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Transmit Entertainment Limited

傳遞娛樂有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1326)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

- The Group recorded revenue of approximately HK\$166.4 million for the year ended 30 June 2023, representing a decrease of approximately HK\$537.6 million or 76.4% as compared to last year.
- The TV series and variety show production and distribution business recorded total revenue of approximately HK\$24.2 million for the year ended 30 June 2023, representing a decrease of approximately 95.2% as compared to last year. The Group's proportion of revenue from Mainland China was approximately 57.0%. Mainland China continues to be the major source of income and business growth of the Group.
- The Group recorded a loss attributable to owners of the Company of approximately HK\$186.9 million for the year ended 30 June 2023, as compared to a loss of approximately HK\$92.2 million recorded last year. This was mainly attributable to the fact that (i) no major TV series or variety shows were released by the Group during the year, and the inspiring urban workplace TV series "The Ideal City" and the megahit detective reality show "The Detectives' Adventures" were released last year, resulting in a decrease in revenue from the production and distribution of TV series and variety shows during the year; and (ii) there was delay in the production of various TV series of the Group and the work arrangement of the Group's artistes due to the impact of the COVID-19 pandemic and the related restrictive measures, and given the current market environment, the intensified competition after the pandemic and the uncertainty of the future, the Company provided for an impairment on goodwill of approximately HK\$118 million during the reporting period.
- The Board does not recommend payment of final dividend for the year ended 30 June 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2023

| | <i>Notes</i> | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| Revenue | 3 | 166,429 | 703,981 |
| Cost of sales | | <u>(120,238)</u> | <u>(577,836)</u> |
| Gross profit | | 46,191 | 126,145 |
| Other gains and losses | 5 | 3,739 | (1,108) |
| Other income | 5 | 48,709 | 66,945 |
| Selling and distribution expenses | | (74,928) | (84,225) |
| Administrative expenses | | (65,499) | (82,634) |
| Impairment losses reversed (recognised) under expected credit loss model, net | | 2,361 | (998) |
| Impairment losses recognised on goodwill | | (117,802) | (67,652) |
| Fair value change on purchased call option | | (3,423) | (16,803) |
| Fair value change on contingent consideration payable | | (8,538) | 1,529 |
| Finance costs | 6 | <u>(18,590)</u> | <u>(23,365)</u> |
| Loss before tax | | (187,780) | (82,166) |
| Income tax credit (expense) | 7 | <u>2,276</u> | <u>(6,974)</u> |
| Loss for the year | 8 | <u>(185,504)</u> | <u>(89,140)</u> |
| Other comprehensive expense for the year | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Exchange difference arising on translation of foreign operations | | (28,962) | (12,386) |
| Reclassification of the cumulative gain included in profit or loss upon disposal of foreign operations | | <u>(830)</u> | <u>–</u> |
| | | <u>(29,792)</u> | <u>(12,386)</u> |
| Total comprehensive expense for the year | | <u>(215,296)</u> | <u>(101,526)</u> |

| | 2023 | 2022 |
|---|-----------------------------------|------------------|
| <i>Note</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| (Loss) profit for the year attributable to: | | |
| – Owners of the Company | (186,920) | (92,166) |
| – Non-controlling interests | 1,416 | 3,026 |
| | <u>(185,504)</u> | <u>(89,140)</u> |
| Total comprehensive (expense) income for the year attributable to: | | |
| – Owners of the Company | (212,602) | (102,883) |
| – Non-controlling interests | (2,694) | 1,357 |
| | <u>(215,296)</u> | <u>(101,526)</u> |
| Loss per share | | |
| Basic (HK cents) | <i>10</i> <u>(7.20)</u> | <u>(3.55)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

| | <i>Notes</i> | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| Non-current assets | | | |
| Property, plant and equipment | | 1,144 | 2,285 |
| Right-of-use assets | | 63,881 | 117,388 |
| Goodwill | <i>11</i> | 245,725 | 393,821 |
| Intangible assets | <i>12</i> | 48,840 | 71,584 |
| Interest in a joint venture | | – | 155 |
| Rental deposits | | 17,450 | 16,274 |
| | | <u>377,040</u> | <u>601,507</u> |
| Current assets | | | |
| Film rights and television series production in progress | <i>13</i> | 322,060 | 327,422 |
| Trade and other receivables | <i>14</i> | 84,715 | 152,152 |
| Loan to a related party | | – | 2,835 |
| Derivative financial assets | | – | 3,576 |
| Financial assets at fair value through profit or loss | | 10,850 | 2,410 |
| Restricted bank balances | | 520 | 3,404 |
| Pledged bank deposits | | 42,271 | 67,518 |
| Bank balances and cash | | 85,108 | 103,462 |
| | | <u>545,524</u> | <u>662,779</u> |
| Current liabilities | | | |
| Trade and other payables | <i>15</i> | 190,071 | 201,885 |
| Contract liabilities | | 138,364 | 155,116 |
| Tax payable | | 17,070 | 19,499 |
| Bank and other borrowings | <i>16</i> | 98,306 | 109,101 |
| Loans from related companies | <i>17</i> | 9,224 | 9,993 |
| Bonds payable | | – | 14,258 |
| Amount due to a joint venture | | – | 424 |
| Contingent consideration payable | | 125,850 | – |
| Lease liabilities | | 81,039 | 90,215 |
| | | <u>659,924</u> | <u>600,491</u> |
| Net current (liabilities) assets | | <u>(114,400)</u> | <u>62,288</u> |
| Total assets less current liabilities | | <u>262,640</u> | <u>663,795</u> |

| | <i>Notes</i> | 2023 HK\$'000 | 2022 HK\$'000 |
|--|--------------|--------------------------------|------------------|
| Non-current liabilities | | | |
| Loans from related companies | <i>17</i> | 74,160 | 30,677 |
| Contingent consideration payable | | – | 127,509 |
| Deferred tax liabilities | | 12,210 | 17,896 |
| Lease liabilities | | 9,089 | 88,686 |
| | | <u>95,459</u> | <u>264,768</u> |
| Net assets | | <u>167,181</u> | <u>399,027</u> |
| Capital and reserves | | | |
| Share capital | <i>18</i> | 6,489 | 6,489 |
| Reserves | | <u>(340,776)</u> | <u>(128,174)</u> |
| Deficit in shareholders' equity | | (334,287) | (121,685) |
| Perpetual bonds | <i>19</i> | 448,062 | 464,612 |
| Non-controlling interests | | <u>53,406</u> | <u>56,100</u> |
| Total equity | | <u>167,181</u> | <u>399,027</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

1A. GENERAL INFORMATION

Transmit Entertainment Limited (the “Company”) is a limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company’s registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is located at Flat B, 14/F, Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong. Its immediate and ultimate holding company is Nice Rich Group Limited, a company incorporated in the British Virgin Islands (the “BVI”). Its ultimate controlling shareholder is Mr. Zhang Liang, Johnson (“Mr. Zhang”), who is also the Chairman and an executive director of the Company.

The Company is an investment holding company and the principal activities of its subsidiaries are set out in note 4.

The consolidated financial statements are presented in Hong Kong dollar (“HK\$”), which is also the Company’s functional currency.

1B. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2023, the Group had net current liabilities of HK\$114,400,000. The directors of the Company (the “Directors”) are of the opinion that, after taking into account, among other things, the financial resources available to the Group including the future cash flows to be generated from the TV series production and distribution, new loan facility granted by a related company amounting to RMB60,000,000 (equivalent to HK\$64,800,000) and new perpetual bond issued by the Company to the controlling shareholder amounting to HK\$6,000,000 in September 2023. The Directors are satisfied that the Group will have sufficient working capital to meet its financial obligations and commitments as and when they fall due within the next twelve months from the end of the reporting period. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements of the Group on a going concern basis.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the first time, which are mandatorily effective for the current year for the preparation of the consolidated financial statements:

| | |
|-----------------------|--|
| Amendments to HKFRS 3 | Reference to the Conceptual Framework |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018-2020 |

The application the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

| | |
|---|--|
| HKFRS 17 | Insurance Contracts ¹ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴ |
| Amendments to HKFRS 16 | Lease liability in a sale and leaseback ³ |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³ |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants ³ |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies ¹ |
| Amendments to HKAS 7 and HKFRS 7 | Supplier Finance Arrangements ³ |
| Amendments to HKAS 8 | Definition of Accounting Estimates ¹ |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹ |
| Amendments to HKAS 12 | International Tax Reform – Pillar Two Model Rules ² |

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2023 (except for HKAS 12 paragraphs 4A and 88A which are immediately effective upon issue of the amendments).

