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 2018

FINANCIAL HIGHLIGHTS

- The Group recorded revenue of approximately HK$274.6 million for the year ended 30 June 2018, an increase of approximately HK$49.0 million or 21.7% when compared to the corresponding year of 2017.
- The gross profit for the year ended 30 June 2018 reached approximately HK$138.4 million, representing an increase of approximately 19.1% as compare with the corresponding year of 2017.
- The Group reported a loss attributable to owners of the Company of approximately HK$189.8 million for the year ended 30 June 2018 as compared to a loss of approximately HK$40.0 million for the last corresponding year.
- The Group's net assets and net current liabilities as at 30 June 2018 reached approximately HK$116.3 million and HK$47.8 million respectively.
- The Board does not recommend the payment of final dividend for the year ended 30 June 2018.

RESULTS FOR THE YEAR ENDED 30 JUNE 2018

The board (the "Board") of directors (the "Directors", each a "Director") of Transmit Entertainment Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 30 June 2018 together with the comparative figures for the corresponding period in 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

		2018	2017
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**274,640**	225,631
Cost of sales		**(136,196)**	(109,370)
Gross profit		**138,444**	116,261
Other gains		**8,608**	5,353
Other income		**7,681**	6,593
Selling and distribution expenses		**(200,624)**	(110,539)
Administrative expenses		**(50,981)**	(43,943)
Net foreign exchange gain (loss)		**1,859**	(5,016)
Impairment loss on property, plant and equipment		**(40,579)**	–
Impairment loss on interest in an associate		**(22,295)**	(20,351)
Impairment loss on available-for-sale investment		**(2,736)**	–
Impairment loss on investment in film/drama production		**(19,613)**	–
Finance costs		**(262)**	(9)
Share of results of associates		**74**	(1,757)
Share of results of a joint venture		**445**	13,494
Loss before tax		**(179,979)**	(39,914)
Income tax expense	*5*	**(10,072)**	(966)
Loss for the year	*6*	**(190,051)**	(40,880)

	Note	2018 HK$'000	2017 HK$'000
Other comprehensive income (expense) for the year			
Items that may be reclassified subsequently to profit or loss			
Share of exchange difference of a joint venture arising on translating foreign operation		**28**	(2,413)
Share of exchange difference of an associate arising on translating foreign operation		**(39)**	48
Exchange difference arising on translating foreign operation		**(1,373)**	1,116
		(1,384)	(1,249)
Total comprehensive expense for the year		**(191,435)**	(42,129)
Loss for the year attributable to:			
— Owners of the Company		**(189,750)**	(39,984)
— Non-controlling interests		**(301)**	(896)
		(190,051)	(40,880)
Total comprehensive expense for the year attributable to:			
— Owners of the Company		**(191,134)**	(41,233)
— Non-controlling interests		**(301)**	(896)
		(191,435)	(42,129)
Loss per share	7		
Basic (HK cents)		**(7.31)**	(1.56)
Diluted (HK cents)		**N/A**	(1.56)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**99,005**	62,058
Goodwill		**–**	–
Intangible assets		**5,600**	5,600
Interests in associates		**28,114**	53,454
Interest in a joint venture	*8*	**205**	459
Prepayment to an artiste		**–**	12,000
Rental deposits		**31,125**	24,833
Deposits for acquisition of property, plant and equipment		**–**	15,229
Deferred tax assets		**1,179**	10,832
		165,228	184,465
Current assets			
Film rights		**1,772**	9,264
Film production in progress		**140,058**	122,521
Available-for-sale investment		**1,320**	4,056
Investments in film/drama production		**2,920**	27,417
Inventories		**690**	579
Trade and other receivables	*9*	**9,619**	9,143
Prepayment to an artiste		**–**	12,000
Rental deposits		**18,712**	19,944
Amounts due from related companies		**143**	–
Tax recoverable		**716**	245
Pledged bank deposits		**10,661**	31,250
Bank balances and cash		**76,336**	31,998
		262,947	268,417
Assets classified as held for sale		**28,275**	–
		291,222	268,417

	Notes	**2018** **HK$'000**	2017 HK$'000
Current liabilities			
Trade and other payables	*10*	**119,469**	59,676
Receipts in advance	*10*	**154,663**	71,849
Tax payable		**4**	11,479
Bank borrowing		**8,208**	–
Amounts due to related companies		**40,031**	26
Amount due to a joint venture		**8,296**	2,116
		330,671	145,146
Liabilities associated with assets classified as held for sale		**8,362**	–
		339,033	145,146
Net current (liabilities) assets		**(47,811)**	123,271
Total assets less current liabilities		**117,417**	307,736
Non-current liability			
Deposits received	*10*	**1,116**	–
		116,301	307,736
Capital and reserves			
Share capital	*11*	**6,489**	6,489
Reserves		**113,591**	304,725
Equity attributable to owners of the Company		**120,080**	311,214
Non-controlling interests		**(3,779)**	(3,478)
Total equity		**116,301**	307,736

