Transmit Entertainment Limited
傳遞娛樂有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1326)

SUPPLEMENTAL ANNOUNCEMENT DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF 60% EQUITY INTERESTS IN THE TARGET COMPANY

Reference is made to the announcement dated 10 September 2019 of Transmit Entertainment Limited (the "**Company**") in relation to a discloseable transaction for the acquisition of 60% equity interest in the Target Company (the "**Announcement**"). Unless otherwise defined herein, capitalised terms used herein shall have the meaning ascribed to them in the Announcement.

The Company would like to provide supplemental information to the Announcement as follows:

BACKGROUND INFORMATION OF THE TARGET COMPANY

The Target Company was established in Shanghai in October 2016. Since its establishment, the Target Company has been focusing on talent sourcing, organizing nationwide selection programmes for members of its girls' music bands and providing various training classes for the selected members.

In November 2016, the Target Company via the nationwide selection programmes chose eight (8) members for the first generation of CH2 Girls Group. Ms. Yang was selected and subsequently entered into an artiste management contract with the Target Company (the "**Yang's Management Contract**"). In the first quarter of 2017, the first generation of CH2 Girls Group commenced its commercial, idol endorsement and performance activities.

In 2018, the Target Company, Hainan Zhoutian Entertainment Co., Ltd.* (海南周天娛樂有限公司) ("**Zhoutian Entertainment**"), a wholly-owned subsidiary of Shanghai Tencent Penguin Film and Culture Broadcast Co., Ltd.* (上海騰訊企鵝影視文化傳播有限公司), and Wow Wow Entertainment (Tianjin) Co., Ltd.* (哇唧唧哇娛樂(天津)有限公司) ("**Wow Wow**") entered into an agreement (the "**Produce 101 Agreement**") to collaborate with each other in the Produce 101 Project* (創造101項目) (the "**Produce 101 Project**"). To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, each of Zhoutian Entertainment and Wow Wow and their respective ultimate beneficial owners is an Independent Third Party. The collaboration under the Produce 101 Agreement will expire on 23 June 2020. Pursuant to the Produce 101 Agreement, the Target Company selected three (3) members from the first generation of CH2 Girls Group (including Ms. Yang) to attend the Produce 101 Project. In June 2018, Ms. Yang has successfully debuted through her participation in the final round of the Produce 101 Project. In 2018, the Target Company conducted its nationwide recruitment for selecting new members to establish the second generation of the CH2 Girls Group, and had signed artiste management contracts with other new members.

During 2017 and 2018, the Target Company had been focusing on talent sourcing, signing up of new members as well as training and development. At its initial start-up stage, the Target Company also expended a substantial amount of efforts in liaising with relevant parties in order to secure commercial event participation, brand spokesmanship and other entertainment and performance opportunity for its artistes. Accordingly, the Target Company had incurred relatively higher operating costs during 2017 and 2018. As a result, the Target Company recorded losses in 2017 and 2018. After Ms. Yang has debuted through her participation in the final round of the Produce 101 Project competition in June 2018, the financial position of the Target Company had gradually improved. In particular, Ms. Yang's participation in various performance activities had led to a substantial increase in income of the Target Company. For the six months ended 30 June 2019, the revenue of the Target Company reached RMB18.5 million, which tripled the annual revenue of the Target Company for the year 2018 (approximately RMB6,874,000). As the increase in the income of the Target Company only started in the second half of 2018 and that a portion of the revenue had to be shared with Zhoutian Entertainment, the Target Company was not able to offset all the corresponding operating expenses. Upon the expiry of the Produce 101 Agreement, the Target Company will have the management right over the performance of Ms. Yang and it is expected that the Target Company will be able to reverse its loss position from year 2019 onwards.