³ Effective for annual periods beginning on or after 1 January 2024.

⁴ Effective for annual periods beginning on or after a date to be determined.

The Directors anticipate that the application of the above new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE

Disaggregation of revenue from contracts with customers

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| TV series production and distribution income | 24,241 | 507,848 |
| Film exhibition income | 71,604 | 54,684 |
| Pan entertainment income | 70,584 | 141,449 |
| | <u>166,429</u> | <u>703,981</u> |
| Timing of revenue recognition | | |
| At a point in time | 109,485 | 584,299 |
| Over time | 56,944 | 119,682 |
| | <u>166,429</u> | <u>703,981</u> |

The contracts for sales of goods and provision of services to external customers are short-term and the contract prices are agreed with the customers.

Performance obligations for contracts with customers

- a. TV series production and distribution
 - i. Income from the distribution of variety shows and TV series program is recognised when variety shows and TV series program have been released and distributed to TV broadcast networks.
 - ii. Income from scriptwriters and directors service on TV series production is recognised over time as performance obligation is satisfied.
- b. Film exhibition
 - i. Income from box office takings for film exhibition is recognised upon the sale of tickets and when the film is released.
 - ii. Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.
- c. Pan entertainment

Income from pan entertainment services including celebrity agency service and actor service. Income from celebrity agency service is recognised at a point of time when the services are delivered. Income from actor service is recognised over time as performance obligation is satisfied.

Transaction price allocated to the remaining performance obligation for contracts with customers

All performance obligations for TV series production and distribution, film exhibition and pan entertainment are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

4. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker (the “CODM”), for the purposes of resources allocation and assessment of segment performance is based on the following operating and reportable segments identified under HKFRS 8 Operating Segments.

- (i) TV series production and distribution;
- (ii) Film exhibition; and
- (iii) Pan entertainment.

The accounting policies of the operating and reportable segments are the same as the Group’s accounting policies described in note 3. Segment profit (loss) represents the profit earned or loss incurred by each segment without allocation of head office and corporate expenses, certain finance costs, fair value change on contingent consideration payable, fair value change on purchased call option, impairment losses recognised on goodwill and gain on disposal of subsidiaries. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

Segment revenue and results

The following is an analysis of the Group’s revenue and results by operating and reportable segments.

For the year ended 30 June 2023

| | TV series production and distribution <i>HK\$’000</i> | Film exhibition <i>HK\$’000</i> | Pan entertainment <i>HK\$’000</i> | Total <i>HK\$’000</i> |
|---|---|---------------------------------------|---|--------------------------|
| Segment revenue | | | | |
| – External customers | <u>24,241</u> | <u>71,604</u> | <u>70,584</u> | <u>166,429</u> |
| Segment (loss) profit | <u>(38,296)</u> | <u>(1,565)</u> | <u>7,865</u> | (31,996) |
| Head office and corporate expenses | | | | (29,183) |
| Fair value change on contingent consideration payable | | | | (8,538) |
| Unallocated finance costs | | | | (11,018) |
| Fair value change on purchased call option | | | | (3,423) |
| Impairment losses recognised on goodwill | | | | (117,802) |
| Gain on disposal of subsidiaries | | | | <u>14,180</u> |
| Loss before tax | | | | <u>(187,780)</u> |

For the year ended 30 June 2022

| | TV series production and distribution <i>HK\$'000</i> | Film exhibition <i>HK\$'000</i> | Pan entertainment <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|---|---------------------------------------|---|--------------------------|
| Segment revenue | | | | |
| – External customers | <u>507,848</u> | <u>54,684</u> | <u>141,449</u> | <u>703,981</u> |
| Segment profit (loss) | <u>16,390</u> | <u>(773)</u> | <u>28,660</u> | 44,277 |
| Head office and corporate expenses | | | | (31,640) |
| Fair value change on contingent consideration payable | | | | 1,529 |
| Unallocated finance costs | | | | (11,877) |
| Fair value change on purchased call option | | | | (16,803) |
| Impairment losses recognised on goodwill | | | | <u>(67,652)</u> |
| Loss before tax | | | | <u>(82,166)</u> |

As the Group's segment assets and liabilities are not regularly provided to the CODM, the relevant analysis for both years is not presented.

Other segment information

For the year ended 30 June 2023

| | TV series production and distribution <i>HK\$'000</i> | Film exhibition <i>HK\$'000</i> | Pan entertainment <i>HK\$'000</i> | Segment total <i>HK\$'000</i> | Unallocated <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|---|---------------------------------------|---|-------------------------------------|--------------------------------|--------------------------|
| Amounts included in the measure of segment profit or loss: | | | | | | |
| Amortisation of intangible assets | - | - | (17,876) | (17,876) | - | (17,876) |
| Depreciation of right-of-use assets | (1,106) | (52,896) | (811) | (54,813) | (491) | (55,304) |
| Depreciation of property, plant and equipment | (189) | (102) | (425) | (716) | (18) | (734) |
| Interest income from banks and loan to a related party | 44 | 56 | 482 | 582 | 280 | 862 |
| Finance costs | (182) | (7,260) | (130) | (7,572) | (11,018) | (18,590) |
| Impairment losses reversed on trade and other receivables | 2,361 | - | - | 2,361 | - | 2,361 |
| Impairment losses recognised on television series production | (12,722) | - | - | (12,722) | - | (12,722) |

For the year ended 30 June 2022

| | TV series production and distribution <i>HK\$'000</i> | Film exhibition <i>HK\$'000</i> | Pan entertainment <i>HK\$'000</i> | Segment total <i>HK\$'000</i> | Unallocated <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|---|---------------------------------------|---|-------------------------------------|--------------------------------|--------------------------|
| Amounts included in the measure of segment profit or loss: | | | | | | |
| Amortisation of intangible assets | - | - | (19,313) | (19,313) | - | (19,313) |
| Depreciation of right-of-use assets | (654) | (52,883) | (876) | (54,413) | (2,258) | (56,671) |
| Depreciation of property, plant and equipment | (250) | (54) | (248) | (552) | (22) | (574) |
| Interest income from banks and loan to a related party | 131 | 14 | 292 | 437 | 273 | 710 |
| Finance costs | (34) | (11,296) | (158) | (11,488) | (11,877) | (23,365) |
| Impairment losses on trade and other receivables | (998) | - | - | (998) | - | (998) |

Geographical information

An analysis of the Group's revenue from external customers by geographical market based on where the TV series production and distribution income, film exhibition income and pan entertainment income is derived from are as below:

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Hong Kong | 71,604 | 54,684 |
| Mainland, the People's Republic of China (the "PRC") | 94,825 | 649,297 |
| | <u>166,429</u> | <u>703,981</u> |

The Group's non-current assets (excluded financial assets) by geographical location of the assets are detailed below:

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|-------------------|--------------------------------|-------------------------|
| Hong Kong | 57,643 | 111,309 |
| Mainland, the PRC | 301,947 | 473,924 |
| | <u>359,590</u> | <u>585,233</u> |

Information about major customers

Revenue from customers of the corresponding year contributing over 10% of the total revenue of the Group are as follows:

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|-------------------------|--------------------------------|-------------------------|
| Customer A ¹ | <u>17,448</u> | <u>460,882</u> |

¹ Revenue from TV series production and distribution.

