</u>	<u>47</u>	<u>63</u>
	29	36	47	50
Gains/(losses)				
Compensation income on convertible bonds	57	123	57	123
Exchange differences, net	169	191	172	164
Others	<u>2</u>	<u>(1)</u>	<u>(227)</u>	<u>285</u>
	<u>228</u>	<u>313</u>	<u>2</u>	<u>572</u>
	<u>257</u>	<u>349</u>	<u>49</u>	<u>622</u>

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	
	2023	2022	2023	2022
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Depreciation of property, plant and equipment	1,508	2,354	3,018	5,109
Amortisation of other assets	7	13	15	22
Lease payment not included in the measurement of lease liabilities	172	219	388	712
Depreciation of right-of-use assets	–	360	–	733
Exchange (gain)/loss, net	169	191	172	164
Staff costs (including directors' remuneration)				
– Salaries and allowance	3,977	8,028	8,387	14,643
– Pension scheme contributions	250	693	517	1,298
	<u>4,227</u>	<u>8,721</u>	<u>8,904</u>	<u>15,941</u>

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 2022: Nil).

During the period, tax at the rate of 25% on the assessable profits earned in the PRC was HK\$8,000 (for the six months ended 30 June 2022: Nil).

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

The calculation of the basic loss per share is based on the income attributable to ordinary equity holders of the parent for the three months ended 30 June 2023 of approximately HK\$456,000 (loss for the three months ended 30 June 2022: HK\$13,770,000) and loss attributable to ordinary equity holders of the parent for the six months ended 30 June 2023 of approximately HK\$5,177,000 (for the six months ended 30 June 2022: HK\$23,864,000) and the weighted average number of 4,209,130,000 ordinary shares in issue during the three months ended 30 June 2023 (for the three months ended 30 June 2022: 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 2023 (for the six months ended 30 June 2022: 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 2023, the conversion of the above potential dilutive shares is not assumed in the calculation of diluted loss per share.

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 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
Within 3 months	7,368	4,351
	<u>7,368</u>	<u>4,351</u>

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 2023, 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 2023 (30 June 2022: 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 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
Within 1 year	144	80
	<u>144</u>	<u>80</u>

13. SHARE CAPITAL

	At 30 June 2023		At 31 December 2022	
	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	<u>4,209,130</u>	<u>42,090</u>	<u>4,209,130</u>	<u>42,090</u>
At the end of the reporting period/year	<u><u>4,209,130</u></u>	<u><u>42,090</u></u>	<u><u>4,209,130</u></u>	<u><u>42,090</u></u>
Preferred shares of HK\$0.01 each				
Issued and fully paid:				
At the beginning of the reporting period/year	—	—	—	—
Conversion into ordinary shares	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At the end of the reporting period/year	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

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 2023 and 31 December 2022.

15. COMMITMENTS

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

	At 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
Property, plant and equipment	1,222	1,266
Film rights and films and TV programmes under production	<u>22,172</u>	<u>23,493</u>
	<u><u>23,394</u></u>	<u><u>24,759</u></u>

16. MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS

(i) Compensation of key management personnel

	For the six months ended	
	30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Salaries and allowances	1,069	1,942
Pension scheme contributions	67	123
	<u>1,136</u>	<u>2,065</u>

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The revenue of the Group was approximately HK\$12,845,000 for the six months ended 30 June 2023 (2022: HK\$6,464,000), representing an increase of 98.7% as compared with that for the six months ended 30 June 2022. The increase was mainly due to the increase in revenue from movies, TV programmes, internet content business of the Group.

Cost of sales for the six months ended 30 June 2023 decreased to approximately HK\$3,643,000 (2022: HK\$6,066,000), which was mainly due to the decrease in the cost related to movies, TV programmes and internet content business of the Group were recognised in previous years and the decrease in cost of new media business. Administrative expenses were mainly staff costs, depreciation and other general administrative expenses of the Group incurred during the period under review. Administrative expenses decreased to approximately HK\$15,331,000 from approximately HK\$26,777,000 in the corresponding period last year. It was mainly attributable to the decrease in staff salaries and related expenses to approximately HK\$8,904,000 (2022: HK\$15,941,000) due to the reduction of staff as a result of the downsizing of the Group's new media business.

Loss for the period attributable to owners of the parent was approximately HK\$5,177,000 (2022: HK\$23,864,000).

Movies, TV Programmes and Internet Contents

During the period under review, the revenue contributed by such segment was approximately HK\$12,493,000 (2022: HK\$1,500,000), representing the shared revenue and production fee from movies, TV programmes and internet content business.

Artiste Management

During the period under review, the revenue contributed by such segment was approximately HK\$207,000 (2022: HK\$232,000).

New media business

During the period under review, the revenue contributed by such segment was approximately HK\$145,000 (2022: HK\$4,732,000).

