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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)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2023**

#### **FINANCIAL HIGHLIGHTS**

- For the six months ended 31 December 2023 (the “Period under Review”), the Group recorded revenue of approximately HK\$69.7 million, representing a decrease of approximately HK\$8.1 million or 10.4% as compared to the corresponding period last year.
- The TV series production and distribution and pan entertainment segments recorded a total revenue of approximately HK\$39.5 million for the Period under Review, representing a decrease of approximately 7.5% as compared to the corresponding period last year. The Group’s proportion of revenue from Mainland China was approximately 56.7%, with Mainland China continuing to be the major source of revenue for the Group.
- The Group recorded a loss attributable to owners of the Company of approximately HK\$23.7 million for the Period under Review, as compared to a loss of approximately HK\$16.9 million for the corresponding period last year. This was primarily due to (i) the adverse impact of post-pandemic restoration period of the industry, which led to delays in the productions of the Group’s TV series and the artiste work schedules, resulting in the failure of completion of shooting or delivery of new TV series and variety shows in the Period under Review; and (ii) the Company recognised impairment losses of intangible assets amounting to approximately HK\$12.1 million during the Period under Review, considering the current market condition, the intensified competitions in the post-pandemic era and the uncertainty of the future.
- The Board does not recommend the payment of any interim dividend for the Period under Review.

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

The board of directors (the “Board”) of Transmit Entertainment Limited (the “Company”) is pleased to announce the unaudited results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31 December 2023 (the “Period under Review”) together with the comparative unaudited figures for the corresponding period in 2022 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 31 December 2023*

		<b>Six months ended</b>	
		<b>31 December</b>	
		<b>2023</b>	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(unaudited)</b>	(unaudited)
<b>Revenue</b>	3	<b>69,695</b>	77,775
Cost of sales		<u>(52,462)</u>	<u>(41,643)</u>
<b>Gross profit</b>		<b>17,233</b>	36,132
Other gains and losses	5	<b>(12,088)</b>	14,500
Other income	5	<b>35,248</b>	26,559
Selling and distribution expenses		<b>(35,829)</b>	(37,396)
Administrative expenses		<b>(26,006)</b>	(39,937)
Fair value change on purchased call option		–	(1,344)
Impairment losses reversed under expected credit loss model, net		<b>396</b>	1,828
Fair value change on contingent consideration payable		<b>(4,366)</b>	(4,332)
Finance costs	6	<u>(6,779)</u>	<u>(9,341)</u>
<b>Loss before tax</b>		<b>(32,191)</b>	(13,331)
Income tax credit (expense)	7	<u>4,566</u>	<u>(81)</u>
<b>Loss for the period</b>	8	<u>(27,625)</u>	<u>(13,412)</u>

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2023</b>	<b>2022</b>
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Other comprehensive income (expense) for the period</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange difference arising on translation of foreign operations	<b>3,321</b>	(13,540)
Reclassification of the cumulative gain included in profit or loss upon disposal of foreign operations	<u>–</u>	<u>(830)</u>
	<u><b>3,321</b></u>	<u>(14,370)</u>
<b>Total comprehensive expense for the period</b>	<u><b>(24,304)</b></u>	<u>(27,782)</u>
<b>(Loss) profit for the period attributable to:</b>		
– Owners of the Company	<b>(23,660)</b>	(16,885)
– Non-controlling interests	<u><b>(3,965)</b></u>	<u>3,473</u>
	<u><b>(27,625)</b></u>	<u>(13,412)</u>
<b>Total comprehensive (expense) income for the period attributable to:</b>		
– Owners of the Company	<b>(21,260)</b>	(30,475)
– Non-controlling interests	<u><b>(3,044)</b></u>	<u>2,693</u>
	<u><b>(24,304)</b></u>	<u>(27,782)</u>
<b>Loss per share</b>	<i>10</i>	
Basic (HK cents)	<u><b>(0.91)</b></u>	<u>(0.65)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2023*

		31 December 2023	30 June 2023
	<i>Notes</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
<b>Non-current assets</b>			
Property, plant and equipment		889	1,144
Right-of-use assets		36,207	63,881
Goodwill	<i>11</i>	250,276	245,725
Intangible assets	<i>12</i>	28,878	48,840
Rental deposits		–	17,450
		316,250	377,040
<b>Current assets</b>			
Film rights and television series production in progress	<i>13</i>	358,822	322,060
Trade and other receivables	<i>14</i>	75,940	84,715
Rental deposits		18,272	–
Financial assets at fair value through profit or loss		6,632	10,850
Restricted bank balances		5,345	520
Pledged bank deposits		20,672	42,271
Bank balances and cash		71,424	85,108
		557,107	545,524