BASIS FOR THE DETERMINATION OF THE CONSIDERATION

As disclosed in the Announcement, the Consideration of RMB96,000,000 was determined after arm's length negotiation between Guangzhou Daide, the Sellers and the Target Company taking into accounts of:

(1) the profit guarantee provided by Seller Two and Seller Four under the Profit Guarantee Agreement and the adjustment mechanism;

(2) the business development and future prospect of the Target Company; and

(3) the valuation of the fair value of the 100% equity interest in the Target Company as at 30 June 2019 (the "**Valuation**") based on the valuation report prepared by China Alliance Appraisal Co., Ltd.* (北京中同華資產評估有限公司) (the "**Valuer**"), an independent valuer engaged by the Company. The Valuer was established in June 1993 and has over 26 years of professional valuation experience in the mainland China. It holds a valid assets valuation certificate* (資產評估資格證書) issued by Beijing Finance Bureau* (北京財政局).

As the Aggregated Profit as contemplated under the Profit Guarantee Agreement was derived based on an expected net income of the Target Company for the three years from 2020 to 2022 as arrived by the Valuer, the Aggregated Profit is regarded as a profit forecast under Rule 14.61 of the Listing Rules, the requirements under Rules 14.60A and 14.62 of the Listing Rules are applicable. The details of the principal assumptions upon which the Valuation (upon which the basis of the Aggregated Profit was derived) was based is set forth under the paragraph headed "(3). The Valuation" of this announcement below.

The Board has reviewed the bases and assumptions based upon which the Valuation has been prepared by the Valuer. The Board has also considered the letter addressed to the Company from the reporting accountant of the Company, D & PARTNERS CPA LIMITED ("**D & PARTNERS**") confirming, among other things, that they have reviewed the accounting policies and calculations of the Aggregated Profit as derived from the Valuation. The Board is of the opinion that the Valuation prepared by the Valuer has been made after due and careful enquiry. A letter from each of D & PARTNERS and the Board has been submitted to the Stock Exchange, and is set out in Appendix I and Appendix II respectively to this announcement pursuant to Rule 14.62 of the Listing Rules.

(1) Profit Guarantee Agreement

As disclosed in the Announcement, the Aggregated Profit for the Profit Guarantee Period was agreed by the parties to be no less than RMB70,000,000.

The Valuer reviewed and assessed the basis of the profit guarantee under the Profit Guarantee Agreement as follows:

(i) the expected monthly revenue of the Target Company for the six month period from January to June 2020 prior to the expiry of the Produce 101 Agreement, which was arrived at based on the average monthly revenue shared by the Target Company for the period from January 2019 to July 2019;

(ii) the expected monthly revenue of the Target Company for the period from July 2020 to December 2023, which was arrived at based on the average monthly contract sum of Ms. Yang from July 2018 to July 2019;

(iii) the annual revenue growth rate agreed between the Sellers and Guangzhou Daide based on market research and with reference to the historical income and growth rate of the Target Company; and

(iv) the expected costs and expenses of the Target Company with reference to the historical incurred costs and cost structure and trend of the Target Company as well as the agreed fixed costs (including property costs and amortization costs) for 2020 to 2023.

Based on the foregoing, an expected net income of the Target Company for the three years from 2020 to 2022 in an aggregate amount of approximately RMB69,000,000 was arrived at by the Valuer, which justifies the Aggregated Profit for the Profit Guarantee Period of no less than RMB70,000,000 under the Profit Guarantee Agreement as agreed by the parties thereon.

Taking into consideration of the aforesaid basis of determination for the agreed net income of the Target Company for the three years from 2020 to 2022, and the independent assessment by the Valuer, the Board is of the view that, the net income of the Target Company derived for the three years from 2020 to 2022 was fair and reasonable.

As stated in the Announcement, in the event that the Aggregated Profit (on an aggregated basis for the Profit Guarantee Period) is less than RMB70,000,000, Seller Two and Seller Four shall severally and jointly pay the shortfall in cash to Guangzhou Daide within five (5) Business Days upon receiving the shortfall amount notice from Guangzhou Daide. For the avoidance of doubt, in the event that the Target Company incurs net losses for the Profit Guarantee Period, Seller Two and Seller Four shall pay the actual shortfall (being RMB70,000,000 plus the actual loss incurred by the Target Company) to Guangzhou Daide and any net loss incurred would be offset against any net profit recorded by the Target Company during the Profit Guarantee Period. In such event, given that the Aggregated Profit for the Profit Guarantee Period would be less than RMB56,000,000, Guangzhou Daide can elect to acquire the remaining 40% equity interest in the Target Company at nil consideration.