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Attributable to owners of the Company								
	Share capital	Share premium	Other reserve	Exchange reserve	Warrants reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2016	6,309	504,353	10	(974)	295	(175,966)	334,027	(1,717)	332,310
Loss for the year	–	–	–	–	–	(39,984)	(39,984)	(896)	(40,880)
Share of exchange difference of an associate arising on translating foreign operation	–	–	–	48	–	–	48	–	48
Share of exchange difference of a joint venture arising on translating foreign operation	–	–	–	(2,413)	–	–	(2,413)	–	(2,413)
Exchange difference arising on translating foreign operation	–	–	–	1,116	–	–	1,116	–	1,116
Total comprehensive expense for the year	–	–	–	(1,249)	–	(39,984)	(41,233)	(896)	(42,129)
Acquisition of non-controlling interests of a subsidiary	–	–	–	–	–	53	53	(865)	(812)
Share of reserve movement of an associate	–	–	–	–	–	1,627	1,627	–	1,627
Issue of shares upon exercise of warrants *(note 11)*	180	16,693	–	–	(133)	–	16,740	–	16,740
Transfer upon expiry of warrants *(note 11)*	–	–	–	–	(162)	162	–	–	–
At 30 June 2017	**6,489**	**521,046**	**10**	**(2,223)**	**–**	**(214,108)**	**311,214**	**(3,478)**	**307,736**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(189,750)**	**(189,750)**	**(301)**	**(190,051)**
Share of exchange difference of an associate arising on translating foreign operation	**–**	**–**	**–**	**(39)**	**–**	**–**	**(39)**	**–**	**(39)**
Share of exchange difference of a joint venture arising on translating foreign operation	**–**	**–**	**–**	**28**	**–**	**–**	**28**	**–**	**28**
Exchange difference arising on translating foreign operation	**–**	**–**	**–**	**(1,373)**	**–**	**–**	**(1,373)**	**–**	**(1,373)**
Total comprehensive expense for the year	**–**	**–**	**–**	**(1,384)**	**–**	**(189,750)**	**(191,134)**	**(301)**	**(191,435)**
At 30 June 2018	**6,489**	**521,046**	**10**	**(3,607)**	**–**	**(403,858)**	**120,080**	**(3,779)**	**116,301**

Note: Other reserve represents the difference between the aggregate nominal value of the respective share capital of the companies now comprising the subsidiaries of 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 Group in preparation for the listing of the Company's shares on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

NOTES TO THE RESULTS

1A. GENERAL INFORMATION

Transmit Entertainment Limited (formerly known as Pegasus Entertainment Holdings Limited) is a public limited company incorporated in the Cayman Islands and its shares are listed on 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. Its ultimate controlling shareholder is Mr. Zhang Liang, Johnson, who is also the Chairman and an executive director of the Company.

The Company is an investment holding company. The Group's core business includes film and television ("TV") series production, distribution and licensing of film rights, film exhibition, post-production, as well as advertising, marketing and publication.

Pursuant to a special resolution passed on 13 March 2018, the Certificate of Incorporation on Change of Name issued by the Registry of Companies in the Cayman Islands on 13 March 2018 and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company issued by the Registrar of Companies in Hong Kong on 29 March 2018, the Company changed its name to Transmit Entertainment Limited with effect from 13 March 2018.

The consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is the Company's functional and presentation currency.

1B. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2018, the Group had net current liabilities of approximately HK$47,811,000 (2017: net current assets of approximately HK$123,271,000). The net current liabilities included an interest-bearing borrowing of approximately HK$8,208,000 which was drawn from a banking facility of HK$10,000,000 and is repayable on demand and amounts advanced from related companies of HK$40,031,000 which is repayable on demand.

In the opinion of the Directors, after taking into account, among other things, the financial resources available to the Group including the future cash flows to be generated from the film and TV series production and distribution and, the net proceeds to be received upon completion of disposal of a subsidiary, 勝馬文化傳播(上海)有限公司 (Shengma Cultural Communication (Shanghai) Company Limited), 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. Management is not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for 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 in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

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

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2021

3. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2018	2017
	HK$'000	*HK$'000*
Film production, distribution and licensing income	**41,492**	83,867
Film exhibition income	**223,854**	137,291
Post-production income	**2,932**	1,957
Advertising, marketing and publication income	**6,362**	2,516
	274,640	225,631

4. SEGMENT INFORMATION

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

(i) Film and TV series production and distribution;

(ii) Film exhibition;

(iii) Post-production; and

(iv) Advertising, marketing and publication

Segment (loss) profit represent the loss incurred or profit earned by each segment without allocation of certain other income, certain selling and distribution expenses, certain administrative expenses, certain finance costs, impairment loss on interest in an associate and share of results of associates. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment revenue and results

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

For the year ended 30 June 2018

	Film and TV series production and distribution *HK$'000*	Film exhibition *HK$'000*	Post-production *HK$'000*	Advertising, marketing and publication *HK$'000*	Total *HK$'000*
Segment revenue					
— External customers	**41,492**	**223,854**	**2,932**	**6,362**	**274,640**
Segment loss	**(39,500)**	**(97,904)**	**(1,984)**	**(815)**	**(140,203)**
Unallocated other income					**426**
Unallocated head office and corporate expenses					**(17,944)**
Finance costs					**(37)**
Impairment loss on interest in an associate					**(22,295)**
Share of results of associates					**74**
Loss before tax					**(179,979)**