		<b>31 December</b>	30 June
		<b>2023</b>	2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(unaudited)</b>	<b>(audited)</b>
<b>Current liabilities</b>			
Trade and other payables	<i>15</i>	<b>187,817</b>	190,071
Contract liabilities	<i>15</i>	<b>170,623</b>	138,364
Tax payable		<b>12,471</b>	17,070
Bank and other borrowings	<i>16</i>	<b>53,563</b>	98,306
Loans from related companies	<i>17</i>	<b>36,857</b>	9,224
Contingent consideration payable		<b>132,627</b>	125,850
Lease liabilities		<b>46,966</b>	81,039
		<u><b>640,924</b></u>	<u>659,924</u>
<b>Net current liabilities</b>		<u><b>(83,817)</b></u>	<u>(114,400)</u>
<b>Total assets less current liabilities</b>		<u><b>232,433</b></u>	<u>262,640</u>
<b>Non-current liabilities</b>			
Loans from related companies	<i>17</i>	<b>73,237</b>	74,160
Deferred tax liabilities		<b>7,220</b>	12,210
Lease liabilities		<b>3,099</b>	9,089
		<u><b>83,556</b></u>	<u>95,459</u>
<b>Net assets</b>		<u><b>148,877</b></u>	<u>167,181</u>
<b>Capital and reserves</b>			
Share capital	<i>18</i>	<b>6,489</b>	6,489
Reserves		<b>(362,036)</b>	(340,776)
<b>Deficit in shareholders' equity</b>		<b>(355,547)</b>	(334,287)
<b>Perpetual bonds</b>		<b>454,062</b>	448,062
<b>Non-controlling interests</b>		<b>50,362</b>	53,406
<b>Total equity</b>		<u><b>148,877</b></u>	<u>167,181</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 31 December 2023*

	Attributable to owners of the Company						Perpetual bonds	Non- controlling interests	Total
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i> <i>(Note i)</i>	Exchange reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>			
At 1 July 2022	<u>6,489</u>	<u>521,046</u>	<u>2,581</u>	<u>13,958</u>	<u>(665,759)</u>	<u>(121,685)</u>	<u>464,612</u>	<u>56,100</u>	<u>399,027</u>
(Loss) profit for the period	-	-	-	-	(16,885)	(16,885)	-	3,473	(13,412)
Exchange difference arising on translation of foreign operations	-	-	-	(12,760)	-	(12,760)	-	(780)	(13,540)
Reclassification of the cumulative gain included in profit or loss upon disposal of foreign operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>(830)</u>	<u>-</u>	<u>(830)</u>	<u>-</u>	<u>-</u>	<u>(830)</u>
Total comprehensive (expense) income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,590)</u>	<u>(16,885)</u>	<u>(30,475)</u>	<u>-</u>	<u>2,693</u>	<u>(27,782)</u>
At 31 December 2022 (unaudited)	<u>6,489</u>	<u>521,046</u>	<u>2,581</u>	<u>368</u>	<u>(682,644)</u>	<u>(152,160)</u>	<u>464,612</u>	<u>58,793</u>	<u>371,245</u>
At 1 July 2023	<u>6,489</u>	<u>521,046</u>	<u>2,581</u>	<u>(11,724)</u>	<u>(852,679)</u>	<u>(334,287)</u>	<u>448,062</u>	<u>53,406</u>	<u>167,181</u>
Loss for the period	-	-	-	-	(23,660)	(23,660)	-	(3,965)	(27,625)
Exchange difference arising on translation of foreign operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,400</u>	<u>-</u>	<u>2,400</u>	<u>-</u>	<u>921</u>	<u>3,321</u>
Total comprehensive income (expense) for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,400</u>	<u>(23,660)</u>	<u>(21,260)</u>	<u>-</u>	<u>(3,044)</u>	<u>(24,304)</u>
Issuance of perpetual bonds <i>(Note ii)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,000</u>	<u>-</u>	<u>6,000</u>
At 31 December 2023 (unaudited)	<u>6,489</u>	<u>521,046</u>	<u>2,581</u>	<u>(9,324)</u>	<u>(876,339)</u>	<u>(355,547)</u>	<u>454,062</u>	<u>50,362</u>	<u>148,877</u>

*Notes:*

- (i) Other reserve of HK\$10,000 represented the difference between the aggregate nominal value of the respective share capital of the companies now comprising the subsidiaries of Transmit Entertainment Limited (the “Company”) over the nominal value of the shares of the Company issued pursuant to the group reorganisation completed on 5 October 2012 to rationalise the structure of the Company and its subsidiaries (collectively referred to as the “Group”) in preparation for the listing of the Company’s shares on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Other reserve of HK\$11,838,000 represented an initial fair value adjustments of loan advances from Mr. Zhang Liang, Johnson (“Mr. Zhang”), the controlling shareholder of the Company, and Guangzhou Puji Real Estate Agency Co. Limited (“Guangzhou Puji”), a company in which Mr. Zhang has controlling interest, which were unsecured, interest-free and each repayable in July 2022 and February 2023 respectively. Such fair value adjustments measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates were considered as deemed contribution from the controlling shareholder.

In July 2021, loans from Guangzhou Puji and Mr. Zhang were repaid by issue of perpetual bonds. The difference amounting to HK\$9,267,000 between the fair value of perpetual bonds issued and the carrying amounts of loans derecognised was recognised against the above deemed contribution from the controlling shareholder.

- (ii) On 7 September 2023, the Company issued perpetual bonds amounting to HK\$6,000,000 to Mr. Zhang. 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 will not declare or pay any interests or redeem, reduce, cancel or buy back or otherwise acquire any of the Company’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 by the Group.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2023

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange.

As at 31 December 2023, the Group had net current liabilities of HK\$83,817,000. 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 and remaining loan facility granted by a related company amounting to RMB39,000,000 (equivalent to HK\$42,900,000). 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 condensed financial statements of the Group on a going concern basis.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

Other than additional /change in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2023 are the same as those presented in the Group’s annual financial statements for the year ended 30 June 2023.

### Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 July 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two Model Rules

Except as described below, the application of the new and amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

*Impacts and changes in accounting policies on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

The Group previously applied the HKAS 12 requirements to assets and liabilities arising from a single transaction as a whole and temporary differences relating to the relevant assets and liabilities were assessed on a net basis. Upon the application of the amendments, the Group assessed the relevant assets and liabilities separately. In accordance with the transition provision:

- (i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 July 2022;
- (ii) the Group also, as at 1 July 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance, except that the Group discloses the related deferred tax liabilities of HK\$19,131,000 and deferred tax assets of HK\$19,131,000 on a gross basis in the notes but it has no impact on the accumulated losses at the earliest period presented.

### 3. REVENUE

#### Disaggregation of revenue from contracts with customers

	Six months ended	
	2023	2022
	HK\$'000	HK\$'000
Television (“TV”) series production and distribution income	7,584	2,855
Film exhibition income	30,150	35,012
Pan entertainment income	31,961	39,908
Total	<u>69,695</u>	<u>77,775</u>
<b>Timing of revenue recognition</b>		
At a point in time	55,268	64,264
Over time	14,427	13,511
Total	<u>69,695</u>	<u>77,775</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 been passed.

c. *Pan entertainment*

Income from pan entertainment services includes income from 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 *Revenue from Contracts with Customers*, 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 reportable and operating 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 2. Segment (loss) profit 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 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 six months ended 31 December 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>7,584</u>	<u>30,150</u>	<u>31,961</u>	<u>69,695</u>
Segment (loss) profit	<u>(16,624)</u>	<u>13,090</u>	<u>(13,817)</u>	<u>(17,351)</u>
Head office and corporate expenses				(5,848)
Fair value change on contingent consideration payable				(4,366)
Unallocated finance costs				<u>(4,626)</u>
Loss before tax				<u>(32,191)</u>

*For the six months ended 31 December 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>2,855</u>	<u>35,012</u>	<u>39,908</u>	<u>77,775</u>
Segment (loss) profit	<u>(23,110)</u>	<u>(823)</u>	<u>9,417</u>	<u>(14,516)</u>
Head office and corporate expenses				(5,694)
Fair value change on contingent consideration payable				(4,332)
Unallocated finance costs				(1,625)
Fair value change on purchased call option				(1,344)
Gain on disposal of subsidiaries				<u>14,180</u>
Loss before tax				<u>(13,331)</u>

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

## 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:

	Six months ended	
	31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	<b>30,150</b>	35,012
Mainland, the People's Republic of China (the "PRC")	<b>39,545</b>	42,763
	<b>69,695</b>	77,775

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

	31 December	30 June
	2023	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Mainland, the PRC	<b>285,312</b>	301,947
Hong Kong	<b>30,938</b>	57,643
	<b>316,250</b>	359,590

## 5. OTHER GAINS AND LOSSES AND OTHER INCOME

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
<b>Other gains and losses</b>		
Gain on disposal of subsidiaries ( <i>note 19</i> )	–	14,180
Impairment losses recognised on intangible assets ( <i>note 12</i> )	<b>(12,088)</b>	–
Gain on disposal of property, plant and equipment	–	2
Loss on disposal of right-of-use assets	–	(39)
Gain on modification of financial liabilities	–	1,614
Net foreign exchange losses	–	(1,257)
	<u>(12,088)</u>	<u>14,500</u>
<b>Other income</b>		
Cinema operation right income ( <i>note ii</i> )	<b>17,529</b>	18,676
Handling service income	<b>621</b>	833
Interest income from bank balances and loan to a related party	<b>124</b>	353
Government subsidy received ( <i>note i</i> )	<b>603</b>	1,917
Cinema promotion income	<b>1,149</b>	1,931
Coupon sales income from film producers	<b>244</b>	201
Others	<b>14,978</b>	2,648
	<u>35,248</u>	<u>26,559</u>

### Notes:

- i. 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.
- 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.

## 6. FINANCE COSTS

	Six months ended	
	31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expenses on:		
Loans from related companies	2,012	1,351
Lease liabilities	2,140	4,323
Bank and other borrowings	2,627	3,393
Bonds payable	–	274
	<u>6,779</u>	<u>9,341</u>

## 7. INCOME TAX (CREDIT) EXPENSE

	Six months ended	
	31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax: PRC Enterprise Income Tax (“EIT”)	610	2,316
Deferred tax	<u>(5,176)</u>	<u>(2,235)</u>
Income tax (credit) expense	<u>(4,566)</u>	<u>81</u>

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

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 periods.

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

## 8. LOSS FOR THE PERIOD

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Loss for the period has been arrived at after charging:		
Directors' emoluments	<b>1,797</b>	1,907
Other staff costs	<b>8,900</b>	14,023
Retirement benefit scheme contributions, excluding those of the directors	<b>826</b>	1,864
	<u><b>11,523</b></u>	<u>17,794</u>
Auditors' remuneration	<b>1,120</b>	1,120
Depreciation of property, plant and equipment	<b>272</b>	335
Depreciation of right-of-use assets	<b>27,770</b>	27,595
Amortisation of intangible assets	<b>8,619</b>	8,938
Impairment losses recognised on intangible assets	<b>12,088</b>	–
Short-term lease expenses for premises	<b>486</b>	450
Cost of scriptwriters for television series production	<b>10,342</b>	10,593
Cost of services provided for television series production	<b>8,458</b>	379
Cost of services provided for film exhibition	<b>12,888</b>	15,980
Cost of artiste and internet celebrity agency business	<b>20,774</b>	14,691

## 9. DIVIDEND

The Directors resolved not to declare any interim dividend for both periods.