Taking into consideration of (i) the rapid growth in revenue of the Target Company within a short period of time; (ii) the experience and network of the management team of the Target Company in the entertainment and artiste management industry; (iii) the remaining contract terms between the Target Company and Zhoutian Entertainment; (iv) the remaining contract terms between Ms. Yang and the Target Company; and (v) the Target Company's improved financial performance in 2019, the Directors are of the view that the future prospect of the Target Company is positive despite the Target Company recorded net loss since its establishment in 2017. Accordingly, the Board is of the view that, the Aggregated Profit is fair and reasonable, and can be achieved.

(2) Business Development and Future Prospect of the Target Company

As at the date of this announcement, the Target Company has entered into artiste management agreements with four (4) artists through its nationwide screening selection programmes, including Ms. Yang, a rising Chinese teenager idol.

Stemmed from the proven success of Ms. Yang and coupled with the aforesaid latest development of the Target Company, it is anticipated that the Target Company will:

(i) make full use of the Company's collaboration with Zhoutian Entertainment and Wow Wow and the background of their shareholders in terms of entertainment film and variety production resources to gradually further increase the quantity and quality of Ms. Yang in her appearance in television, movie and other variety show, so as to continue to enhance the commercial value of Ms. Yang within the movie, television and variety show avenue, as well as to further strengthen cooperation in commercial endorsements;

(ii) recruit idol trainees in stages with an objective in reaching long-term training cooperation with well-known professional music, dancing and performance training institutions in the PRC. As at the date of this announcement, three (3) trainees under the management of the Target Company have participated in the registration and interview of talent shows organised by iQiyi and Tencent TV. Out of which, one (1) of the trainees has passed the preliminary casting by Tencent TV. Subject to final casting confirmation, the successful candidate(s) will debut and gradually start commercialization in the near future; and

(iii) recruit students directly from the Shanghai Theatre Academy and the Beijing Film Academy and sign new artiste management agreements with suitable candidates.

(3) The Valuation

In performing the Valuation, the Valuer has considered the income approach and the market approach. The income approach relies on the discount of the profit forecast of the subject company; while the market approach is based on the selection of comparable transactions and providing an indication of value by comparing the financial information of the comparable companies and the subject company. The comparable transactions method is a common valuation methodology adopted in appraising equity of an enterprise, especially companies that engages in a niche business segment. Under this method, the Valuer would (a) identify and select transactions which are readily available on open market and entered into by comparable companies (the "**Comparable Companies**") whose principal business activities are similar to the enterprise being valued; and (b) once the comparable transactions (the "**Comparable Transactions**") are identified, valuation multiples can be derived, adjusted for comparability, and then applied to the subject enterprise to estimate the value of its equity. Taking into consideration that it is difficult to form a reliable basis for estimating various projection inputs under income approach and the information of the Comparable Transactions, the Valuer has adopted the market approach for the purpose of the Valuation.

The Directors noted that the Valuer had conducted a comprehensive research and complied an exhaustive list of four (4) Comparable Transactions and all the acquirers are listed on either Shenzhen Stock Exchange or Shanghai Stock Exchange in the PRC. Details of the Comparable Transactions are summarised below:

	Name of the Acquirer	Name of the Acquiree and its principal businesses	Valuation Date of the Acquiree	Date of the acquisition approved by the China Securities Regulatory Commission	Consideration for equity interest	Financial Information of the Acquiree as at the Valuation Date
1.	大晟時代文化投資股份有限公司 (Dasheng Times Culture Investment Co., Ltd.*) (stock code: 600892, Shanghai Stock Exchange)	康曦影業深圳有限公司 (Kangxi Film Shenzhen Co., Ltd.) ("**Kangxi Film**") Principally engaged in artists' agency and film production and distribution businesses	31 December 2017	25 April 2018	RMB128.0M for 13.98% equity interest (i.e, implied RMB916.0M for 100%)	Revenue: RMB162.1M Net profit attributable to the owners of the company: RMB26.9M Total assets: RMB946.8M Net assets: RMB224.0M
2.	北京京西文化旅遊股份有限公司 (Beijing Jingxi Culture Tourism Co., Ltd.* ("**Beijing Culture**")) (stock code: 000802, Shenzhen Stock Exchange)	浙江星河文化經紀有限公司 (Zhejiang Xinhe Culture Agent Co., Ltd.*) ("**Xinhe Culture**") Principally engaged in the artists' agency, film investments and films and TV dramas production businesses.	30 June 2015	10 August 2016	RMB750.0M for 100% equity interest	Revenue: RMB105.1M Net profit attributable to the owners of the company: RMB68.7M Total assets: RMB63.5M Net assets: RMB58.2M