For the year ended 30 June 2017

	Film and TV series production and distribution *HK$'000*	Film exhibition *HK$'000*	Post-production *HK$'000*	Advertising, marketing and publication *HK$'000*	Total *HK$'000*
Segment revenue					
— External customers	83,867	137,291	1,957	2,516	225,631
Segment profit (loss)	22,122	(25,575)	(3,155)	(1,892)	(8,500)
Unallocated other income					370
Unallocated head office and corporate expenses					(9,667)
Finance costs					(9)
Impairment loss on interest in an associate					(20,351)
Share of results of associates					(1,757)
Loss before tax					(39,914)

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

Geographical information

An analysis of the Group's revenue from external customers by geographical market based on where the film distribution and licensing income is derived from are as below:

	2018	2017
	HK$'000	*HK$'000*
Hong Kong and Macau	**240,784**	169,873
The People's Republic of China (the "PRC")	**32,257**	43,325
South East Asia Region	**163**	7,890
Others	**1,436**	4,543
	274,640	225,631

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

	2018	2017
	HK$'000	*HK$'000*
The PRC	**10**	15,482
Hong Kong	**164,039**	158,151
	164,049	173,633

Information about major customers

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

	2018	2017
	HK$'000	*HK$'000*
Customer A[1]	**27,754**	26,460

[1] Revenue from film and TV series production and distribution.

5. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
— current	**19**	706
— underprovision in prior years	**582**	265
	601	971
PRC Enterprise Income Tax ("EIT")		
— current	**554**	2,315
— (over) underprovision in prior years	**(736)**	634
	(182)	2,949
	419	3,920
Deferred taxation	**9,653**	(2,954)
	10,072	966

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries are 25% from 1 January 2008 onwards.

6. LOSS FOR THE YEAR

	2018	2017
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Directors' emoluments	**6,210**	6,708
Other staff costs	**31,675**	20,797
Retirement benefit scheme contributions, excluding those of Directors	**1,975**	1,243
Total staff costs	**39,860**	28,748
Auditors' remuneration	**1,564**	1,669
Depreciation of property, plant and equipment	**18,887**	7,744
Cost of film rights recognised as an expense	**18,071**	37,181
Impairment loss on film production in progress (included in cost of sales)	**15,378**	2,400
Loss on disposal of prepayment to an artiste (included in cost of sales)	**3,600**	–
Minimum lease payments under operating leases in respect of:		
Premises	**3,689**	3,710
Cinemas	**121,083**	74,868
Contingent rents incurred for cinemas	**1,411**	1,332
Cost of services provided	**95,173**	58,742
Cost of inventories sold	**3,887**	2,295

7. LOSS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(189,750)**	(39,984)

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,595,613,733**	2,568,078,428

No calculation of diluted loss per share for the year ended 30 June 2018 as the Company has no potential ordinary shares to be issued.

The computation of the diluted loss per share for the year ended 30 June 2017 did not assume the exercise of the Company's outstanding warrants since their exercise would result in a decrease in loss per share.

8. INTEREST IN A JOINT VENTURE

	2018	2017
	HK$'000	*HK$'000*
Cost of unlisted investment in a joint venture	**52,079**	52,079
Share of post-acquisition losses and other comprehensive expense	**(51,874)**	(51,620)
	205	459

Bounty Productions Limited ("BPL"), a limited company incorporated in Hong Kong, has been set up solely for the film production of "Bounty Hunters". The Group, Harmonious Entertainment (Shanghai) Co., Ltd ("HES") and Bounty Yoohanhwesa ("BY") held 40.00%, 25.51% and 34.49% equity interest in BPL, respectively. The board of directors of BPL, the governing body which directs the relevant activities that significantly affects the returns of BPL, consists of three directors of which the Group, HES and BY can appoint one director each to the board of directors of BPL. The relevant activities required to be approved unanimously by all these three directors. Therefore, BPL is jointly controlled by the Group, HES and BY. As the joint arrangement does not result in either parties having rights to assets and obligations to liabilities of BPL, it is accounted for as a joint venture of the Group.

9. TRADE AND OTHER RECEIVABLES

The aged analysis of the Group's trade receivables, net of allowance for doubtful debts, based on the invoice date which approximates the respective revenue recognition dates, at the end of the reporting period is as follows:

	2018	2017
	HK$'000	*HK$'000*
Trade receivables:		
0–30 days	**2,153**	2,307
31–60 days	**288**	2
61–90 days	**64**	3
91–180 days	**274**	39
181–365 days	**84**	6
Over 365 days	**12**	9
	2,875	2,366
Other receivables, deposits and prepayments	**4,271**	3,740
Other deposits and prepayments for cinema operation	**2,473**	3,037
	9,619	9,143

Generally, with the exception of post-production customers, who are generally granted credit period ranging from 30 to 60 days, no credit period is granted to the Group's customers. Distribution and licensing fee from distributors in Hong Kong, the PRC and overseas countries are normally settled upon delivery of film negatives to them. On a case-by-case basis, one to two months of credit period may be granted to its customers with good repayment history.

These trade receivables relate to a number of independent customers that have a good repayment history. Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$722,000 (2017: HK$59,000) as at 30 June 2018 which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral or credit enhancements over these balances.