## 10. LOSS PER SHARE

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

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Loss</b>		
Loss for the period attributable to owners of the Company		
for the purpose of basic loss per share	<u>(23,660)</u>	<u>(16,885)</u>
	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2023</b>	<b>2022</b>
<b>Number of shares</b>		
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 is presented as the Company has no potential ordinary shares in issue during both periods.

## 11. GOODWILL AND IMPAIRMENT ASSESSMENT

For the purpose of impairment testing, goodwill has been allocated to the cash generating units (“CGUs”), 霍爾果斯厚海文化傳媒有限公司 (Khorgas Houhai Culture Media Company Limited (“Khorgas Houhai”)) and its subsidiaries (collectively known as the “Khorgas Group”). During the six months ended 31 December 2023, no impairment loss has been recognised in profit or loss (six months ended 31 December 2022: nil).

### **Khorgas Group**

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% (30 June 2023: 25.6%) per annum as at 31 December 2023. Cash flows beyond the 5-year are extrapolated using a steady expected inflation rate of 2.0% (30 June 2023: 2.0%) per annum. Other key assumptions for the value in use calculation relate to the estimation of cash inflows/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.

As at 31 December 2023, the carrying amount of goodwill related to Khorgas Group is HK\$250,276,000 (30 June 2023: HK\$245,725,000).

## 12. IMPAIRMENT OF INTANGIBLE ASSETS

The intangible asset is a six-year agency contract associated with Ms. Yang Chaoyue, a famous artiste in the PRC, which is held by 聞瀾(上海)文化傳媒有限公司 (Wenlan (Shanghai) Culture Communication Co., Ltd) (“Wenlan”), a non-wholly owned subsidiary acquired by the Group on 12 March 2020. The revenue and operating profit of Wenlan for the current period did not meet those budgeted, so the management of the Group assessed the recoverable amount of the cash generating unit to which the intangible assets belongs. As at 31 December 2023, the estimated recoverable amount of the cash generating unit was below its carrying amount. Accordingly the Group recognised an impairment loss on intangible assets amounting to HK\$12,088,000 during the six months ended 31 December 2023 (six months ended 31 December 2022: nil).

## 13. FILM RIGHTS AND TELEVISION SERIES PRODUCTION IN PROGRESS

	<b>Film rights HK\$'000</b>	<b>Television series production in progress HK\$'000</b>
<b>COST</b>		
At 1 July 2022	776,062	367,297
Additions	–	43,847
Transfer upon completion and sold	–	(10,631)
Disposal of subsidiaries	(776,062)	–
Exchange adjustments	–	(26,310)
	<hr/>	<hr/>
At 30 June 2023	–	374,203
Additions	–	30,238
Exchange adjustments	–	6,751
	<hr/>	<hr/>
At 31 December 2023	–	411,192
	<hr/>	<hr/>
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT</b>		
At 1 July 2022	776,062	39,875
Additions	–	12,722
Disposal of subsidiaries	(776,062)	–
Exchange adjustments	–	(454)
	<hr/>	<hr/>
At 30 June 2023	–	52,143
Exchange adjustments	–	227
	<hr/>	<hr/>
At 31 December 2023	–	52,370
	<hr/>	<hr/>
<b>CARRYING AMOUNTS</b>		
At 31 December 2023 (unaudited)	–	358,822
	<hr/>	<hr/>
At 30 June 2023 (audited)	–	322,060
	<hr/>	<hr/>

No impairment loss was recognised on television series production in progress in the current period. During the year ended 30 June 2023, an impairment loss of HK\$12,722,000 was recognised on television series production in progress.

#### 14. TRADE AND OTHER RECEIVABLES

	<b>31 December 2023 HK\$'000</b>	30 June 2023 HK\$'000
Trade receivables	10,357	31,722
Less: Allowance for expected credit losses	<u>(211)</u>	<u>(1,109)</u>
	<b>10,146</b>	<b>30,613</b>
Other receivables, deposits and prepayments	33,610	14,603
Other receivable from TV series	24,009	22,162
Less: Allowance for expected credit losses	<u>(984)</u>	<u>(482)</u>
	<b>56,635</b>	<b>36,283</b>
Investment in film and TV series producers at fair value through profit or loss ("FVTPL") (note i)	2,009	10,613
Prepayment for artiste management agency and scriptwriters	–	1,080
Other deposits and prepayments for cinema operation	1,014	288
Other tax recoverable	<u>6,136</u>	<u>5,838</u>
	<b>75,940</b>	<b>84,715</b>

*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:

	<b>31 December 2023 HK\$'000</b>	30 June 2023 HK\$'000
Trade receivables:		
0 – 30 days	4,219	8,170
31 – 60 days	328	354
61 – 90 days	411	198
91 – 180 days	534	70
181 – 365 days	1,773	2,267
Over one year	<u>2,881</u>	<u>19,554</u>
	<b>10,146</b>	<b>30,613</b>