5. OTHER GAINS AND LOSSES AND OTHER INCOME

| | 2023 HK\$'000 | 2022 HK\$'000 |
|--|------------------|------------------|
| Other gains and losses | | |
| Gain on disposal of subsidiaries (<i>note 20</i>) | 14,180 | – |
| (Loss) gain on disposal of property, plant and equipment and right-of-use assets | (95) | 79 |
| Donation | – | (242) |
| Gain on modification of financial liabilities | 1,614 | – |
| Net foreign exchange losses | (1,260) | (945) |
| Provision for arbitration (<i>note i</i>) | (10,700) | – |
| | <u>3,739</u> | <u>(1,108)</u> |
| Other income | | |
| Cinema operation right income (<i>note ii</i>) | 27,397 | 45,731 |
| Handling service income | 1,746 | 1,574 |
| Interest income from banks and loan to a related party | 862 | 710 |
| Government subsidy received (<i>note iii</i>) | 2,321 | 2,897 |
| Coupon sales income from film producers | 201 | 788 |
| Cinema promotion income | 9,487 | 3,239 |
| Additional value added tax input deduction | 898 | 3,051 |
| Others | 5,797 | 8,955 |
| | <u>48,709</u> | <u>66,945</u> |

Notes:

- i. As at 30 June 2023, the Group recognised a provision of HK\$10,700,000 in respect of the arbitral award against Guangzhou Daide Management Consultancy Company Limited (“Guangzhou Daide”), a wholly-owned subsidiary of the Company, from a former shareholder of 霍爾果斯厚海文化傳媒有限公司 (Khorgas Houhai Culture Media Company Limited “Khorgas Houhai”) in relation to a claim of its portion of contingent consideration payable, after taking into account legal advice.
- ii. Cinema operation right income represents income arising from a management agreement between Cinema City (Langham Place) Limited (“CCLP”), a subsidiary of the Company, and Mandarin Motion Pictures Limited, a connected party controlled by a director of CCLP, in relation to operation of the cinema of CCLP for the period from the date of 26 May 2021 to 25 May 2024.
- iii. Amounts mainly represent subsidies granted by certain local governments for encouraging domestic business development and are recognised upon receipt. There are no unfulfilled conditions or contingencies relating to these subsidies.

6. FINANCE COSTS

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|------------------------------|-------------------------|-------------------------|
| Interest expenses on: | | |
| Loans from related companies | 3,220 | 1,949 |
| Lease liabilities | 7,613 | 11,523 |
| Bank and other borrowings | 7,241 | 8,792 |
| Bonds payable | 516 | 1,101 |
| | <u>18,590</u> | <u>23,365</u> |

7. INCOME TAX (CREDIT) EXPENSE

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Current tax: PRC Enterprise Income Tax (“EIT”) | 2,193 | 11,802 |
| Deferred tax | <u>(4,469)</u> | <u>(4,828)</u> |
| | <u>(2,276)</u> | <u>6,974</u> |

Pursuant to the rules and regulations of Cayman Islands, the Company is not subject to any income tax in Cayman Islands for both years.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the statutory tax rate of the PRC subsidiaries is 25% for both years.

As stipulated in Cai Shui [2021] No. [27], enterprises newly established in Khorgas special economic areas and engaged in the encouraged industries as defined under the 《新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄》(Catalogue of Key Encouraged Developing Industries for Enterprise Income Tax Benefits in Difficult Areas of Xinjiang*) could enjoy EIT exemption for five years starting from its first operation income-generating year during the period from 2021 to 2030. According to 《企業所得稅優惠事項備案表》(Enterprise Income Tax Benefits Record*), one subsidiary of the Group obtained the approval from the relevant PRC tax bureau on 23 June 2017 for entitlement of EIT exemption from 1 January 2017 to 31 December 2021. In July 2020, another subsidiary of the Group obtained the approval from the relevant PRC tax bureau for entitlement of EIT exemption from 1 January 2020 to 31 December 2024. As stipulated in Xin Zheng Fa [2012] No. [48] 《關於加快喀什、霍爾果斯經濟開發區建設的實施意見》(Implementation Advice on Accelerating the Construction of Kashgar and Khorgas Special Economic Areas*), both subsidiaries mentioned above could enjoy exemption of EIT charged by local tax bureau, which takes account for 40% of the total EIT, for five years starting from the end of the previous exemption.

* For identification purpose only

The income tax (credit) expense for the year can be reconciled to loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Loss before tax | <u>(187,780)</u> | <u>(82,166)</u> |
| Tax at the income tax rate of 16.5% (2022: 16.5%) | (30,984) | (13,557) |
| Tax effect of income not taxable for tax purpose | (300) | (79) |
| Tax effect of expenses not deductible for tax purpose | 20,480 | 17,190 |
| Tax effect of fair value change on contingent consideration payable | 2,135 | (382) |
| Tax effect of tax losses not recognised | 22,045 | 23,492 |
| Tax effect of deductible temporary differences not recognised | 72 | 257 |
| Tax effect of utilisation of tax losses and deductible temporary difference previously not recognised | (5,773) | (4,650) |
| Effect of tax exemption granted to PRC subsidiaries | (4,085) | (12,521) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | <u>(5,866)</u> | <u>(2,776)</u> |
| Income tax (credit) expense for the year | <u>(2,276)</u> | <u>6,974</u> |

8. LOSS FOR THE YEAR

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Loss for the year has been arrived at after charging: | | |
| Directors' emoluments | 3,941 | 4,433 |
| Other staff costs | 25,711 | 30,189 |
| Retirement benefit scheme contributions, excluding those of the Directors | <u>3,065</u> | <u>2,825</u> |
| Total staff costs | <u>32,717</u> | <u>37,447</u> |
| Auditors' remuneration | 2,450 | 2,400 |
| Depreciation of property, plant and equipment | 734 | 574 |
| Depreciation of right-of-use assets | 55,304 | 56,671 |
| Amortisation of intangible assets | 17,876 | 19,313 |
| Short-term lease expenses for premises | 2,626 | 3,006 |
| Impairment losses recognised on television series production | 12,722 | – |
| Cost of television series production | 10,631 | 438,686 |
| Cost of scriptwriters for television series production | 21,158 | 26,442 |
| Cost of services provided for television series production | 1,523 | 16,187 |
| Cost of services provided for film exhibition | 32,223 | 26,874 |
| Cost of artiste and internet celebrity agency business | 41,981 | 69,413 |
| Cost of inventories sold | <u>–</u> | <u>234</u> |

9. DIVIDEND

No dividend was paid or proposed for the year ended 30 June 2023, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

10. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Loss | | |
| Loss for the year attributable to owners of the Company for the purpose of basic loss per share | <u>(186,920)</u> | <u>(92,166)</u> |
| | 2023 | 2022 |
| Number of shares | | |
| Number of ordinary shares for the purpose of basic loss per share | <u>2,595,613,733</u> | <u>2,595,613,733</u> |

No diluted loss per share for both years were presented as the Company has no potential ordinary shares issued for both years.

11. GOODWILL AND IMPAIRMENT ASSESSMENT

| | Goodwill <i>HK\$'000</i> |
|--|------------------------------------|
| COST | |
| At 1 July 2021 | 473,363 |
| Exchange adjustments | <u>(11,890)</u> |
| At 30 June 2022 | 461,473 |
| Exchange adjustments | <u>(35,499)</u> |
| At 30 June 2023 | <u>425,974</u> |
| IMPAIRMENT | |
| At 1 July 2021 | – |
| Impairment loss recognised in the year | <u>67,652</u> |
| At 30 June 2022 | <u>67,652</u> |
| Impairment loss recognised in the year | 117,802 |
| Exchange adjustments | <u>(5,205)</u> |
| At 30 June 2023 | <u>180,249</u> |
| CARRYING AMOUNTS | |
| At 30 June 2023 | <u>245,725</u> |
| At 30 June 2022 | <u>393,821</u> |

For the purpose of impairment testing, goodwill has been allocated to the following cash generating units. The carrying amount before impairment loss of goodwill allocated to these cash generating units are as follows:

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Khorgas Group (<i>note a</i>) | 386,805 | 419,007 |
| 聞瀾(上海)文化傳媒有限公司(“Wenlan”) (<i>note b</i>) | <u>39,169</u> | <u>42,466</u> |
| | <u>425,974</u> | <u>461,473</u> |

Notes:

- (a) During the year ended 30 June 2019, the Group acquired the entire equity interest in Khorgas Houhai and its subsidiary, 北京聚海文化傳媒有限公司 (Beijing Juhai Culture Media Company Limited) (collectively known as the “Khorgas Group”) and goodwill of HK\$411,876,000 was resulted from the acquisition within TV series production and distribution segment.

The recoverable amount of Khorgas Group has been determined based on a value in use calculation.

The calculation of the recoverable amount of Khorgas Group uses cash flow projections based on financial budgets approved by management covering a 5-year period and pre-tax discount rate of 25.6% (2022: 25.0%) per annum as at 30 June 2023. Cash flows beyond the 5-year period are extrapolated using a steady expected inflation rate of 2.0% (2022: 2.0%) per annum. Other key assumptions for the value in use calculation relate to the estimation of cash inflows and outflows which include budgeted sales and budgeted costs. Such estimation is based on Khorgas Group's past performance and management's expectations for the market development.