Aging of trade receivables which are past due but not impaired:

	2018	2017
	HK$'000	*HK$'000*
31–60 days	**288**	2
61–90 days	**64**	3
91–180 days	**274**	39
181–365 days	**84**	6
Over 365 days	**12**	9
	722	59

Management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit risk and the balances are still considered fully recoverable.

10. TRADE AND OTHER PAYABLES/RECEIPTS IN ADVANCE

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**30,270**	18,765
Other payables and accruals	**86,799**	39,667
Deposits received *(note 1)*	**1,116**	1,244
Deposit received from disposal of a subsidiary *(note 2)*	**2,400**	–
	120,585	59,676
Less: amount shown under non-current liability *(note 1)*	**(1,116)**	–
Amount shown under current liabilities	**119,469**	59,676
Receipts in advance *(note 3)*	**154,663**	71,849

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 at the end of the reporting period. The following is analysis of the Group's trade payables at the end of the reporting period:

	2018	2017
	HK$'000	*HK$'000*
Within 60 days	**30,202**	18,233
Within 61 to 90 days	**7**	–
Within 91 to 365 days	**61**	532
	30,270	18,765

Notes:

(1) Deposits received represent deposits received from a cinema circuit operator in Hong Kong for a film to be theatrical release in Hong Kong and licensing deposits received from the licensee which are refundable at the expiry of the licenses. As the licensing period is expired ranging from November 2019 to February 2022, the amounts as at 30 June 2018 were classified as non-current liability.

(2) Deposit received from disposal of a subsidiary represent the amount paid by the buyers, who are two independent third parties of the Group for acquiring entire equity interests of an indirect wholly-owned subsidiary of the Company.

(3) Receipts in advance represents the instalments of contribution from the PRC co-producers for film production in progress and advances of distribution and licensing income received from distributors prior to theatrical release and delivery of film negatives of HK$154,663,000 (2017: HK$71,849,000) as at 30 June 2018.

The Group's trade and other payables that are not denominated in the functional currencies of the relevant group entities are as follows:

	2018	2017
	HK$'000	*HK$'000*
United States Dollar	**–**	408

11. SHARE CAPITAL

	Number of shares	**Share capital**
		HK$'000
Ordinary shares of HK$0.0025 each:		
Authorised:		
At 1 July 2016, 30 June 2017 and 30 June 2018	32,000,000,000	80,000
Issued and fully paid:		
At 1 July 2016	2,523,768,239	6,309
Issue of shares upon exercise of warrants	71,845,494	180
At 30 June 2017 and 30 June 2018	2,595,613,733	6,489

Warrants

On 13 November 2013, the Company entered into a warrant placing agreement with a placing agent pursuant to which the placing agent agreed to place up to 96,000,000 warrants conferring rights to subscribe for 96,000,000 warrant shares at the warrant exercise price of HK$0.93 per warrant shares (subject to adjustment) to not less than six warrant placees. As at 1 July 2016, 159,656,653 warrants were outstanding.

During the year ended 30 June 2017, registered holders of 71,845,494 warrants exercised their rights to subscribe for 71,845,494 ordinary shares in the Company at HK$0.233 per share.

As at 30 June 2018 and 2017, the Company had no outstanding warrants as the remaining 87,811,159 warrants were expired during the year ended 30 June 2017.

12. RELATED PARTY DISCLOSURES

(I) Transactions

During the year, the Group entered into the following significant transactions with related parties:

Name of related party	*Notes*	Nature of transaction	**2018** **HK$'000**	2017 *HK$'000*
PM Motion Pictures Limited	*(a)*	Service income	**49**	271
Pegasus Laboratory (International) Limited ("Pegasus Laboratory")	*(b)*	Film processing services fee	**–**	22
Pure Project Limited	*(c)*	Rental expense	**1,416**	1,320
BPL	*(d)*	Production income	**–**	5,880
Ta Creative House	*(e)*	Production services fee	**–**	500
Mandarin Motion Pictures Production Limited ("Mandarin Motion")	*(f)*	Service income	**800**	–
		Film processing services fee	**211**	–

Notes:

(a) The service income was received from PM Motion Pictures Limited for the Group's provision of film distribution services. Mr. Wong Pak Ming ("Mr. Wong") (the Director) and Mr. Wong Chi Woon, Edmond and Ms. Wong Yee Kwan, Alvina who are the Directors for the period from 1 July 2017 to 13 December 2017, collectively have controlling interests in this company.

(b) The film processing services fee for the year ended 30 June 2017 was paid to Pegasus Laboratory in which it is beneficiary owned by a company collectively controlled by the Mr. Wong (the Director) and Mr. Wong Chi Woon, Edmond and Ms. Wong Yee Kwan, Alvina who are the Directors for the period from 1 July 2017 to 13 December 2017.

(c) The rental expense was paid to Pure Project Limited for the office premise leased by the Group. Mr. Wong has controlling interests in Pure Project Limited.

(d) The production income was received from the joint venture, BPL.

(e) The production services fee was paid to Ta Creative House in which Ms. Wong Kit Fong, the sister of Mr. Wong, has controlling interest.

(f) The service and film processing income were received from Mandarin Motion in which Ms. Wong Kit Fong, the sister of Mr. Wong, has controlling interest.