	Name of the Acquirer	Name of the Acquiree and its principal businesses	Valuation Date of the Acquiree	Date of the acquisition approved by the China Securities Regulatory Commission	Consideration for equity interest	Financial Information of the Acquiree as at the Valuation Date
3.	Beijing Culture (stock code: 000802, Shenzhen Stock Exchange)	北京世紀夥伴文化傳媒有限公司 (Beijing Shiji Huoban Culture Media Co., Ltd.*) ("**Shiji Huoban**") Principally engaged in the culture agency and production and distribution of cartoons and TV shows' business.	30 June 2015	10 August 2016	RMB1,350.0M for 100% equity interest	Revenue: RMB402.0M Net profit attributable to the owners of the company: RMB113.7M Total assets: RMB737.5M Net assets: RMB362.3M
4.	歡瑞世紀聯 合股份有限 公司 (Huanrui Shiji Lianhe Co., Ltd.*) (stock code: 000892, Shenzhen Stock Exchange)	北京七娛世紀文化傳媒有限公司 (Beijing Qiyu Shijie Culture Media Co., Ltd.*) ("**Qiyu Shijie**") Principally engaged in the culture agency and films and TV production and distribution business.	31 December 2016	20 October 2017	RMB20.4M for 26% equity interest (i.e, implied RMB78M for 100%)	Revenue: RMB22.7M Net profit attributable to the owners of the company: RMB5.8M Total assets: RMB47.8M Net assets: RMB28.5M

The Directors have reviewed the Comparable Transactions as set out above and have discussed with the Valuer on their criteria for selecting the Comparable Companies as well as the Comparable Transactions. The Directors understood that the Comparable Transactions were selected based on comparability to the Target Company in terms of business nature and associated risks. In particular, the Comparable Transaction were selected primarily based on the following criteria: (i) similarity in the nature of business (i.e. artiste agency business in the PRC); (ii) the acquirer being a publicly listed company; (iii) both the acquirer and the acquiree having engaged in the same industry of artiste management in the PRC; and (iv) the relevant approval by the China Securities Regulatory Commission for the relevant transaction were obtained between 2016 and 2019.

Based on the characteristics of the Comparable Transactions above, the Directors noted that the Comparable Companies and the Comparable Transactions were all selected from the PRC. The Target Company's operations are solely within the PRC market and all its artistes are local youth. The Company had also researched on transactions conducted by companies listed on the Stock Exchange in Hong Kong with similar business nature of the Target Company. Taking into consideration that (i) there was no such comparable transaction identified on the Stock Exchange in the past three (3) years; and (ii) while some listed companies on the Stock Exchange do operate in artiste management businesses, the relevant revenue from artiste management is less than 30% of the total revenue or mixed with other business segments, and were not considered as suitable candidates for comparison as the Target Company derives 100% revenue from artiste management. Taking into account of the above-mentioned selection criteria, the Company is of the view that the list of Comparable Transactions (and Comparable Companies) represents an exhaustive list of the comparable transactions as identified by the Valuer.

The Valuer has considered the three commonly used price multiples which are (i) price-to-sales ratio ("**P/S**"); (ii) price-to-earnings ratio ("**P/E**"); and (iii) price-to-book value ratio ("**P/B**") for each of the Comparable Transactions, and has determined the P/S ratio is the most appropriate multiple for the Valuation.