The revenue and operating profit of Khorgas Group for the current year did not meet those budgeted primarily due to the impact of COVID-19 pandemic which had resulted in unexpected interruptions in TV productions, so the management of the Group assessed the recoverable amount of Khorgas Group to which goodwill is allocated. As at 30 June 2023, the estimated recoverable amount of Khorgas Group was below its carrying amount. Accordingly the Group recognised impairment loss on goodwill amounting to HK\$100,701,000 (2022: HK\$43,745,000) during the year ended 30 June 2023.

- (b) During the year ended 30 June 2020, the Group acquired 60% of equity interest in Wenlan and goodwill of HK\$38,633,000 was resulted from the acquisition within pan entertainment segment.

The recoverable amount of Wenlan has been determined based on a value in use calculation.

The calculation of the recoverable amount of Wenlan uses cash flow projections based on financial budgets approved by management covering a 5-year period and pre-tax discount rate of 30.01% (2022: 24.94%) per annum as at 30 June 2023. Cash flows beyond the 5-year period are extrapolated using a steady expected inflation rate of 2.0% (2022: 2.0%) per annum. Other key assumptions for the value in use calculation relate to the estimation of cash inflows and outflows which include budgeted sales and budgeted costs. Such estimation is based on Wenlan's past performance and management's expectations for the market development.

The revenue and operating profit of Wenlan for the current year did not meet those budgeted primarily due to the impact of COVID-19 pandemic which had resulted in unexpected interruptions in artiste management sector, so the management of the Group assessed the recoverable amount of Wenlan to which goodwill is allocated. As at 30 June 2023, the estimated recoverable amount of Wenlan was below its carrying amount. Accordingly the Group recognised impairment loss on goodwill amounting to HK\$17,101,000 (2022: HK\$23,907,000) during the year ended 30 June 2023.

12. INTANGIBLE ASSETS

| | Agency contract <i>HK\$'000</i> |
|--|---|
| COST | |
| At 1 July 2021 | 113,271 |
| Exchange adjustments | <u>330</u> |
| At 30 June 2022 | 113,601 |
| Exchange adjustments | <u>(8,738)</u> |
| At 30 June 2023 | <u>104,863</u> |
| ACCUMULATED AMORTISATION AND IMPAIRMENT | |
| At 1 July 2021 | 21,946 |
| Provided for the year | 19,313 |
| Exchange adjustments | <u>758</u> |
| At 30 June 2022 | 42,017 |
| Provided for the year | 17,876 |
| Exchange adjustments | <u>(3,870)</u> |
| At 30 June 2023 | <u>56,023</u> |
| CARRYING AMOUNTS | |
| At 30 June 2023 | <u>48,840</u> |
| At 30 June 2022 | <u>71,584</u> |

Agency contract

The agency contract is a six-year agency contract associated with Ms. Yang Chaoyue, a famous artiste in the PRC, which is held by Wenlan, a non-wholly owned subsidiary acquired by the Group on 12 March 2020. It is identified as an intangible asset at the date of acquisition of Wenlan and amortised over 6 years. The intangible assets arising from acquisition of Wenlan together with the related goodwill are included in the respective cash generating unit for the purpose of impairment assessment as detailed in note 11.

13. FILM RIGHTS AND TELEVISION SERIES PRODUCTION IN PROGRESS

| | Film rights <i>HK\$'000</i> | Television series production in progress <i>HK\$'000</i> |
|--|---------------------------------------|--|
| COST | | |
| At 1 July 2021 | 776,062 | 558,655 |
| Additions | – | 249,918 |
| Transfer upon completion and sold | – | (438,686) |
| Disposal | – | (3,556) |
| Exchange adjustments | – | 966 |
| | <u>776,062</u> | <u>367,297</u> |
| At 30 June 2022 | 776,062 | 367,297 |
| Additions | – | 43,847 |
| Transfer upon completion and sold | – | (10,631) |
| Disposal of subsidiaries | (776,062) | – |
| Exchange adjustments | – | (26,310) |
| | <u>–</u> | <u>374,203</u> |
| At 30 June 2023 | – | 374,203 |
| ACCUMULATED AMORTISATION AND IMPAIRMENT | | |
| At 1 July 2021 and 30 June 2022 | 776,062 | 39,875 |
| Additions | – | 12,722 |
| Disposal of subsidiaries | (776,062) | – |
| Exchange adjustments | – | (454) |
| | <u>–</u> | <u>52,143</u> |
| At 30 June 2023 | – | 52,143 |
| CARRYING AMOUNTS | | |
| At 30 June 2023 | <u>–</u> | <u>322,060</u> |
| At 30 June 2022 | <u>–</u> | <u>327,422</u> |

During the year ended 30 June 2023, an impairment loss of HK\$12,722,000 (2022: nil) was recognised on television series production in progress. Due to the production plan for certain television production in progress was postponed and the amount may not be fully recovered, the Directors are of opinion that the carrying amount of HK\$12,722,000 (30 June 2022: nil) for certain television production was fully impaired.

14. TRADE AND OTHER RECEIVABLES

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Trade receivables | 31,722 | 91,269 |
| Less: Allowance for expected credit losses | <u>(1,109)</u> | <u>(3,304)</u> |
| | <u>30,613</u> | <u>87,965</u> |
| Other receivables, deposits and prepayments | 14,603 | 6,308 |
| Other receivable from TV series | 22,162 | 24,177 |
| Less: Allowance for expected credit losses | <u>(482)</u> | <u>(648)</u> |
| | <u>36,283</u> | <u>29,837</u> |
| Investment in film and TV series producers at FVTPL (<i>note i</i>) | 10,613 | 11,909 |
| Prepayment for artiste management agency and scriptwriters | 1,080 | 16,380 |
| Other deposits and prepayments for cinema operation | 288 | 397 |
| Other tax recoverable | <u>5,838</u> | <u>5,664</u> |
| | <u>84,715</u> | <u>152,152</u> |

Note i: The amounts represented the Group's entitlement to return on certain film and TV series producers invested by the Group which are variable based on contracts.

The aging analysis of the Group's trade receivables, net of allowance for credit losses, based on the invoice date, at the end of the reporting period is as follows:

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--------------------|-------------------------|-------------------------|
| Trade receivables: | | |
| 0 – 30 days | 8,170 | 16,289 |
| 31 – 60 days | 354 | – |
| 61 – 90 days | 198 | 176 |
| 91 – 180 days | 70 | 48,865 |
| 181 – 365 days | 2,267 | 22,489 |
| Over one year | <u>19,554</u> | <u>146</u> |
| | <u>30,613</u> | <u>87,965</u> |

Generally, with the exception of PRC TV series production customers who are generally granted credit period ranging from 30 to 90 days, no credit period is granted to the Group's customers. Distribution fee from distributors in PRC Mainland are normally settled upon delivery of negatives to the customers. On a case-by-case basis, one to two months of credit period may be granted to its customers with good repayment history.

As at 30 June 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$21,891,000 (2022: HK\$71,500,000) which are past due as at the reporting date. Out of the past due balances, HK\$21,821,000 (2022: HK\$22,635,000) has been past due 90 days or more and is not considered as in default by considering the background of the debtors and historical payment arrangement. The Group does not hold any collateral over these balances.

15. TRADE AND OTHER PAYABLES

| | 2023 | 2022 |
|---|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Trade payables | 43,587 | 64,146 |
| Other payables and accruals | 85,039 | 88,731 |
| Advances from former shareholder of subsidiaries acquired (<i>note i</i>) | 34,430 | 37,300 |
| Provision for arbitration | 10,700 | – |
| Accrued services fee for TV series production (<i>note ii</i>) | 9,835 | 11,708 |
| Investment funds from investors at FVTPL (<i>note iii</i>) | 6,480 | – |
| | 190,071 | 201,885 |

The average credit period on purchases of goods is 60 to 90 days. The aging analysis of trade payables presented is based on the invoice date. The following is the aging analysis of the Group's trade payables at the end of the reporting period:

| | 2023 | 2022 |
|-----------------------|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Within 60 days | 16,343 | 28,874 |
| Within 61 to 90 days | 1,938 | 1,625 |
| Within 91 to 365 days | 1,881 | 27,070 |
| Over 365 days | 23,425 | 6,577 |
| | 43,587 | 64,146 |

Notes:

- (i) Advances from former shareholder of subsidiaries acquired are non-trade, unsecured, interest-free and repayable on demand.
- (ii) The amounts represented the accrued services fee payable to scriptwriters of TV series production.
- (iii) Investment funds from investors represent investors' entitlement to the return on film invested by the Group and the return are variable based on contracts with other investors.