(II) Balances

Details of the amounts due from (to) related companies and amount due to a joint venture are set out in the consolidated statement of financial position.

(III) Compensation of key management personnel

The remuneration of Directors and other key management personnel of the Group during the year was as follows:

	2018	2017
	HK$'000	*HK$'000*
Salaries and other allowances	**9,990**	9,413
Retirement benefit scheme contributions	**133**	104
	10,123	9,517

The remuneration of Directors and key executives is determined by the remuneration committee of the Company having regard to the performance of individuals and market trends.

DIVIDEND

No dividend was paid or proposed for the year ended 30 June 2018, nor has any dividend been proposed since the end of the reporting period (2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in (i) film and TV series production, distribution and licensing of film rights; (ii) film exhibition; (iii) post-production; and (iv) advertising, marketing and publication. The Group mainly produces Chinese films and TV series in both Hong Kong and China. It also operates five Hong Kong based cinemas, one PRC based cinema and one post-production company.

Film and TV series production and distribution

During the year under review, film and TV series production and distribution business remained as the core business of the Group with reported revenue of approximately HK$41.5 million, representing a significant decrease of approximately 50.5% compared to the corresponding period last year. This was due to the fact that only two films were released during the year under review, namely "Love Forever" (我們遇見松花湖) and "Tomorrow Is Another Day" (黃金花), plus a sharing of worldwide box office receipts of "S Storm" (S風暴). During the corresponding period last year, the Group also released two films, namely "Bounty Hunters" (賞金獵人) and "S Storm" (S風暴), however, only the contributions from "S Storm" (S風暴) were reflected in the revenue. Due to the relatively smaller production scale of the films launched during the year under review, a substantial decrease in business revenue was recorded. Separately, impairment loss of certain film production in progress was recorded as cost of sales and impairment loss on investment in film production was recognised during the year under review, thus this business segment recorded a loss of approximately HK$39.5 million (2017: profit of approximately HK$22.1 million) for the year under review.

Film exhibition

Film exhibition was another key revenue driver for the Group. During the year under review, the Group successfully expanded its film exhibition business in Hong Kong and opened four new cinemas in different strategic locations across the territory, including Chai Wan, Causeway Bay and Tsuen Wan. Cinema City Chai Wan and Cinema City JP, located in Causeway Bay, officially opened in August 2017 and October 2017, respectively. Candy Park by Cinema City, the first kid's theme cinema in Hong Kong located in Tsuen Wan, and Cinema City Victoria, located in Causeway Bay, first opened for trial operation in December 2017 and January 2018, respectively. Up to the date of this annnouncement, the Group has five cinemas in Hong Kong providing 23 screens and over 3,000 seats, while only the Cinema City Langham Place was in operation and provided 6 screens and about 1,100 seats for the previous year.

According to the statistics from Hong Kong Box Office Limited, the Hong Kong box office receipts posted a decline of approximately 4.8% in 2017 to approximately HK$1.85 billion mainly attributable to the number of the films exhibited in cinemas decreased by approximately 5.2% in the same period. In the first half of 2018, the Hong Kong box office receipts posted a slight increase of 0.6% to approximately HK$0.98 billion. Despite weak market performance, the Group's film exhibition performance was better than the market and recorded considerable growth in revenue. During the year under review, revenue from film exhibition amounted to approximately HK$223.9 million, representing a significant increase of approximately 63.1% compared to the corresponding period of last year, and accounting for approximately 81.5% of total revenue of the Group. Despite the substantial increase of business income, the loss of this business segment increased from approximately HK$25.6 million during the corresponding period of last year to approximately HK$97.9 million this year, which was attributable to the inadequate average attendance to our cinemas, the accounting of lease recognition and the amortisation of the rent-free period, as well as a one-off impairment loss for its property, plant and equipment.

Given that the Group's cinema in the PRC, located in "Vivo City" (怡豐城), Shanghai, commenced its operation in late September 2017, its profitability has not been proven, with uncertain financial contributions and prospects. The Group has announced to dispose of this business in May 2018, at initial consideration of RMB40.7 million, so as to reallocate the Group's resources to further invest in other business segments.

Post-production

The Group operates its own post-production team to facilitate the Group's overall film production process and to serve external customers if capacity is available. In spite of a loss of approximately HK$2.0 million recorded during the year under review, the amount of loss has been reduced when compared with the loss of approximately HK$3.2 million in the corresponding period of last year. Going forward, the post-production business is poised to maintain its small-scale operation to mainly support the Group's overall profitability in the film production, and more importantly to benefit the Group's film production business in terms of efficiency and cost control.

Advertising, marketing and publication

The film advertising and marketing business has allowed the Group to benefit from sophisticated advertising and promotion strategies as well as cost reductions during the year under review. As for the publication business, the Group ceased the publication of the monthly luxury lifestyle magazine — "Platinum of UnionPay" (銀聯白金) in August 2016 in view of its unsatisfactory performance and in order to save costs and to reallocate the Group's resources to make further investments in other business segments. As a result, the losses in this business segment significantly narrowed from approximately HK$1.9 million during the corresponding period last year to approximately HK$0.8 million this year.