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 Hong Kong and Mainland, the PRC is 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 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$5,188,000 (30 June 2023: HK\$21,891,000) which are past due as at the reporting date. Out of the past due balances, HK\$4,654,000 (30 June 2023: HK\$21,821,000) 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/CONTRACT LIABILITIES

	<b>31 December</b>	30 June
	<b>2023</b>	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	<b>39,630</b>	43,587
Other payables and accruals	<b>81,204</b>	85,039
Advances from former shareholder of subsidiaries acquired ( <i>note i</i> )	<b>36,168</b>	34,430
Provision for arbitration ( <i>note ii</i> )	<b>10,898</b>	10,700
Accrued services fee for TV series production ( <i>note iii</i> )	<b>19,917</b>	9,835
Investment funds from investors at FVTPL ( <i>note iv</i> )	<u>–</u>	<u>6,480</u>
	<b><u>187,817</u></b>	<b><u>190,071</u></b>
Contract liabilities ( <i>note v</i> )	<b><u>170,623</u></b>	<b><u>138,364</u></b>

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:

	<b>31 December</b>	30 June
	<b>2023</b>	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 60 days	<b>9,109</b>	16,343
Within 61 to 90 days	<b>1,211</b>	1,938
Within 91 to 365 days	<b>5,224</b>	1,881
Over 365 days	<u><b>24,086</b></u>	<u>23,425</u>
	<b><u>39,630</u></b>	<b><u>43,587</u></b>

*Notes:*

- (i) Advances from former shareholder of subsidiaries acquired are non-trade related, unsecured, interest-free and repayable on demand.
- (ii) The amounts represented the provision in respect of the arbitral award against Guangzhou Daide Management Consultancy Company Limited, a wholly-owned subsidiary of the Company, from a former shareholder of Khorgas Houhai in relation to a claim of its portion of contingent consideration payable, after taking into account legal advice.
- (iii) The amounts represented the accrued services fee payable to scriptwriters of TV series production.
- (iv) 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, amount of which has been settled to investors during current period.
- (v) Deposits are received by the Group as the instalments of the PRC TV series production in progress and advances of distribution income received from distributors prior to release and delivery of TV series program. Payment terms are negotiated on a case-by-case basis. When the Group receives certain percentage of deposits as an advance payment upon signing the contract, this will give rise to contract liabilities at the start of a contract, until the revenue is recognised upon the relevant performance obligation is fulfilled.

**16. BANK AND OTHER BORROWINGS**

	<b>31 December 2023 HK\$'000</b>	30 June 2023 HK\$'000
Bank borrowings:		
Fixed-rate, secured and guaranteed ( <i>note i</i> )	–	32,411
Fixed-rate, unsecured and guaranteed ( <i>note ii</i> )	<b>3,300</b>	19,440
Variable-rate, secured and guaranteed ( <i>note iii</i> )	<b>16,500</b>	16,200
Variable-rate, unsecured and guaranteed	<b>4,400</b>	5,400
	<b>24,200</b>	73,451
Other borrowings ( <i>note iv</i> )	<b>29,363</b>	24,855
	<b>53,563</b>	98,306

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

	<b>31 December 2023 HK\$'000</b>	30 June 2023 HK\$'000
Carrying amount repayable (based on scheduled repayment terms):		
Within one year or on demand	<b>53,563</b>	98,306
Less: Amounts due shown under current liabilities:		
On demand or due within one year	<b>(53,563)</b>	(98,306)
	<u>                    </u>	<u>                    </u>
Amounts due after one year	<u>                    </u>	<u>                    </u>

*Notes:*

- (i) During the six months ended 31 December 2023, the Group did not obtain new fixed rate and secured bank borrowings (six months ended 31 December 2022: HK\$33,911,000) and repaid bank borrowings of HK\$32,411,000 (six months ended 31 December 2022: HK\$16,950,000). As at 30 June 2023, the bank borrowings were secured by bank deposits of HK\$21,600,000, trade receivables amounting to approximately HK\$15,809,000 and guaranteed by two directors of the Company.
- (ii) During the six months ended 31 December 2023, the Group did not obtain new fixed rate and guaranteed bank borrowings (six months ended 31 December 2022: HK\$16,950,000) and repaid bank borrowings of HK\$16,200,000 (six months ended 31 December 2022: HK\$11,300,000). The amount of RMB3,000,000 (equivalent to HK\$3,300,000) (30 June 2023: RMB8,000,000 (equivalent to HK\$ 8,640,000)) bank borrowing is guaranteed by an insurance company in the PRC as at 31 December 2023. In addition, as at 30 June 2023, RMB10,000,000 (equivalent to HK\$10,800,000)) bank borrowing was guaranteed by an insurance company in the PRC, a director of the Company and two subsidiaries of the Group.
- (iii) During the six months ended 31 December 2022, the Group obtained new variable-rate and secured bank borrowings of HK\$16,950,000 (six months ended 31 December 2023: nil) and repaid bank borrowings of HK\$14,690,000 (six months ended 31 December 2023: 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 (30 June 2023: HK\$20,000,000) as at 31 December 2023.
- (iv) Other borrowings represented a loan from a third party company, bearing interest at 15% per annum. During the six months ended 31 December 2023, Khorgas Houhai obtained the loan of RMB2,000,000 (equivalent to HK\$2,160,000) (six months ended 31 December 2022: nil) from a third party company and the maturity date was 25 September 2023. The maturity date of remaining loans of RMB24,645,000 (equivalent to HK\$27,109,000) was 31 December 2023 and all other borrowings were in default as at 31 December 2023 and repayable on demand.