16. BANK AND OTHER BORROWINGS

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Bank borrowings: | | |
| Fixed-rate, secured and guaranteed (<i>note i</i>) | 32,411 | 29,238 |
| Fixed-rate, unsecured and guaranteed (<i>note ii</i>) | 19,440 | 15,210 |
| Variable-rate, secured and guaranteed (<i>note iii</i>) | 16,200 | 33,930 |
| Variable-rate, unsecured and guaranteed | <u>5,400</u> | <u>5,850</u> |
| | 73,451 | 84,228 |
| Other borrowings (<i>note iv</i>) | <u>24,855</u> | <u>24,873</u> |
| | <u>98,306</u> | <u>109,101</u> |

The Group's bank and other borrowings are repayable as follows:

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Carrying amount repayable (based on scheduled repayment terms): | | |
| Within one year or on demand | 98,306 | 109,101 |
| Less: Amounts due shown under current liabilities: | | |
| On demand or due within one year | <u>(98,306)</u> | <u>(109,101)</u> |
| Amounts due after one year | <u>–</u> | <u>–</u> |

Notes:

- (i) During the year ended 30 June 2023, the Group obtained new fixed rate and secured bank borrowings amounting to HK\$32,411,000 (2022: HK\$11,688,000) and repaid bank borrowings of HK\$26,989,000 (2022: nil). The bank borrowings are secured by bank deposits of HK\$21,600,000 (2022: HK\$26,850,000), trade receivables amounting to approximately HK\$15,809,000 (2022: nil) and guaranteed by two directors of the Company.
- (ii) During the year ended 30 June 2023, the Group obtained new fixed rate and guaranteed bank borrowings amounting to HK\$19,440,000 (2022: HK\$15,210,000) and repaid bank borrowings of HK\$14,040,000 (2022: HK\$21,060,000). The amount of RMB8,000,000 (equivalent to HK\$8,640,000) (2022: RMB3,000,000 (equivalent to HK\$3,510,000)) bank borrowing is guaranteed by an insurance company in the PRC as at 30 June 2023. The amount of RMB10,000,000 (equivalent to HK\$10,800,000) (2022: HK\$11,700,000) bank borrowing is guaranteed by an insurance company in the PRC, a director of the Company and two subsidiaries of the Group as at 30 June 2023.

- (iii) During the year ended 30 June 2023, the Group obtained new variable-rate and secured bank borrowings amounting to approximately RMB15,000,000 (equivalent to HK\$16,200,000) (2022: RMB29,000,000 (equivalent to HK\$33,930,000)), and repaid bank borrowings of RMB29,000,000 (equivalent to HK\$31,320,000)(2022: nil). The floating rate of the borrowing was based on the Loan Prime Rate published by PRC National Interbank Funding Center. The bank borrowings are secured by bank deposits of HK\$20,000,000 (2022: HK\$40,000,000) as at 30 June 2023.
- (iv) Other borrowings represented a loan from a third party company, bearing interest at 15% per annum. During the year ended 30 June 2023, Khorgas Houhai repaid the loan of RMB613,000 (equivalent to HK\$662,000) (2022: RMB 30,482,000 (equivalent to HK\$35,664,000)) to the third party company. The maturity date of the remaining loan was extended to 31 December 2023 during the year ended 30 June 2023. The loan is secured by the Group's trade receivables amounting to RMB17,905,000 (equivalent to HK\$19,338,000) (2022: RMB 16,731,000 (equivalent to HK\$19,575,000)) as at 30 June 2023.

The ranges of effective interest rates (which are also equal to contracted interest rates) per annum on the Group's bank borrowings are analysed as follows:

| | 2023 | 2022 |
|---|------------------------------|------------------------------|
| Fixed-rate bank borrowings: RMB denominated borrowings | 3.65% to 4.90% | 3.60% to 5.00% |
| Variable-rate bank borrowings: RMB denominated borrowings | <u>3.40% to 4.00%</u> | <u>3.50% to 4.20%</u> |

17. LOANS FROM RELATED COMPANIES

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|-------------------------------------|-------------------------|-------------------------|
| Loans from related companies | | |
| – Loan 1 (<i>note i</i>) | 25,599 | 30,677 |
| – Loan 2 (<i>note ii</i>) | 9,224 | 9,993 |
| – Loan 3 (<i>note iii</i>) | 26,393 | – |
| – Loan 4 (<i>note iv</i>) | 22,168 | – |
| | <u>83,384</u> | <u>40,670</u> |
| Analysed as: | | |
| Current liabilities | 9,224 | 9,993 |
| Non-current liabilities | 74,160 | 30,677 |
| | <u>83,384</u> | <u>40,670</u> |

Notes:

- (i) The balance as at 30 June 2023 represents a loan of RMB18,954,000 (equivalent to HK\$20,470,000) (30 June 2022: RMB23,000,000 (equivalent to HK\$26,910,000)) plus accrued interest of RMB4,749,000 (equivalent to HK\$5,129,000) (30 June 2022: RMB 3,220,000 (equivalent to HK\$3,767,000)) from Guangzhou Puji Real Estate Agency Co. Limited (“Guangzhou Puji”). During the year, the Group repaid RMB3,300,000 (equivalent to HK\$3,564,000) (2022: nil). The loan advance is unsecured, interest bearing at 7% per annum. In December 2021, the maturity date of the loan was extended to July 2023. In December 2022, the maturity date of the loan was further extended to July 2025.
- (ii) The balance as at 30 June 2023 represents interest payables of RMB8,541,000 (equivalent to HK\$9,224,000) (30 June 2022: represents interest payables of RMB8,541,000 (equivalent to HK\$9,993,000)) from Guangzhou Black Hole Investment Limited (“Black Hole”), a company in which Mr. Zhang has controlling interests.
- (iii) The balance represents loan of RMB10,500,000 (equivalent to HK\$11,340,000) (30 June 2022: nil) and loan of RMB13,000,000 (equivalent to HK\$14,040,000) (30 June 2022: nil) plus accrued interest of RMB469,000 (equivalent to HK\$506,000) (30 June 2022: nil) and RMB470,000 (equivalent to HK\$507,000) (30 June 2022: nil) from Guangzhou Puji as at 30 June 2023, respectively. The loan advances are unsecured, interest-bearing at 4.50% per annum and repayable in July 2024 and September 2024 respectively.
- (iv) The balance represents loan of RMB15,000,000 (equivalent to HK\$16,200,000) (30 June 2022: nil), loan of RMB750,000 (equivalent to HK\$810,000) (30 June 2022: nil), loan of RMB880,000 (equivalent to HK\$950,000) (30 June 2022: nil) and loan of RMB3,616,000 (equivalent to HK\$3,906,000) (30 June 2022: nil) plus accrued interest of RMB280,000 (equivalent to HK\$302,000) (30 June 2022: nil) from Guangzhou Puji as at 30 June 2023. The loan advances are unsecured, interest-bearing at 4.50% per annum and with 3-year loan term.

18. SHARE CAPITAL

| | Number of shares | Share capital <i>HK\$'000</i> |
|---|-----------------------|-------------------------------------|
| Ordinary shares of HK\$0.0025 each: | | |
| Authorised: | | |
| At 1 July 2021, 30 June 2022 and 30 June 2023 | <u>32,000,000,000</u> | <u>80,000</u> |
| Issued and fully paid: | | |
| At 1 July 2021, 30 June 2022 and 30 June 2023 | <u>2,595,613,733</u> | <u>6,489</u> |

19. PERPETUAL BONDS

On 1 July 2021 and 13 July 2021, Guangzhou Daide issued perpetual bonds amounting to RMB78,520,000 (equivalent to HK\$94,224,000) and RMB58,990,000 (equivalent to HK\$70,788,000), respectively to Black Hole and Guangzhou Puji for the purpose of repaying the outstanding loan balance. On 1 July 2021 and 31 July 2021, Guangzhou Daide and the Company issued perpetual bonds amounting to RMB35,000,000 (equivalent to HK\$42,000,000) and HK\$45,000,000 to Mr. Zhang respectively, for the purpose of repaying the outstanding loan balance. On 7 March 2022, the Company issued perpetual bonds amounting to HK\$8,000,000 to Mr. Zhang. The perpetual bonds are redeemable at the issuer's option.

On 27 February 2023, the Company redeemed perpetual bonds issued by the Company amounting to HK\$17,500,000 to Mr. Zhang.