The Group continues to review the overall structure and strategies of its print and digital media publication business, including using the Group's publication platform for promotional events and joint film marketing campaigns thereby creating a synergy effect on the Group's publication business and film production, distribution, advertising and marketing businesses. The Group will continue to maintain this business segment in a small-scale operation with a supportive role to the Group's core businesses before the new management proposes a solid development plan.

Financial Review

Revenue and Gross profit

Revenue of the Group for the year under review amounted to approximately HK$274.6 million, representing an increase of approximately HK$49.0 million or 21.7% compared to the corresponding period of last year, mainly contributed by revenue from the business segments of film and TV series production and distribution and film exhibition of approximately HK$41.5 million and HK$223.9 million. A significant decrease was recorded in revenue from film and TV series production and distribution compared to the corresponding period last year, which was attributable to the relatively smaller production scale of the films released during the year under review. For the film exhibition segment, the revenue for the year under review recorded a significant increase of approximately 63.1% compared to the corresponding period last year, which was due to the increase in the number of cinemas during the year.

Gross profit of the Group was approximately HK$138.4 million representing an increase of approximately HK$22.2 million or approximately 19.1% compared to the corresponding period of last year. Gross profit margin for the year under review was approximately 50.4%, which showed a slight decrease from that of approximately 51.5% for the corresponding period last year. This was mainly attributable to impairment loss of certain film production in progress which was recognized as cost of sales, leading to a decrease in profit margin on film production, distribution and licensing income. Moreover, the higher rental expense arising from four new cinemas in Hong Kong led to the increase in selling and distribution expenses on film exhibition business accordingly, as compared with the only two cinemas in Hong Kong and the PRC in the corresponding period last year. The profit margin of film exhibition segment recorded an increase of approximately 1 percentage point from approximately 57.5% last year to approximately 58.5% this year, as a result.

Other gains and income

Other gains and income was approximately HK$16.3 million for the year under review, representing an increase of approximately HK$4.3 million or approximately 36.4% compared to the corresponding period last year. This was mainly due to a compensation of approximately HK$8.3 million according to the delay in handover of a leased cinema premises from the landlord in the PRC during the year under review, whilst approximately HK$5.3 million was recorded in the corresponding period last year.

Selling and distribution expenses

Selling and distribution expenses increased by approximately HK$90.1 million or 81.5% from approximately HK$110.5 million for the corresponding period last year to approximately HK$200.6 million for the year under review. This was mainly due to the increase in selling and distribution expenses of the film exhibition business, which in turns resulted from the higher rental expenses arising from four new cinemas in Hong Kong during this year, as compared with only two cinemas in Hong Kong and in the PRC for the corresponding period of last year.

Pursuant to the lease agreements entered into between the Group and the landlords of these four new cinemas, rent-free periods ranging from three to nine months have been offered by the landlords to compensate for the loss of business during the renovation period. As disclosed in the Company's final results announcement for the year ended 30 June 2017 on the accounting treatment of lease recognition and amortisation of the rent-free periods (published on 28 September 2017), these rental incentives were treated as a uniform reduction of overall rental expenses on a straight-line or systematic basis over the entire lease term. Despite the fact that the lease terms of these four new cinemas have already begun and no rental is required to be paid during the rent-free periods, rental expenses were immediately recognised under the aforementioned accounting treatment while revenues only began to generate when these four new cinemas started operations during the period from August 2017 to January 2018.

Administrative expenses

Administrative expenses increased slightly by approximately HK$7.0 million or approximately 16.0% from approximately HK$43.9 million for the corresponding period last year to approximately HK$51.0 million for the year under review, which was attributable to (i) the increase of legal and professional fee of approximately HK$1.8 million related to certain corporate actions and transactions during the year under review; and (ii) the increase of professional fee of approximately HK$6.5 million for an acquired project during the year under review, such increases were partly set off the decrease of general administrative expenses by approximately HK$1.3 million during the year under review.

Impairment losses recognised for the year

The total impairment losses recognised for the year increased by approximately HK$64.8 million or approximately 318.8% to approximately HK$85.2 million from approximately HK$20.4 million for the corresponding period last year. During the year under review, according to the assessment of the Group, an impairment loss has been recognised for the Group's interest in Jade Dynasty Holdings Limited, an associate of the Group, and its subsidiaries (collectively, "JDH Group") due to the recoverable amount of JDH Group, namely its value in use, and it is expected that the future cash flows of JDH Group will be lower than its carrying amount.

Due to the underperformance of the film exhibition segment, the Group recorded a one-off impairment loss of approximately HK$40.6 million for its property, plant and equipment. In addition, due to delay in filming and production of the movie "Inversion", the Group recorded a one-off impairment loss on investment in film production of approximately HK$19.6 million for prudence sake.

Share of results of associates

During the year under review, the Group had two associates, namely JDH Group and Supreme Art Entertainment Limited ("Supreme Art") a company acquired by the Group in July 2016.

The operation of JDH Group has recorded a loss attributable to the Group of approximately HK$0.7 million as compared to a loss attributable to the Group of approximately HK$3.8 million for the corresponding period of last year. JDH Group generated revenue from the businesses of comics publication and licensing of its database of comic stories and comic characters for films, TV series and theme park development as well as related product merchandising.