## 17. LOANS FROM RELATED COMPANIES

	<b>31 December</b>	30 June
	<b>2023</b>	2023
	<b>HK\$'000</b>	<b>HK\$'000</b>
Loans from related companies		
– Loan 1 ( <i>note i</i> )	<b>9,395</b>	9,224
– Loan 2 ( <i>note ii</i> )	<b>26,844</b>	25,599
– Loan 3 ( <i>note iii</i> )	<b>27,462</b>	26,393
– Loan 4 ( <i>note iv</i> )	<b>46,393</b>	22,168
	<b>110,094</b>	83,384
Analysed as:		
Current liabilities	<b>36,857</b>	9,224
Non-current liabilities	<b>73,237</b>	74,160
	<b>110,094</b>	83,384

### Notes:

- (i) The balance represents interest payables of RMB8,541,000 (equivalent to HK\$9,395,000) (30 June 2023: RMB8,541,000 (equivalent to HK\$9,224,000)) as at 31 December 2023.
- (ii) The balance represents a loan of RMB18,954,000 (equivalent to HK\$20,864,000) (30 June 2023: RMB18,954,000 (equivalent to HK\$20,470,000)) plus accrued interest of RMB5,437,000 (equivalent to HK\$5,980,000) (30 June 2023: RMB4,749,000 (equivalent to HK\$5,129,000)) from Guangzhou Puji as at 31 December 2023. The loan advance is unsecured and interest-bearing at 7.00% per annum. In December 2022, the maturity date of the loan was extended to July 2025.
- (iii) The balance represents loan of RMB10,500,000 (equivalent to HK\$11,550,000) (30 June 2023: RMB10,500,000 (equivalent to HK\$11,340,000)) and loan of RMB13,000,000 (equivalent to HK\$14,300,000) (30 June 2023: RMB13,000,000 (equivalent to HK\$14,040,000)) plus accrued interest of RMB704,000 (equivalent to HK\$775,000) (30 June 2023: RMB469,000 (equivalent to HK\$506,000)) and RMB761,000 (equivalent to HK\$837,000) (30 June 2023: RMB470,000 (equivalent to HK\$507,000)) from Guangzhou Puji as at 31 December 2023. The loan advances are unsecured and 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\$16,500,000) (30 June 2023: RMB15,000,000 (equivalent to HK\$16,200,000)), loan of RMB750,000 (equivalent to HK\$825,000) (30 June 2023: RMB750,000 (equivalent to HK\$810,000)), loan of RMB880,000 (equivalent to HK\$968,000) (30 June 2023: RMB880,000 (equivalent to HK\$950,000)), loan of RMB3,616,000 (equivalent to HK\$3,978,000) (30 June 2023: RMB3,616,000 (equivalent to HK\$3,906,000)) and loan of RMB21,000,000 (equivalent to HK\$23,100,000) (30 June 2023: nil), plus accrued interest of RMB929,000 (equivalent to HK\$1,022,000) (30 June 2023: RMB280,000 (equivalent to HK\$302,000)) from Guangzhou Puji as at 31 December 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 HK\$'000
Ordinary shares of HK\$0.0025 each:		
<b>Authorised:</b>		
At 1 July 2022, 30 June 2023 (audited) and 31 December 2023 (unaudited)	<u>32,000,000,000</u>	<u>80,000</u>
<b>Issued and fully paid:</b>		
At 1 July 2022, 30 June 2023 (audited) and 31 December 2023 (unaudited)	<u>2,595,613,733</u>	<u>6,489</u>

## 19. DISPOSAL OF SUBSIDIARIES

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 interest 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 were passed to the acquirer. A gain on disposal of subsidiaries amounting to HK\$14,180,000 was recognised to profit or loss during the six months ended 31 December 2022.

## 20. RELATED PARTY TRANSACTIONS AND MAJOR NON-CASH TRANSACTIONS

### (I) Transactions

Apart from the balances with related parties as disclosed in note 19, during the current interim period, the Group also entered into the following transactions with related parties:

Name of related parties	Notes	Nature of transaction	Six months ended	
			31 December 2023 HK\$'000	2022 HK\$'000
Guangzhou Puji	(a)	Interest expenses	2,012	1,351
Skynova International Limited ("Skynova")	(b)	Interest income	<u>–</u>	<u>135</u>

Notes:

- (a) The amounts represented the interest expenses for the loan advances to the Group from Guangzhou Puji.
- (b) The amounts represented the interest income for the loan provides to Skynova which are beneficially owned by Mr. Zhang.

**(II) Compensation of key management personnel**

The remuneration of directors and other key management personnel of the Group during the period was as follows:

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Salaries and other allowances	<b>3,351</b>	4,401
Retirement benefit scheme contributions	<b>300</b>	352
	<b><u>3,651</u></b>	<b><u>4,753</u></b>

The remuneration of directors and other key management personnel is determined by the remuneration committee of the Company having regard to the performance of individuals and market trends.

**(III) Major non-cash transactions**

During the six month period ended 31 December 2022, the Group entered into a new lease agreement with lease terms of 5 years. On lease commencement date, the Group recognized right-of-use of assets of HK\$3,404,000 and lease liabilities of HK\$3,404,000.