On 24 February 2023, the Company issued perpetual bonds amounting to HK\$950,000 to Skynova International Limited ("Skynova"). The perpetual bonds are redeemable at the issuer's option.

Interests are payable annually in arrears at a fixed rate of 4.5% per annum, which may be deferred at the issuers' discretion and in which event, the Company and Guangzhou Daide will not declare or pay any interests or redeem, reduce, cancel or buy back or otherwise acquire any of the Company's and/or Guangzhou Daide's securities of lower or equal rank.

The Group is considered to have no contractual obligations to call its principal or to pay any interests. The perpetual bonds do not meet the definition of financial liabilities. They are classified as equity instruments and any distributions made by the Group to the holders are also recognised in equity in the consolidated financial statements of the Group.

20. DISPOSAL OF SUBSIDIARIES

For the year ended 30 June 2023

On 28 December 2022, Green Riches Holdings Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Mandarin Film and Culture Development Limited, a company which is beneficially owned by Mr. Wong Pak Ming who is a connected person of the Company at the subsidiary level, to dispose of the entire equity interests in Pegasus Motion Pictures (Hong Kong) Limited, Pegasus Motion Pictures Distribution Limited and Pegasus Motion Pictures Production Limited, at a cash consideration of HK\$84,000. The disposed entities are mainly engaged in movie investment and film distribution. The disposal was completed on 31 December 2022, on which date when the control of disposed entities passed to the acquirer.

Consideration received:

| | |
|---------------|-----------------|
| | <i>HK\$'000</i> |
| Cash received | <u>84</u> |

Analysis of assets and liabilities over which control was lost:

| | <i>HK\$'000</i> |
|-------------------------------|-----------------|
| Property, plant and equipment | 5 |
| Interest in a joint venture | 155 |
| Trade and other receivables | 1,700 |
| Bank balances and cash | 2,009 |
| Trade and other payables | (16,417) |
| Amount due to a joint venture | (424) |
| Tax payable | (294) |
| | <hr/> |
| Net liabilities disposed of | (13,266) |

Gain on disposal of subsidiaries:

| | <i>HK\$'000</i> |
|---|-----------------|
| Consideration received | 84 |
| Reclassification of the cumulative gain upon disposal of foreign operations | 830 |
| Less: net liabilities disposed of | 13,266 |
| | <hr/> |
| Gain on disposal (<i>note 5</i>) | 14,180 |

Net cash outflow arising on disposal:

| | <i>HK\$'000</i> |
|---------------------------------------|-----------------|
| Cash received | 84 |
| Cash and cash equivalents disposed of | (2,009) |
| | <hr/> |
| | (1,925) |

21. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, a freezing order under assets protection in respect of the Group's 60% equity interest in Wenlan was imposed by the Guangzhou Intermediate People's Court in connection with the arbitration detailed in note 5. In the opinion of the Directors, the Group is in the process of conciliation with claimant with the assistance of the Group's legal advisor and it is not expected that the freezing of the equity interests in Wenlan would have a material adverse impact on the Group's business operations.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in (i) TV series and variety show production and distribution; (ii) film exhibition; and (iii) pan entertainment. The Group mainly produces Chinese variety shows and TV series in both Mainland China and Hong Kong as its main markets. It also currently operates one Hong Kong based cinema. During the year ended 30 June 2023, the Group further advanced its brand diversification development strategy. The Group's proportion of revenue from Mainland China was 57.0%. Mainland China continues to be the major source of income and business growth of the Group.

TV series and variety show production and distribution

Following the development dynamics of the industry and the entertainment tastes of young viewers, the Group has continued to focus on the development and production of outstanding variety contents, while actively exploring innovative business models such as web series, online movies and short videos. For the year ended 30 June 2023, the TV series and variety show production and distribution business remained as the core business of the Group with recorded revenue of approximately HK\$24.2 million, representing a decrease of approximately 95.2% as compared to last year. The decrease was mainly attributable to the fact that no major TV series or variety shows were released by the Group during the year, and the inspiring urban workplace TV series "The Ideal City" and the megahit detective reality show "The Detectives' Adventures" were released last year, resulting in a decrease in revenue from the production and distribution of TV series and variety shows during the year.

The love-story variety show "I Love You, Me Too" Season 4 was smoothly broadcasted in March 2023. Its creative and unique contents were well-received by the audience, leading to a surge in popularity of the show and sparking internet-wide discussions. The show has also topped multiple trending lists and reached a new peak in popularity on the iQIYI platform. Moreover, the scriptwriter and director teams of the Group also engaged in the development and production of various trending TV series during the year, including "Never Give Up", "Pagoda" and "Choice Husband".

Film exhibition

Considering that the novel coronavirus disease (“COVID-19”) pandemic has brought about a challenging business environment for the film exhibition business, the Group had disposed of its partial equity interests in the film exhibition business aiming to reallocate financial resources to other businesses with higher development potential, with the purpose of generating better returns for the shareholders of the Company (the “Shareholders”). The disposal transaction was completed on 26 May 2021. Thereafter, in accordance with a management agreement and a supplemental agreement entered into among the Group, Cinema City (WL) Limited and Mandarin Motion Pictures Limited, the Group earned fees for the operation of Langham Place Cinema in Hong Kong during the term of the agreement. The management believes that the above-mentioned strategic measures will have a positive impact on the Group’s future results and financial performance. For further details of the disposal and the management agreement, please refer to the announcements of the Group dated 18 January 2021 and 26 May 2021, respectively.

The Group’s revenue from film exhibition amounted to approximately HK\$71.6 million for the year, representing an increase of approximately 30.9% as compared to last year, which was mainly benefited from the gradual relaxation of the Hong Kong Government’s measures to shut down cinemas.

Pan entertainment

During the year ended 30 June 2023, the Group continued to improve its industry chain and broaden its revenue base and the influence of the Group’s artistes and celebrities in market segments continued to grow. The Group’s artistes participated in the starring and endorsement activities of various TV series and films. Among which, Yang Chaoyue starred in the situation comedy “Sisterhood”, the eighth season of the large variety show “Go Fighting”, the reality show “On Air! Sitcom”, the costume TV drama “Chong Zi”, the costume fantasy drama “Love You Seven Times”, etc.

The Group’s pan entertainment recorded a total revenue of approximately HK\$70.6 million for the year, representing a decrease of approximately 50.1% as compared to approximately HK\$141.4 million last year. This business segment recorded a profit of approximately HK\$7.9 million for the year ended 30 June 2023 (year ended 30 June 2022: a profit of approximately HK\$28.7 million).

FINANCIAL REVIEW

Revenue and gross profit

Revenue of the Group for the year amounted to approximately HK\$166.4 million, representing a decrease of approximately HK\$537.6 million or 76.4% as compared to last year, which was mainly contributed by the revenue of approximately HK\$71.6 million and HK\$70.6 million from the film exhibition segment, and the pan entertainment segment respectively.

For the TV series production and distribution segment, the Group's recorded revenue for the year ended 30 June 2023 was mainly contributed by the production of TV series and variety shows. The love-story variety show "I Love You, Me Too" Season 4 was smoothly broadcasted in March 2023 and the revenue generated was recognised this year. For the film exhibition segment, the Group completed the disposal of its partial equity interests in the film exhibition business on 26 May 2021, and entered into a management agreement and a supplemental agreement for the operation of the Langham Cinema in Hong Kong. Benefited from the gradual relaxation of the Hong Kong Government's measures to shut down cinemas, the revenue from film exhibition amounted to approximately HK\$71.6 million for the year, representing an increase of approximately 30.9% as compared to last year. For the pan entertainment segment, the Group recorded a total revenue of approximately HK\$70.6 million from artiste management services during the year ended 30 June 2023, representing a decrease of approximately 50.1% as compared to last year.

Gross profit of the Group was approximately HK\$46.2 million, representing a decrease of approximately HK\$80.0 million or approximately 63.4% as compared to last year. Gross profit margin for the year was approximately 27.8%, representing an increase of approximately 9.8 percentage points as compared to last year, which was mainly attributable to Group's increased proportion of revenue from film exhibition and the gross profit margin of the film exhibition business being higher than other businesses.

Other gains and losses and other income

During the year ended 30 June 2023, other gains and losses and other income amounted to approximately HK\$52.4 million, representing a decrease of approximately HK\$13.4 million or approximately 20.3% as compared to last year. Other gains and losses and other income mainly included cinema operation right income, cinema promotion income, etc.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately HK\$9.3 million or 11.0% from approximately HK\$84.2 million last year to approximately HK\$74.9 million for the year, which was mainly attributable to the effective internal control measures on costs.