BUSINESS REVIEW

Movies, TV Programmes and Internet Contents

In the first half of 2023, as the impact of the COVID-19 pandemic gradually faded out across the country, offline demand picked up, and online viewers' attention was diverted, the habitual utilization of network users dropped as compared with the previous two years. Looking back at the first half of 2023, the internet movie market has experienced a significant downturn as compared to the recovery trend of theatrical films. In the first half of 2023, there were only 13 internet movies with a shared box office over RMB10 million. Compared with 43 in 2022, 70 in 2021 and 79 in 2020, it showed a significant downward trend. At the same time, the number of filings of internet movies has also decreased significantly, reflecting that industry players have become cautious about producing internet movies, and it is increasingly difficult to identify good investment projects. Although the investment in production and promotion of top projects has been upgraded, it is difficult to reverse the declining trend of the shared box office. The reason is that the number of members of major video platforms has reached saturation, and the strategic focus of each platform has been shifted. Since 2022, several major 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 has paid attention to this major trend change. Since last year, the Group has carefully paid attention to 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 control the time 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 recovery. According to the statistics of “Siyi Data – China Film Market Report for the First Half of 2023” (《思藝數據 – 2023上半年中國電影市場報告》), the box office of the film market in Mainland China in the first half of 2023 amounted to RMB26,270,000,000, representing a period-to-period increase of 52.9%, exceeding the 33% increase in the box office in North America; the number of films released increased by 81 as compared with the same period of last year, while the number of shows in theatres increased significantly, reaching 62,860,000, representing a period-to-period increase of 22.4%, both of which recovered to the level of the same period of 2021. According to iResearch’s estimate, the scale of users during the Chinese New Year has recovered to 80% before the pandemic, and the production and distribution of films and the supply and demand of audience are both hot. It is expected that the theatrical film industry will continue to recover throughout 2023, and the above favourable information has also boosted capital and industry confidence, and the theatrical film industry will enter a virtuous circulation model. In terms of film genres, suspense film and comedy film are undoubtedly the two mainstream and powerful genres in 2023. In 2023, the content of “suspense” elements in the film and television market is high. The suspense/comedy film “Full River Red” (《滿江紅》) during the slot of Chinese New Year was a strong leader, becoming the box office champion in the first half of 2023; the film “Lost in the Stars” (《消失的她》) during the slot of Dragon Boat Festival ranked among Top Three films in term of box office in 2023 due to its excellent suspense story framework and focus on hot topics. At the same time, comedy films have no shortage of brilliant and excellent works in all film schedules, highlighting the rigid demand for this type. In the first half of 2023, among the five comedy films with box office of more than RMB100 million, three films have gained box office of more than RMB500 million. As a rigid demand in the market, taking “Full River Red” (《滿江紅》) during the slot of Chinese New Year, “Life Journey” (《人生路不熟》), the box office champion during the slot of Labour Day, and “Post Truth” (《保你平安》), the blockbuster during the weekend slot with gradually recovered box office, as the examples, comedy films well met the audience’s demand for movie viewing. The Chinese version of “Faithful Dog Hachiko” (《忠犬八公》), a theatrical film produced and co-produced 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 other IP reserves within the Group at low cost; at the same time, the Group will continue to accumulate resources in the theatrical film industry and actively focus on the investment and production of the “diversified comedy” type of theatrical films in the future, 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 terms of film distribution, a total of two reserve projects, “Dragon Hidden in the Maze” (《龍隱迷窟》) and “Dragon Sparrow Guards: Myrlochard” (《龍雀衛之噬魂蛛》) were released in the first half of 2023. Affected by the platform rules and resource adjustments, the shared box office of the two projects came in well below expectations. The production of the other two reserve projects, namely “Detrimental” (《見怪》) and “Huangmiao Village – Taoist Priest Qianhe” (《黃廟村之千鶴道長》), has been completed and is about to enter into the distribution stage. “Detrimental” (《見怪》), a science-fiction, thriller and action film produced by the Hong Kong team, is scheduled to be released exclusively on iQIYI on 23 July. “Huangmiao Village – Taoist Priest Qianhe” (《黃廟村之千鶴道長》) has entered the stage of submission for review, which 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 film is planned to be launched in the third and fourth quarter of 2023.

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 2022. 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. In addition, 7 internet movies that were launched earlier have entered copyright pre-sales cooperation with a distributor after 8-10 years during the quarter.

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.

With the recovery of the theatrical movie market and the boost of capital and industry confidence, the Group is committed to maximizing its development and utilization of reserve IP resources, such as “The Tibet Code” (《藏地密碼》) and “Legend of the Galactic Heroes” (《銀河英雄傳說》), and exploring a cooperative development route of “copyright +” to promote the development, production and realization of on-hand projects with extremely low costs. In general, the Group continued to adhere to a prudent investment approach, and adjust its investment deployment and strategies in a timely manner according to industry trends, so as to effectively control and reduce investment risks. 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, 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, 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. However, despite the efforts made in an attempt to realize the music copyrights on hand accumulated over the years, estimated recoverable amounts are less than the costs of these assets. As a result, the management made an impairment of the difference accordingly.