## **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. For the six months ended 31 December 2023 (the “Period under Review”), the Group further advanced its brand diversification development strategy. The Group’s proportion of revenue from Mainland China was approximately 56.7%, with Mainland China continuing to be the major source of revenue for the Group.

### **TV series and variety show production and distribution**

Keeping up with the development of the industry and the entertainment tastes of young viewers, the Group has continued to focus on developing and producing quality contents for TV series and variety shows, while actively exploring innovative business models such as web series, online movies and short videos. During the Period under Review, TV series and variety show production and distribution business remained as the core business of the Group, recording revenue of approximately HK\$7.6 million, primarily contributed by the income from TV series production and distribution business.

### **Film Exhibition**

The film exhibition revenue of the Group during the Period under Review was approximately HK\$30.2 million, representing a decrease of approximately 13.9% as compared to the corresponding period last year, mainly due to the consumer sentiment of Hong Kong film industry was in the doldrums during the Period under Review, resulting in a weaker-than-expected Christmas box office.

### **Pan entertainment and other business**

The Group continued to improve its industry chain and broaden its revenue base, and its artistes and internet celebrities continued to be more influential in market segments. During the Period under Review, the Group’s artistes starred in many TV series and movies, and participated in many endorsement activities. Among which, Yang Chaoyue starred in the TV series “Born to Run” (如果奔跑是我的人生), the TV series “The Double” (墨雨雲間), the variety show “2023 Unknown Game” (超機智青年大會) and the variety show “As You Wish: Love You Seven Times” (100萬個約定之七時吉祥), etc.

During the Period under Review, the Group's pan entertainment and other businesses recorded revenue of approximately HK\$32.0 million in total, representing a decrease of approximately 19.9% as compared to approximately HK\$39.9 million for the corresponding period last year. This business segment recorded a loss of approximately HK\$13.8 million during the Period under Review (six months ended 31 December 2022: a profit of approximately HK\$9.4 million).

## **OUTLOOK**

Looking forward, the Group will continue to focus on the development of film and TV series production business as well as artiste and internet celebrity agency business in Mainland China, and strives to create a pan entertainment ecosystem and integrate upstream and downstream industry chains, while proactively expanding various realization channels from the 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 platforms, the Group will continue to focus on producing quality film and TV series content, while actively diversify the revenue base by continuously identifying business opportunities in relation to TV and movie entertainment consumption on four aspects including online stream, short videos, internet 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", "Queen of the Sea", "Locard's Theory", etc.

As a diverse development enterprise focusing 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 moat of soft power, thereby continuously enhancing profitability, sharpening competitive edges in the industry and generating favorable returns for the shareholders of the Company (the "Shareholders").

## **FINANCIAL REVIEW**

### **Revenue and gross profit**

Revenue of the Group during the Period under Review amounted to approximately 69.7million, representing a decrease of approximately HK\$8.1 million or approximately 10.4% as compared to the corresponding period last year, mainly contributed by the revenue from the pan entertainment and other segments and the film exhibition segment of approximately HK\$32.0 million and HK\$30.2 million, respectively.

For the TV series production and distribution segment, the revenue that the Group recorded during the Period under Review was mainly generated from the income from TV series production and distribution business. For the film exhibition segment, the film exhibition revenue of the Group during the Period under Review was approximately HK\$30.2 million, representing a decrease of approximately 13.9% as compared to the corresponding period last year, mainly due to the consumer sentiment of Hong Kong film industry was in the doldrums during the Period under Review, resulting in a weaker-than-expected Christmas box office. For the pan entertainment and other segments, the Group recorded a revenue of approximately HK\$32.0 million mainly derived from artiste management services during the Period under Review, representing a decrease of approximately 19.9% as compared to the corresponding period last year.

Gross profit of the Group was approximately HK\$17.2 million, representing a decrease of approximately HK\$18.9 million or approximately 52.3% as compared to the corresponding period last year. Gross profit margin for the Period under Review was approximately 24.7%, representing a decrease of approximately 21.8 percentage points from approximately 46.5% for the corresponding period last year, mainly due to the impact of intensifying competition in the industry.

### **Other gains and losses and other income**

During the Period under Review, other gains and losses and other income amounted to approximately HK\$23.2 million, representing a decrease of approximately HK\$17.9 million or approximately 43.6% as compared to the corresponding period last year. The decrease was mainly due to the recognition of impairment losses on intangible assets during the Period under Review.

## **Selling and distribution expenses**

Selling and distribution expenses decreased by approximately HK\$1.6 million or approximately 4.2% from approximately HK\$37.4 million for the corresponding period last year to approximately HK\$35.8 million for the Period under Review, mainly due to the decrease in income of film exhibition, which also led to the decrease in relevant selling and distribution expenses.

## **Administrative expenses**

Administrative expenses decreased by approximately HK\$13.9 million or approximately 34.9% from approximately HK\$39.9 million for the corresponding period last year to approximately HK\$26.0 million for the Period under Review, which was primarily benefited from the effective internal cost control measures.

## **Loss for the Period under Review**

During the Period under Review, the Group's loss and total comprehensive expenses attributable to the owners of the Company were approximately HK\$23.7 million (six months ended 31 December 2022: loss of approximately HK\$16.9 million) and approximately HK\$21.3 million (31 December 2022: total comprehensive expenses of approximately HK\$30.5 million), respectively.