Key price multiples derived from the Comparable Transactions:

Acquirees of the Comparable Transactions	**P/S**	**P/E**	**P/B**
Kangxi Film	5.65	34.10	4.09
Xinhe Culture	7.14	10.92	12.88
Shiji Huoban	3.36	11.98	3.73
Qiyu Shijie	3.44	13.35	4.04
Average	**4.90**	**17.59**	**6.18**

The pre-requisite for adopting the P/E ratio is profit-making. Despite the improvement in its financial performance, the Target Company remained to be loss-making in the 12-month period from 1 July 2018 to 30 June 2019. Thus, the P/E ratio is considered as not appropriate.

The Target Company is a service company and the P/B ratio is generally considered as not relevant for entity with asset light business model, like the Target Company.

On the other hand, the Valuer considered that the value of an artiste can be easily reflected in the turnover generated by show and performance. There is a strong linkage between revenue and profitability for the artiste management business. The Target Company is not profitable mainly because of the revenue sharing arrangement with Zhoutian Entertainment which will be changed in June 2020. As the revenue of the Target Company has been increasing rapidly, the P/S ratio is considered as the most appropriate multiple for the Valuation.

For each of the Comparable Transactions, the Valuer has determined the P/S ratio based on the consideration, shareholding under acquisition and the revenue of the each of the Comparable Transactions. The Adjusted P/S ratio was derived according to the following formula:

> ***Adjusted P/S ratio*** *= P/S ratio multiply by the "acquisition date factor" and the "profitability factor", whereas:*

(a) "*acquisition date factor*" reflects the percentage change in CSI300 index between the respective valuation dates of the Comparable Transactions and the Valuation Date (i.e. 30 June 2019); and

(b) "*profitability factor*" refers to the relative return on assets and net assets of the Comparable Transaction and the Target Company. A higher return will return a higher profitability adjustment factor.

	P/S	Acquisition date factor	Profitability factor	Adjusted P/S
Kangxi Film	5.65	0.95	1.01	5.42
Xinhe Culture	7.14	0.86	0.86	5.28
Shiji Huoban	3.36	0.86	0.94	2.69
Qiyu Shijie	3.44	1.16	0.94	3.75
Average ("**Average P/S Multiple**")				4.29

The historical revenue in 2018 did not reflect the present operational scale of the Target Company as the Target Company experienced significant growth in 2019. Therefore, the Company adopted the average monthly revenue of the Target Company in 2019 available at the time of the Equity Transfer Agreement as the basis of Valuation. Accordingly, the estimated value of 100% equity interest in the Target Company of approximately RMB164,000,000 was derived by multiplying the estimated revenue of the Target Company as at 31 December 2019 in the amount of RMB38,283,500 and multiplied by the Average P/S Multiple.

The key assumptions adopted in the Valuation are as follows:

(i) the future management team of the Target Company will manage the Target Company diligently and in the management model as agreed by the Group;

(ii) Ms. Yang would not terminate the Yang's Management Contract with the Target Company and would renew the Yang's Management Contract with the Target Company upon its expiry on 24 April 2026 or the Target Company would able to discover other Chinese teen idol having similar market influence as Ms. Yang;

(iii) Ms. Yang and other artists of the Target Company would have sufficient performing resources in the future and would generate a stable revenue in the future;

(iv) the Target Company would be able to renew its Commercial Performance License* (營業性演出許可證) upon expiry;

(v) the financial information and other basis documents provided by the Target Company and the Company are true, accurate and complete;

(vi) the financial information and the transaction data of the Comparable Companies are true and reliable;

(vii) the share prices of the Comparable Companies reflect their market value; and

(viii) there being no material change to the applicable laws, regulations and policies and the macro-economic environment in the PRC.

The market approach provides an indication of value by comparing the financial information of the Comparable Transactions. After reviewing and discussing with the Valuer of the appropriateness of the various valuation methods as well as the assumptions adopted in the Valuation, the Board agreed that the market approach is an appropriate valuation approach in valuing the Target Company. Accordingly, in view of the selection criteria and the characteristics of the underlying entities of the Comparable Transactions, the Directors considered that the selection of the Comparable Transactions is fair and representative for the purpose of the Valuation. The Directors have also reviewed the methodology, inputs and assumptions adopted in the Valuation Report and considered them to be fair and reasonable.