The operation of Supreme Art has recorded a profit attributable to the Group of approximately HK$0.7 million (2017: approximately HK$2.1 million). Supreme Art is engaged in the provision of artiste management and agency services which are benefiting from the Group's film production business.

Share of results of a joint venture

Bounty Productions Limited ("BPL") was set up by the Group with two independent third parties for the production and distribution of the film, "Bounty Hunters" (賞金獵人), of which the Group owns as to 40% interest. "Bounty Hunters" (賞金獵人) was released in July 2016 and generated revenue of approximately HK$0.5 million to the joint venture this year (2017: approximately HK$152.6 million), in return attributed net profit to the Group of approximately HK$0.4 million during the year under review (2017: approximately HK$13.5 million).

Income tax expense

The income tax expense of the Group for the year under review amounted to approximately HK$10.1 million (2017: approximately HK$1.0 million) at the effective tax rate, excluding certain tax losses not recognised and non-taxable items which included impairment losses recognised and share of results of associates and a joint venture that were net of tax, of approximately 18.7% (2017: approximately 19.2%).

Loss for the year under review

The Group's loss and total comprehensive expense attributable to owners of the Company for the year under review amounted to approximately HK$189.8 million (2017: approximately HK$40.0 million) and approximately HK$191.1 million (2017: approximately HK$41.2 million) respectively. The increase in loss for the year under review was mainly due to surge of selling and distribution expenses, decrease of film production income and increase of certain impairment losses.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2018, the Group's bank balances and cash amounted to approximately HK$87.0 million (30 June 2017: approximately HK$63.2 million), which are denominated mainly in HK$, United States Dollar ("US$") and Renminbi ("RMB").

As at 30 June 2018, the Group's bank borrowing amounted to approximately HK$8.2 million (30 June 2017: Nil). As at 30 June 2018, the Group's gearing ratio, representing the ratio of the bank borrowing to the total equity of the Group, was approximately 7.1% (30 June 2017: Nil).

As at 30 June 2018, the Group had total non-current assets of approximately HK$165.2 million (30 June 2017: approximately HK$184.5 million), net current liabilities of approximately HK$47.8 million (30 June 2017: net current assets of approximately HK$123.3 million) and net assets of approximately HK$116.3 million (30 June 2017: approximately HK$307.7 million). The current ratio of the Group, representing the ratio of current assets over current liabilities, was approximately 0.9 as at 30 June 2018 (30 June 2017: approximately 1.8).

During the year ended 30 June 2018, the Group mainly funded its liquidity by the net proceeds from the Listing, bank borrowing 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.

HUMAN RESOURCES

As at 30 June 2018, the Group employed a total of 298 permanent employees (30 June 2017: 122) in Hong Kong and the PRC. The total salaries and wages, including the Directors' remuneration and part-time workers, amounted to approximately HK$39.9 million for the year ended 30 June 2018 (2017: approximately HK$28.7 million).

The Group offers remuneration packages for employees mainly based on their performance and experience, and with reference to prevailing industry practices. In addition to enrolling our new employees into the mandatory provident fund scheme in Hong Kong and State-managed pension scheme in mainland China 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 performance and the Group's overall performance. The Group reviews the remuneration policies and packages on a regular basis.

Charge on Assets

Apart from bank deposits amounting to approximately HK$10.0 million and approximately HK$0.7 million (30 June 2017: approximately HK$30.6 million and approximately HK$0.7 million respectively) that were pledged to banks for the general banking facility of the Group and the bank guarantee provided to a subsidiary of the Company regarding its due payment under a cinema equipment rental agreement respectively, the Group had not pledged its assets to any financial institutions.

TREASURY POLICY

The Group's business operations were conducted mainly in 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 to the Group. During the year under review, 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.

Contingent Liabilities

As at 30 June 2017 and 2018, the Group did not have any significant contingent liabilities.

Outlook

During the year under review, Mr. Zhang Liang, Johnson became the controlling shareholder of the Company and was appointed as the chairman of the Board to lead the Group. Following these changes, the Board intends to continue the Group's principal businesses and at the same time continue to review the strategic directions and operation of the Group in order to formulate solid plans to explore other business or investment opportunities for its future development.

In respect of the film and TV series production and distribution, "L Storm" (L風暴), an action blockbuster and a sequel to the Group's previously released films, "Z Storm" (Z風暴) and "S Storm" (S風暴), starring Louis Koo (古天樂) and Julian Cheung (張智霖) was released in August 2018. The contribution from this film will be recorded in the interim results of the Group for the six months ended 31 December 2018. In addition, "The Invincible Dragon" (九龍不敗), another action blockbuster, starring Max Zhang (張晉) and Anderson Silva, a former UFC middleweight champion, and directed by Fruit Chan (陳果), has now entered into the final stage of production and planned to be released in the second half of 2018.

The Chinese market is one of the largest film markets in the world. According to the information released by the Film Division of the State Administration of Press, Publication, Radio, Film and Television, the total national box office in 2017 reached RMB55.911 billion, representing a year-on-year increase of 13.45%. In the first half of 2018, the total national box office was RMB32.031 billion, representing a year-on-year increase of 17.82%, which shows great potential in market space. Therefore, the Group remains optimistic about the development potential of the Chinese film and television entertainment industry and will continue to focus on Hong Kong and China markets.