Administrative expenses

Administrative expenses decreased by approximately HK\$17.1 million or approximately 20.7% from approximately HK\$82.6 million last year to approximately HK\$65.5 million for the year, which was benefited from the effective internal control measures on costs.

Loss for the year

This year, the Group's loss and total comprehensive expense attributable to the owners of the Company amounted to approximately HK\$186.9 million (year ended 30 June 2022: loss of approximately HK\$92.2 million) and approximately HK\$212.6 million (year ended 30 June 2022: total comprehensive expense of approximately HK\$102.9 million) respectively.

This was mainly attributable to the fact that (i) no major TV series or variety shows were released by the Group during the year, and the inspiring urban workplace TV series "The Ideal City" and the megahit detective reality show "The Detectives' Adventures" were released last year, resulting in a decrease in revenue from the production and distribution of TV series and variety shows during the year; and (ii) there was delay in the production of various TV series of the Group and the work arrangement of the Group's artistes due to the impact of the COVID-19 pandemic and the related restrictive measures, and given the current market environment, the intensified competition after the pandemic and the uncertainty of the future, the Company provided for an impairment on goodwill of approximately HK\$118 million during the reporting period.

IMPAIRMENT LOSS ON GOODWILL (THE “IMPAIRMENT”)

Background

As disclosed in note 11 to the consolidated financial statements, goodwill has been allocated to the cash-generating-units (“CGUs”) of the Khorgas Group and Wenlan. The carrying amounts of goodwill (before impairment loss) allocated to the CGUs of the Khorgas Group and Wenlan amounted to approximately HK\$386.8 million and HK\$39.2 million, respectively as at 30 June 2023 (approximately HK\$419.0 million and HK\$42.4 million, respectively as at 30 June 2022).

The Impairment loss of goodwill of the Khorgas Group and Wenlan amounting to approximately HK\$100.7 million and HK\$17.1 million, respectively, was made for the year (approximately HK\$43.7 million and HK\$23.9 million, respectively for 30 June 2022), which was determined after considering the difference between the recoverable amount based on value in use calculations and the carrying value as at 30 June 2023 and 30 June 2022.

The Khorgas Group was engaged in film and TV series production, distribution and licensing business whereas Wenlan was engaged in artiste management business. The management assessed the revenue and profit margin to be generated therefrom after taking into account the key factors specified in the section headed “Circumstances leading to the Impairment” below.

Circumstances leading to the Impairment

For the years ended 30 June 2023 and 30 June 2022, the management of the Company assessed the carrying value and recoverable amount of the CGUs and goodwill allocated to the CGUs after taking into account the following factors:

- (a) the adverse impact of COVID-19 pandemic on the film and TV industry for the years ended 30 June 2023 and 30 June 2022 leading to the slowdowns and postponements in shooting of movies and TV series, which had significant negative impact on the progress and original schedules of the film and TV productions as well as the artistes’ work schedules;

- (b) the adverse impact of COVID-19 pandemic on the financial performance of the peers in the media and entertainment industry and certain online streaming platforms for the years ended 30 June 2023 and 30 June 2022, and thus, further cost control measures are expected to be taken by industry participants;
- (c) the intensified market competitions among film and TV production companies in the post-pandemic era, which will further squeeze the revenues and profit margins of film and TV production companies as well as service income earned by artistes management companies;
- (d) the implementation of certain government restrictive rules and regulations such as imposing a cap on the salaries of actors and actresses, a cap on the maximum number of episodes of each TV drama, etc.;
- (e) the review and comparison of the budgets of the Khorgas Group and Wenlan prepared for the years and the actual revenue and profit generated from the Khorgas Group and Wenlan during the years, from which a shortfall from the projected revenue and operating profit was found, preliminarily due to the impact of COVID-19 pandemic and its related restrictive measures for the years ended 30 June 2023 and 30 June 2022, which had resulted in unexpectable interruptions in films and TV productions and artistes' work schedules as stated above;
- (f) the decrease in the revenue and expected decrease in the future revenue of the Khorgas Group and Wenlan due to the current and future challenging macroeconomic environment in the post-pandemic era; and
- (g) the need to adopt a more reasonable approach in evaluating the cashflow to be generated from the Khorgas Group and Wenlan by the adoption of a pre-tax discount rate of 25.6% and 30.01% respectively (30 June 2022: 25.0% and 24.94% respectively) with reference to the use of weighted average costs of capital when the recoverable amount was determined based on value in use calculations.

The above factors were identified close to the end of the years ended 30 June 2023 and 30 June 2022 and were assessed and considered during the course of the preparation of the annual financial information of the Khorgas Group and Wenlan for the years ended 30 June 2023 and 30 June 2022.

The method, basis and key assumptions used in determining the amount of the Impairment and the recoverable amount

The Impairment relied on the assessment based on the discount cash flow method (“DCF”). DCF is adopted because:

- (a) the entire carrying amount of the CGUs was tested for impairment in accordance with the HKAS 36 issued by the HKICPA by comparing its recoverable amount with its carrying amount; and
- (b) the Group adopted the DCF method under the income-based approach in arriving at the value in use. According to the HKAS 36, measuring value in use of an entity should consider an estimate of the future cash flows the entity expects to derive from the CGUs. Therefore, the Company adopted the DCF.

The basis and key assumptions used in the assessment are as follows:

- (a) the Group recognised the impairment loss on goodwill due to the deteriorating economic environment brought by the COVID-19 pandemic in the film and TV series productions, licensing and distribution business as well as artiste management sector;
- (b) the economic downturn and the negative impact of COVID-19 pandemic will be a mid-to-long term issue;
- (c) the intensified market competition among film and TV production companies and artiste management companies in the post-pandemic era and the cost control measures taken by the online streaming platforms and film and TV production companies;
- (d) the interest rate of the banking facilities obtained by the Group for the operation of the Khorgas Group and Wenlan will not decrease substantially in the foreseeable period and hence affecting the discount rate used when adopting the DCF approach; and

- (e) for the impairment testing, the recoverable amount was determined based on value in use calculations which was performed by the management. The cash flow projection of the Khorgas Group was based on financial budgets approved by the management of the Company covering a five-year period and a pre-tax discount rate of 25.6% (30 June 2022: 25.0%). The Group's management prudently estimated that the Khorgas Group's revenue from films and TV series would be decreasing and recognised in the later years of forecast periods after taking into consideration the factors stated in "Circumstances leading to the Impairment" as compared to the previous years' financial budgets. The impairment was also due to the postponement in shootings, post productions and release dates of certain TV dramas to the later years of the forecast periods, although these films and TV dramas were originally planned to complete in the earlier years of the forecast periods. The key assumption includes the future expected cash flows based on management's view of future business prospects and historical performance of the Khorgas Group.

In addition, the cash flow projection of Wenlan was based on financial budgets approved by the management of the Company covering a five-year period and a pre-tax discount rate of 30.01% (30 June 2022: 24.94%). The Group's management estimated that Wenlan's revenue from artiste management business would drop during the forecast periods after taking into consideration the factors stated in "Circumstances leading to the Impairment" as compared to the previous years' financial budgets. Management prudently predicted that there would be no significant revenue growth in the forecast period. The key assumption includes the future expected cash flows based on management's view of future business prospects and historical performance of Wenlan.

Taking into account the above factors and the reasonable approach of adopting the relevant accounting standard and the more suitable discount rate when making cash flow projections, the Board considers that the Impairment is fair and reasonable. Under the current challenging environment of film and TV productions, distribution and licensing business and artiste management business brought by the COVID-19 pandemic, the Group's management will closely monitor the market situations and adjust business strategy timely.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2023, the Group's bank balances and cash amounted to approximately HK\$85.1 million (30 June 2022: approximately HK\$103.5 million), which are denominated mainly in HK\$, United States Dollar ("US\$") and Renminbi ("RMB").

As at 30 June 2023, the Group's total debts, including bank and other borrowings, bonds payable and loans from related companies amounted to approximately HK\$98.3 million, approximately HK\$Nil and approximately HK\$83.4 million, respectively (30 June 2022: approximately HK\$109.1 million, approximately HK\$14.3 million and approximately HK\$40.7 million, respectively). As at 30 June 2023, the gearing ratio, representing the ratio of total debts to total assets, was approximately 19.7% (30 June 2022: approximately 13.0%).