Based on the foregoing, the Board is of the view that the Consideration is fair and reasonable and in the interest of the Company and its shareholders as a whole.

CALL OPTION AND BASIS FOR THE DETERMINATION OF THE CONSIDERATION FOR THE SECOND SHARE TRANSFER

As disclosed in the Announcement, Seller Two and Seller Four agreed to grant Guangzhou Daide the Call Option to purchase the remaining 40% equity interest in the Target Company, and if the Aggregated Profit is equivalent to or more than RMB70,000,000 (on an aggregated basis), the consideration for such Second Share Transfer will be capped at RMB80,000,000 (the "**Second Consideration**").

The Second Consideration was determined on the assumption that if the Aggregated Profit for the Profit Guarantee Period could reach or exceed RMB70,000,000, the Target Company would have achieved a minimum average net profit of RMB20,000,000 each year. The Second Consideration for the Second Share Transfer in the amount of RMB80,000,000 was derived based on such minimum average net profit of RMB20,000,000 each year multiplied by a P/E ratio of 10, being below the average P/E ratio of the applicable Comparable Companies, and in proportion of 40% of the equity interest for the Target Company for the purpose of the Second Share Transfer. The Second Consideration represents a premium to the value of the Target Company under the Valuation as agreed by the parties as Seller Two and Seller Four agreed to the Profit Guarantee Agreement. As at the date of the Equity Transfer Agreement, the remaining 40% equity interest in the Target Company is held as to 10% by Seller Two and 30% by Seller Four. Seller Two and Seller Four are members of the core management team of the Target Company who participate in the day-to-day operation of the Target Company. With the arrangement under the Profit Guarantee Agreement being in place, the Company ensured that Seller Two and Seller Four are incentivized to continue to maintain stability and growth of the Target Company, with the aim to avoid the operation or the performance of the Target Company being adversely affected by reason of the change of ownership as a result of the Acquisition. Accordingly, the arrangement contemplated under the Profit Guarantee Agreement is in the best interest of the Company and the shareholders as a whole.

Based on the Second Consideration for the Second Share Transfer in the amount of RMB80,000,000, the parties agreed that, in the event that the Aggregated Profit for the Profit Guarantee Period in the amount of RMB70,000,000 (on an aggregated basis) could not be met by the Target Company, the consideration for the Second Share Transfer will be adjusted downward by applying a 50% deduction in the Second Consideration in each of the agreed band of Aggregated Profit as follows:

Aggregated Profit		**Consideration for the Second Share Transfer**
More than RMB70,000,000		RMB80,000,000 (i.e. the Second Consideration)
Equal to or more than RMB63,000,000 but less than RMB70,000,000	(Applying a 50% deduction in the Second Consideration)	RMB40,000,000
Equal to or more than RMB56,000,000 but less than RMB63,000,000	(Applying a 50% deduction in the consideration under the circumstance if the Aggregated Profit is equal to or more than RMB63,000,000 but less than RMB70,000,000)	RMB20,000,000
Less than RMB56,000,000		Nil

In assessing whether the aforesaid adjustment mechanism is fair and reasonable, the Company considered the acceptable range of consideration by multiplying the minimum average net profit each year by an adjusted P/E ratio of 8. The adjusted P/E ratio of 8 was derived by applying a 20% deduction to the P/E ratio of 10 in the circumstance if the Aggregated Profit for the Profit Guarantee Period could reach or exceed RMB70,000,000. For illustrative purpose, if the actual Aggregated Profit is less than RMB70,000,000 but more than RMB63,000,000, the amount of consideration that the Company considered as acceptable represents a minimum average net profit each year in the amount of RMB18,000,000 (derived by the minimum actual Aggregated Profit of RMB63,000,000 divided by 3.5 (i.e. the period covered by the Profit Guarantee Period)) and multiplied by an adjusted P/E ratio of 8 and in proportion of 40% of the equity interests for the Target Company for the purpose of the Second Share Transfer, which equals to RMB57,600,000. The actual agreed adjusted consideration in the amount of RMB40,000,000 under such circumstance is less than the acceptable range of consideration. Further, the Second Consideration was determined based on an adjusted P/E ratio (instead of the P/S multiples as in the case for the determination of the Consideration) as the Second Share Transfer is expected to occur after the expiry of the Profit Guarantee Period. After the expiry of the Profit Guarantee Period, it is expected that the Target Company would have turnaround into a profit-generating company, and accordingly a consideration determined with reference to a P/E ratio would be more appropriate at that stage.