In May 2018, the Group announced that its wholly-owned subsidiary acquired Khorgas Houhai Culture Media Company Limited* (霍爾果斯厚海文化傳媒有限公司) ("Houhai Culture") for RMB450 million. The Group believes that this acquisition is of significance because it enables the Group to obtain the Broadcasting And TV Program Production And Operation License* (廣播電視製作經營許可證) held by Houhai Culture and enter into the massive showbiz sector with great potential in mainland China. Meanwhile, the Group will obtain the intellectual property rights of variety shows and TV series held by Houhai Culture.

Houhai Culture is principally engaged in variety shows and TV series production and operation in PRC. Its professional team specializes in contents creation and can accomplish a series of essential operational activities ranging from planning, scriptwriting, filming, post-production, distribution to marketing. The core team has rich industry experience and networking resources in the film and television industry and has participated in the investment, planning and production of multiple well-known projects. Through its collection of intellectual property works with commercial value, and independently developed high-quality proprietary contents, Houhai Culture strives to create variety shows and film and television products that continue for multiple seasons.

With successive projects in progress, Houhai Culture shall constantly launch new shows, including Give Me Five ("高能少年團") Season III, and four TV series, namely Hikaru no Go ("棋魂"), Redemption on the Blade ("刀鋒上的救贖"), Romance of the Youth ("少年江湖物語") and Tribes and Empires: Mrs HuZhu ("九州斛珠夫人"), in 2019. Specifically, Houhai Culture has entered into a contract with a broadcast platform iQIYI regarding Hikaru no Go, a prominent intellectual property of Shueisha Inc. in Japan. Meanwhile, Redemption on the Blade is adapted from a fiction of Zhiwen, the scriptwriter of a hit online series White Night Chase ("白夜追凶").

From 2020 to 2022, the Group shall produce more variety shows and TV series with its own intellectual property rights, including, among others, Give Me Five ("高能少年團") Season IV, Persuader ("甲方乙方之勸退師") Season I and II, Next To The Last Girlfriend ("倒數第二個女朋友"), Nine Knights in Beijing ("京門九俠"), Turn Red into Green ("看朱成碧") and Imperial Harem ("後宮真煩傳").

Looking forward, the Group will continue to explore investment opportunities in terms of high quality variety shows, TV series and movie projects all over the world, and cooperation opportunities derived from the upstream and downstream of the industry chain, with an aim to enhance the Group's income base. The Group believes that through the newly acquired Houhai Culture business, the Group shall further expand its diversified cultural and entertainment business and develop its comprehensive movie and TV culture business to enhance the Company's profitability and generate solid return for its 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 2018.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices. The Company complied with all the applicable code provisions of the Corporate Governance Code (the "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 2018, except for the deviations as mentioned below.

Chairman and Chief Executive Officer

Under the code provision A.2.1 of the Code, the roles of Chairman and Chief Executive Officer ("CEO") should be separated and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing.

Mr. Zhang Liang, Johnson is the Chairman of the Board and is responsible for the overall strategy planning and policy making of the Group. The Chairman also takes the lead to ensure that the Board works effectively and acts in the best interest of the Company by encouraging the Directors to actively participate in the Board's affairs and promoting a culture of openness and debate.

The Company has no such position as CEO and therefore the daily operation and management of the Company is monitored by the executive Directors as well as the senior management of the Group.

The Board is of the view that although there is no CEO, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting operation of the Company.

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 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 all reasonable enquires, all the 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 2018.

EVENT AFTER REPORTING PERIOD

Subsequent to the end of the reporting period, the Group has acquired the entire equity interest in 霍爾果斯厚海文化傳媒有限公司 (Khorgas Houhai Culture Media Company Limited) and its subsidiary, 北京聚海文化傳媒有限公司 (Beijing Juhai Culture Media Company Limited) for a consideration of

RMB450,000,000 payable in 3 instalments in 2018, 2019 and 2020, subject to the profit guarantee as stated in the sale and purchase agreement. The acquisition was completed on 28 August 2018 and details were set out in the circular of the Company dated 26 July 2018.

On 31 July 2018, the disposal of 勝馬文化傳播(上海)有限公司 (Shengma Cultural Communication (Shanghai) Company Limited) ("Shengma Cultural") was completed and control of Shengma Cultural has been passed to the purchasers. Upon completion of the disposal, Shengma Cultural has ceased to be a subsidiary of the Group. Details of the disposal are set out in the announcement of the Company dated 8 May 2018.

AUDIT COMMITTEE

The Audit Committee ("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 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 2018 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 2018.

REVIEW OF THIS FINAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 30 June 2018 as set out in this announcement have been agreed by the Company's auditor, Deloitte Touche Tohmatsu, to the amounts set out in the Group's draft consolidated financial statements for the year ended 30 June 2018. The work performed by Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Deloitte Touche Tohmatsu on this announcement.

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company ("AGM") will be held on Friday, 23 November 2018 at 3:00 p.m. The register of members of the Company will be closed from Tuesday, 20 November 2018 to Friday, 23 November 2018, 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 share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 19 November 2018.

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 2017/18 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. 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 supports 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

Hong Kong, 21 September 2018

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