On 16 May 2019, 16 September 2019 and 24 February 2020, the Group and Royston Securities Limited (the "Placing Agent") entered into a placing agreement, pursuant to which the Placing Agent conditionally agreed to procure, on a best efforts basis, places to subscribe in cash for the bonds in an aggregate principal amount of up to HK\$150,000,000 during the placing period. Details of the placing of bonds are set out in the announcements of the Company dated 16 May 2019, 16 September 2019, 24 February 2020 and 21 August 2020 respectively. As at 30 June 2023, the Group's bonds payable amounted to approximately HK\$Nil (31 December 2022: approximately HK\$14.3 million).

As at 30 June 2023, the Group had total non-current assets of approximately HK\$377.0 million (31 December 2022: approximately HK\$601.5 million), net current liabilities of approximately HK\$114.4 million (31 December 2022: net current assets of approximately HK\$62.3 million) and net assets of approximately HK\$167.2 million (31 December 2022: approximately HK\$399.0 million). The current ratio of the Group, representing the ratio of current assets to current liabilities, was approximately 0.83 as at 30 June 2023 (31 December 2022: approximately 1.10).

During the year ended 30 June 2023, the Group mainly funded its liquidity by bank and other borrowings, loans from related companies, and resources generated internally. The Group's financial resources are sufficient to support its business and operations. The Group would also consider other financing activities when appropriate business opportunities arise under favourable market conditions.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 30 June 2023, the Group did not hold any significant investment projects, and there was no material acquisition or disposal of subsidiaries and associates save for the disposal of certain subsidiaries as disclosed in note 20 to the consolidation financial statements in this announcement.

HUMAN RESOURCES

As at 30 June 2023, the Group employed a total of 90 permanent employees (30 June 2022: 140) in Mainland China and Hong Kong. During the year ended 30 June 2023, the total salaries and wages, including the Directors' remuneration and part-time workers' salary, amounted to approximately HK\$32.7 million (30 June 2022: approximately HK\$37.4 million).

The Group offers remuneration packages for employees mainly based on their performances and experiences, and with reference to prevailing industry practices. In addition to enrolling the new employees into the mandatory provident fund scheme in Hong Kong and the State-managed pension scheme in the PRC and making contributions for them on a periodic basis, the Group also provides medical coverage, internal and external training programs and grants share options and discretionary bonuses to employees based on employees' individual performances and the Group's overall performance. The Group reviews the remuneration policies and packages on a regular basis.

CHARGE ON ASSETS

As at 30 June 2023, the Group had bank deposits amounting to approximately HK\$0.7 million (30 June 2022: approximately HK\$0.7 million) that were pledged to banks for the bank guarantee provided to a subsidiary of the Group regarding its due payment under a cinema equipment rental agreement. The Group's bank borrowings of RMB15,000,000 (equivalent to approximately HK\$16,200,000) were secured by pledged bank deposits of HK\$20,000,000. The Group's other bank borrowings of approximately RMB30,000,000 (equivalent to HK\$32,411,000) were secured by pledged bank deposits of RMB20,000,000 (equivalent to HK\$21,600,000) and trade receivables of approximately HK\$15,809,000. In addition, the Group's other borrowings of HK\$24,855,000 were secured by the Group's trade receivables of RMB17,905,000 (equivalent to HK\$19,338,000).

TREASURY POLICY

The Group's business operations were conducted mainly in Mainland China and Hong Kong with transactions principally denominated in HK\$, US\$ and RMB. The monetary assets and liabilities are denominated mainly in HK\$, US\$ and RMB. Apart from HK\$, which is pegged to US\$, any significant exchange rate fluctuations of HK\$ against RMB may have a financial impact on the Group. As the foreign exchange risks arising from sales and purchases can be eliminated against each other, and the fluctuations of RMB during the year had no significant impact on the costs and operations of the Group for the year, the Directors do not foresee significant risk in exchange rate fluctuation. Currently, the Group has not entered into any financial instrument for hedging purposes. However, the Group will closely monitor its overall foreign exchange exposures and interest rate exposures, and consider hedging against the exposures should the need arise.

CAPITAL COMMITMENT

As at 30 June 2022 and 2023, the Group did not have any significant capital commitments.

CONTINGENT LIABILITIES

As at 30 June 2022 and 2023, the Group did not have any significant contingent liabilities.

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 30 June 2023 (30 June 2022: Nil).

OUTLOOK

Looking forward, the Group will continue to focus on the development of film and television production business as well as artiste and celebrity agency business in Mainland China, and will strive to create a pan entertainment ecosystem, integrate upstream and downstream industry chains, and proactively expand various realization channels from downstream industry chains, in a bid to attain its strategic deployment of fusing its strengths and resources. Taking advantages of the ample resources of online collaboration platforms for cultivating new artistes and celebrities, the Group will also proactively explore and develop its self-owned retail brand targeting young consumers to further diversify its revenue base by continuously identifying business opportunities in the film, television and entertainment markets from the four aspects including online streaming, short videos, celebrity cultivation and traffic monetization.

The Group is currently in preparation of a number of projects, including an urban mystery TV series “Frozen Surface” and a costume romantic mystery drama “Holding my Koi Husband”. With the good viewing performance and online popularity of the work, the Group plans to create a self-developed multi-season variety show brand by producing the fifth season of “I Love You, Me Too”. In addition, the Group will proceed to the development and production of a series of highly popular copyrighted works, such as “The Ideal City 2”, “Love Destiny”, “Wishful Egg”, “Romance in the City”, “Queen of the Sea”, “Locard’s Theory”, etc.

As an enterprise with diversified development having a focus on film, television and variety show content creation and production with the spirit of business value “Enabling”, the Group will make good use of the combined resources of scriptwriters, directors and celebrities to cultivate, explore and create popular films and television copyrights by continuously offering quality content and nurturing talented artistes in order to develop its self-owned full industry chain model and build up a unique soft power, thereby continuously enhancing profitability, sharpening competitive edges in the industry and generating favorable long term returns for the Shareholders.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 30 June 2023.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices. The Company complied with all the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) throughout the year ended 30 June 2023.

The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements and to meet the rising expectations of the Company’s shareholders and investors.

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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 Appendix 10 of the Listing Rules. Having made specific enquires, all Directors have confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the year ended 30 June 2023.

EVENTS AFTER REPORTING PERIOD

Save for the event after reporting period as disclosed in Note 21, no significant events have taken place subsequent to 30 June 2023 and up to the date of this announcement.

AUDIT COMMITTEE

The Audit Committee of the Company (the “Audit Committee”) has three members comprising three independent non-executive Directors, namely Mr. Chang Eric Jackson (Chairman of the Audit Committee), Mr. Wang Bo and Mr. Xiang Feng, with written terms of reference in compliance with the Rules 3.21 to 3.23 of the Listing Rules and the CG Code. The primary duties of the Audit Committee are mainly to communicate with external auditors; to review the remuneration, terms of engagement, independency and objectivity of the external auditors; to review the accounting policy, financial position and financial reporting procedures of the Company; and to review and assess the financial reporting, risk management and internal control systems of the Company and making recommendation thereof. The final results of the Group for the year ended 30 June 2023 have been reviewed by the Audit Committee and a meeting of the Audit Committee has been held with the Company’s auditor for reviewing the final results of the Group for the year ended 30 June 2023.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 June 2023 as set out in this preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 27 September 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting (“AGM”) of the Company will be held on Friday, 24 November 2023 at 3:00 p.m. The register of members of the Company will be closed from Tuesday, 21 November 2023 to Friday, 24 November 2023, both days inclusive. In order to ascertain Shareholders’ eligibility to attend and vote at the forthcoming AGM, all transfer documents, accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Monday, 20 November 2023.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The final results announcement is published on the websites of the Company (www.transmit-ent.com) and the Stock Exchange (www.hkexnews.hk). The Annual Report 2022/23 will be dispatched to the Shareholders in due course.

APPRECIATION

Lastly, I would like to thank all the staff and the management team for their hard work during the year ended 30 June 2023. I would also like to express heartfelt gratitude on behalf of the Group to all of our customers and suppliers, and wish for their continuous support in the future. We will keep working closely with the Shareholders and our employees to steer the Group to a more modernised and sophisticated level of operation, through which we aspire to turn to a new chapter in the Group's development.

On behalf of the Board
Transmit Entertainment Limited
Zhang Liang, Johnson
Chairman and Executive Director

Hong Kong, 27 September 2023

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.