Based on the foregoing and taking into consideration that by the time upon which the Call Option would be exercisable, it is expected that the Target Company will have a proven track record and an established profitability pattern, the Board is of the view that the premium applicable for the Second Consideration and the adjustment mechanism is fair and reasonable and in the interests of the Shareholders as a whole.

BACKGROUND INFORMATION OF THE SELLERS

Seller One, Mr. Chen Jie (陳捷), has over 10 years of corporate management experience. From 2008 to 2011, he invested and established Shanghai Aiwei Software Technology Co., Ltd.* (上海艾未軟體科技有限公司). From 2011 to 2014, he invested and established Shanghai Aibo Information Technology Co., Ltd.* (上海艾播信息科技有限公司). He invested and established Seller Three in 2014. As at the date of this announcement, he is the controlling shareholder of Seller Three.

Seller Two, Mr. Shou Weida (壽緯達), has over ten years of experience in the online game industry. From 2008 to 2012, he was the marketing vice president of the online game Shumen OL* (蜀門OL) and from 2014 to 2015, he was the vice president of Sina Game*(新浪遊戲). He joined the Target Company at the end of the 2016. As at the date of this announcement, he is the legal representative and the general manager of the Target Company.

Seller Three is a state-owned enterprise in which Beijing Juying Culture Communication Co., Ltd.* (北京聚英文化傳媒有限公司), an indirectly wholly-owned subsidiary of State-owned Assets Management and Supervision Commission of Jilin Province and Municipal Government* (吉林省吉林市人民政府國有資產管理監督委員會), holds approximately 30.70% equity interest therein and Seller One holds approximately 60.94% equity interest therein. Seller Three is the exclusive agency supplier for People's Daily's e-reader board for the college channel.

Seller Four is a limited partnership in which Seller Two and Mr. Sun Xun* (孫旭) are the limited partners holding 66.47% and 33.33% interest, respectively, and Jihuan Investment (Shanghai) Co., Ltd.* (極煥投資(上海)有限公司) being the general partner holding 0.20% interest. Jihuan Investment (Shanghai) Co., Ltd.* (極煥投資(上海)有限公司) is ultimately and beneficially owned as to 60.94% by Seller One, 30.07% by State-owned Assets Supervision and Administration Commission of the People's Government of Jilin City* (吉林市人民政府國有資產監督管理委員會), 6% by Mr. Zhao Yong (趙勇) and 2.99% by Mr. Liu Hulin (劉虎林).

To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, Seller Three together with its ultimate beneficial owners and Seller Four together with its limited partners and general partner are Independent Third Parties.

EXPERTS AND CONSENTS

The qualifications of the experts who have given their statements in this announcement are as follows:

Name	**Qualification**
D & PARTNERS CPA LIMITED	Certified Public Accountants
China Alliance Appraisal Co., Ltd.* (北京中同華資產評估有限公司)	Valuer

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of D & PARTNERS and the Valuer is a third party independent of the Group and its connected persons.

As at the date of this announcement, none of D & PARTNERS and the Valuer has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for the securities in any member of the Group. Each of D & PARTNERS and the Valuer has given and has not withdrawn its consent to the publication of this announcement with inclusion of its report or letter and all references to its name in the form and context in which it respectively appears in this announcement.