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

New media business

The Group has been actively exploring the potentials for the development of a new media business segment. With the increasing popularity of “Web3.0 author economy” in the world, the Group has already invested resources to build a platform and develop an application (APP) AMBER in which relying on blockchain, augmented reality (AR), digital watermark, NFC and other technologies, and using artificial intelligence to efficiently and conveniently help authors obtain inspiration and design their account interface, so as to release more time for deeper thinking and creation. The Group’s new media business targets the Web3.0 authors economy while combining with other businesses of Lajin. Riding on the strong development of the domestic digital music market, independent music has emerged. The Group is also seeking a business model of “Web3.0 authors economy + musician self-publishing + music art-toy” to continue to create a growth point for the new media business.

The original musicians can use the AMBER APP to realise “self-publishing” of their compositions and obtain 100% of the copyright. Through in-depth strategic cooperation with China Copyright Chain Company* (中國版權鏈公司), a national-level blockchain under the Copyright Society of China headed by the National Copyright Administration, AMBER provides official blockchain storage for original music compositions, and opens up the ISRC (International Standard Recording Code) certification channel to protect the value of original music in an all-round way.

In order to seek market breakthrough, AMBER innovatively launched Music Pass Card, a multimedia music carrier that organically combines digital albums with NFC physical card/art-toy, which not only has the sense of ownership and collection of traditional record, but also has more entertaining and AR interactive experience. At the same time, Music Pass Card is a new way of music consumption, which allows fans to support and invest in their favourite musicians in the coolest way and music can become more valuable and meaningful. Besides, it can also maximise the IP value of musicians and the copyright value of music compositions by combining various means of value discovery such as collection auction.

There have been successful cases where musicians gathered their fans, published digital albums, distributed Music Pass Card through AMBER, and integrated with live shows to attract a large number of fans purchases and upsurge in collection.

The combination of Music Pass Card and art-toy is a direction that AMBER is actively expanding, aiming to blend multiculturalism and circle power, continue to expand the popularity and influence of AMBER’s Music Pass Card, and bring more extensive and diversified music experiences to users such as musicians, music lovers and consumers of art-toy.

At present, the backend for AMBER musicians has been on-line, and AMBER APP has been launched on major app stores such as Baidu, Huawei, Apple and Android. With the maturity of technology, the improvement of public awareness and the increase in the number of musicians using AMBER for self-publishing, the potential market of AMBER will be broader and more active, and experience and market response will be significantly improved. Under the promotion and distribution effect of a series of promotion activities, increase in number of registered users due to the gradual increase in transaction volume are expected to become the core driving force of the Group’s future business development.

The music sector is only the core of AMBER’s current concentration of strength to make breakthroughs. When the number of users and transaction volume reaches a certain level, AMBER will gradually expand its business scope to all pan-cultural sectors, including art, film and television, sports, games, internet celebrities, knowledge and other vertical sectors. AMBER, based on IP digital assets (PASS Card) and multimedia content (pictures, audio, video, art-toys, etc.), has strongly empowered content, copyright and personal IP influence monetization, creating a tool that everyone can participate in the Web3.0 authors economy, a channel for authors to deeply connect with fans and allow fans to give feedback and support, a fair and transparent Web3.0 economic system as well as a brand-new people-oriented and fully autonomous author culture and value benchmark.

In addition to platform operation, AMBER APP fulfills its social responsibilities. AMBER APP has officially established a strategic cooperation relationship with China International Cultural Exchange Foundation, a 3A public fund under China International Cultural Exchange Centre. Part of the proceeds of AMBER will be donated to the “Special Fund for Rural Revitalization” to implement national policies, support rural revitalization and development, and help build a strong intellectual property country.

Generally, leveraging with the three years of experience in the pandemic, the management is committed to exploring business opportunities and developing a more diversified and sustainable business model to maximise returns and bring the best interests to the Group’s shareholders.

EVENT AFTER THE REPORTING PERIOD

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

LIQUIDITY AND FINANCIAL RESOURCES

At 30 June 2023, the Group had total assets of approximately HK\$207,199,000 (31 December 2022: HK\$224,506,000), including cash and cash equivalents of approximately HK\$30,202,000 (31 December 2022: HK\$31,938,000). 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 announcement, 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 43.3% (31 December 2022: 43.5%).

CHARGE ON THE GROUP’S ASSETS

At 30 June 2023, 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 2023, the Group had capital commitments of approximately HK\$23,394,000 (31 December 2022: HK\$24,759,000).

CONTINGENT LIABILITIES

At 30 June 2023, the Group had no material contingent liabilities (31 December 2022: Nil).

EMPLOYEES

At 30 June 2023, the Group had 46 employees, including approximately 43 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 2023.

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 2023, 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 2023 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 2023, 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 2023, 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 2023.

COMPETING INTEREST

At 30 June 2023, 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 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.

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 2023, with the exception of CG Code Provisions A.2.1 (separation of roles of chairman and chief executive officer), 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 at the date of this announcement, 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 2023, 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 2023 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, 14 August 2023

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.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, 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 this announcement misleading.

This announcement will be published on the GEM website on the “Latest Company Announcement” page for at least 7 days from the date of publication and on the Company’s website at www.irasia.com/listco/hk/lajin/index.htm.