This was primarily due to (i) the adverse impact of post-pandemic restoration period of the industry, which led to delays in the productions of the Group's TV series and the artiste work schedules, resulting in the failure of completion of shooting or delivery of new TV series and variety shows during the Period under Review; and (ii) impairment losses of intangible assets amounting to approximately HK\$12.1 million recognised by the Company during the Period under Review, considering the current market condition, the intensified competitions in the post-pandemic era and the uncertainty of the future.

## **IMPAIRMENT LOSS ON INTANGIBLE ASSETS (THE “IMPAIRMENT”)**

### **Background**

As disclosed in note 12 to the condensed consolidated financial statements, intangible assets has been allocated to the cash-generating-units (“CGUs”) of Wenlan. The carrying amounts of intangible assets (before impairment loss) allocated to the CGUs of Wenlan amounted to approximately HK\$41.0 million as at 31 December 2023 (approximately HK\$48.8 million as at 30 June 2023). The Impairment loss of intangible assets of Wenlan amounting to approximately HK\$12.1 million was made for the Period under Review, which was determined after considering the difference between the recoverable amount based on value in use calculations and the carrying value as at 31 December 2023.

Wenlan was engaged in artiste management business, and the intangible assets represented an artiste’s agency contract. 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 Period under Review, the management of the Company assessed the carrying value and recoverable amount of the CGUs and intangible assets 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 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, and therefore, 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 Wenlan prepared for the Period under Review and the actual revenue and profit generated from Wenlan during the Period under Review, from which a shortfall from the projected revenue and operating profit was found, preliminarily due to the prolonged impact of COVID-19 pandemic, 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 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 Wenlan by the adoption of a pre-tax discount rate of 36.1% 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 Period under Review and were assessed and considered during the course of the preparation of the financial information of Wenlan for the Period under Review.

**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 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 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 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 Wenlan was based on financial budgets approved by the management of the Company covering the remaining periods of a six-year agency contract and a pre-tax discount rate of 36.1%. 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 31 December 2023, the Group's bank balances and cash amounted to approximately HK\$71.4 million (30 June 2023: approximately HK\$85.1 million), which are denominated mainly in Hong Kong Dollar ("HK\$"), United States Dollar ("US\$") and Renminbi ("RMB").

As at 31 December 2023, the Group's total debts, comprising bank and other borrowings and loans from related companies were approximately HK\$53.6 million and approximately HK\$110.1 million, respectively (30 June 2023: approximately HK\$98.3 million and approximately HK\$83.4 million, respectively). As at 31 December 2023, the Group's gearing ratio, which is the ratio of total debts to total assets, was approximately 18.7% (30 June 2023: approximately 19.7%).

As at 31 December 2023, the Group had total non-current assets of approximately HK\$316.3 million (30 June 2023: approximately HK\$377.0 million), net current liabilities of approximately HK\$83.8 million (30 June 2023: net current liabilities of approximately HK\$114.4 million) and net assets of approximately HK\$148.9 million (30 June 2023: approximately HK\$167.2 million). The current ratio of the Group, representing the ratio of current assets to current liabilities, was approximately 0.87 as at 31 December 2023 (30 June 2023: approximately 0.83).

During the Period under Review, the Group mainly funded its liquidity by bank and other borrowings, loans from related companies, perpetual bonds, and internal resources. The Group's financial resources are sufficient to support its businesses 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 Period under Review, the Group did not have any material investment projects, nor any material acquisition or disposal of subsidiaries and joint ventures save for the disposal of certain subsidiaries as disclosed in Note 19 to the condensed consolidated financial statements in this announcement.

## **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 Period under Review.

## **EVENTS AFTER REPORTING PERIOD**

There was no material event subsequent to the end of the reporting period.

## **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 (which has been renumbered to Appendix C3 with effect from 31 December 2023) to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). Having made specific enquiries, 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 Period under Review.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company is committed to maintaining a high standard of corporate governance practices. During the Period under Review, it complied with and did not deviate from the code provisions as set out in the Corporate Governance Code (the “CG Code”) contained in Part 2 of Appendix 14 (which has been renumbered to Appendix C1 with effect from 31 December 2023) to the Listing Rules.

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 Shareholders and the investors of the Company.

## **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 the external auditor; to review the remuneration, terms of engagement, independency and objectivity of the external auditor; 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 make recommendations thereof. The interim results of the Group for the Period under Review have not been audited but have been reviewed by the Company’s external auditor, Deloitte Touche Tohmatsu, and the Audit Committee.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

The interim results announcement is published on the websites of the Company ([www.transmit-ent.com](http://www.transmit-ent.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The interim report 2023/24 will be dispatched to the Shareholders (if required) and published on the websites of the Stock Exchange and the Company in due course.

## **APPRECIATION**

Lastly, I would like to thank all the staff and the management team for their hard work during the second half of 2023. I would also like to express heartfelt gratitude to all of our customers and suppliers on behalf of the Group, and wish for their continuous support in the future. We will keep working closely with our Shareholders and 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.

By order of the Board  
**Transmit Entertainment Limited**  
**Zhang Liang, Johnson**  
*Chairman and Executive Director*

Hong Kong, 23 February 2024

*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.*