By order of the Board
Transmit Entertainment Limited
Zhang Liang, Johnson
Chairman

Hong Kong, 11 December 2019

As at the date of this announcement, the Board comprises (i) three executive directors, namely Mr. ZHANG Liang, Johnson (Chairman), Ms. ZHAO Wenzhu and Mr. LEE Hin Kwong, Patrick; and (ii) three independent non-executive directors, namely Mr. WANG Bo, Mr. XIANG Feng and Mr. CHANG Eric Jackson.

* *For identification purpose*

Appendix I — Letter from D & PARTNERS CPA LIMITED

The following is the text of a letter received from the Company's reporting accountant, D & PARTNERS CPA LIMITED, for inclusion in this announcement.

INDEPENDENT ASSURANCE REPORT ON THE CALCULATIONS OF PROJECTIONS OF PROFITS IN CONNECTION WITH THE VALUATION OF 聞瀾(上海)文化傳媒有限公司 (WENLAN (SHANGHAI) CULTURAL COMMUNICATION CO., LTD*)

We refer to the projections of profits on which the valuation of 聞瀾（上海）文化傳媒有限公司 Wenlan (Shanghai) Cultural Communication Co., Ltd. ("**Wenlan Shanghai**") as at 30 June 2019 (the "**Valuation**") prepared by China Alliance Appraisal Co., Ltd (北京中同華資產評估有限公司) dated 26 August 2019 is based. The Valuation based on the projections of profits of Wenlan Shanghai is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' Responsibility

The directors of the Company are responsible for the preparation of the projections of profits in accordance with the bases and assumptions determined by the directors (the "**Assumptions**") and set out in the supplemental announcement of Transmit Entertainment Limited (the "**Company**") dated 11 December 2019 in relation to the acquisition of 60% equity interests in Wenlan Shanghai (the "**Announcement**"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the projections of profits for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion, as required by Rule 14.62(2) of the Listing Rules, on the accounting policies and calculations of the projections of profits on which the Valuation is based. We are not reporting on the appropriateness and validity of the Assumptions on which the projections of profits are based and our work does not constitute any valuation of Wenlan Shanghai.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the projections of profits in accordance with the Assumptions adopted by the directors and as to whether the projections of profits is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Company. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

The projections of profits depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the projections of profits has been properly compiled in accordance with the Assumptions adopted by the directors as set out in the Announcement and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Company.

Your faithfully,

D & PARTNERS CPA LIMITED
Certified Public Accountants
Hong Kong
11 December 2019

* *For identification purpose*

11 December 2019

Listing Division
The Stock Exchange of Hong Kong Limited
12/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

Dear Sirs,

Discloseable Transaction in relation to the acquisition of 60% equity interest in 聞瀾（上海）文化傳媒有限公司 (Wenlan (Shanghai) Cultural Communication Co., Ltd.)*

We refer to the announcements of the Transmit Entertainment Limited (the "**Company**") dated 10 September 2019 and 11 December 2019 concerning the captioned transaction (the "**Announcements**"). Unless the context otherwise requires, terms defined in the Announcements shall have the same meanings when used herein.

We refer to the Aggregated Profit as contemplated under the Profit Guarantee Agreement together with the valuation report dated 26 August 2019 issued by China Alliance Appraisal Co., Ltd.* (北京中同華資產評估有限公司) (the "**Valuer**") regarding the valuation of equity interests of the 聞瀾（上海）文化傳媒有限公司 (Wenlan (Shanghai) Cultural Communication Co., Ltd.)* as at 30 June 2019 (the "**Valuation**"), which constitutes a profit forecast under Rule 14.61 of the Listing Rules (the "**Profit Forecast**").

We have reviewed the bases and assumptions based upon which the Valuation has been prepared by the Valuer, and reviewed the Valuation for which the Valuer is responsible. We have also considered the report from D & PARTNERS CPA LIMITED, the reporting accountant of the Company, confirming that, so far as the accounting policies and calculations are concerned, the Profit Forecast have been properly complied in all material respects in accordance with the bases and assumptions as set out in the valuation report.

Pursuant to the requirements of Rule 14.62(3) of the Listing Rules, the Board is of the opinion that the Valuation prepared by the Valuer has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of the Board
Transmit Entertainment Limited
ZHANG Liang, Johnson
Chairman

* *For identification purpose*