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 2019

FINANCIAL HIGHLIGHTS

- The Group recorded revenue of approximately HK$306.6 million for the six months ended 31 December 2019, representing a decrease of approximately HK$88.7 million or approximately 22.4% as compared to the corresponding period of 2018.

- The gross profit for the six months ended 31 December 2019 reached approximately HK$160.6 million, representing a decrease of approximately 8.0% as compared to the corresponding period of 2018.

- The Group reported a loss attributable to owners of the Company of approximately HK$19.6 million for the six months ended 31 December 2019, as compared to a profit of approximately HK$46.5 million in the corresponding period of 2018.

- The Group's net assets and net current assets as at 31 December 2019 amounted to approximately HK$67.7 million and approximately HK$9.9 million respectively.

- The Board does not recommend the payment of any interim dividend for the six months ended 31 December 2019.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

The board (the "Board") of directors (the "Directors") 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 2019 together with the comparative unaudited figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2019

		Six months ended 31 December	
		2019	2018
	Notes	***HK\$'000***	*HK\$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**306,633**	395,277
Cost of sales		**(146,065)**	(220,713)
Gross profit		**160,568**	174,564
Other gains and losses	*4*	**(580)**	17,713
Other income	*4*	**7,473**	4,738
Selling and distribution expenses		**(91,637)**	(97,136)
Impairment loss on trade receivables under expected credit loss model		**(1,998)**	–
Impairment loss on property,plant and equipment		**(2,507)**	–
Impairment loss on right-of-use assets		**(18,371)**	–
Fair value change on contingent consideration payable		**(7,628)**	(10,496)
Administrative expenses		**(30,472)**	(27,492)
Net foreign exchange loss		**(2,732)**	(4,302)
Finance costs	*5*	**(34,366)**	(3,556)
Share of results of associates		**(855)**	646
Share of result of a joint venture		**–**	(7)
(Loss) profit before tax		**(23,105)**	54,672
Income tax credit (expense)	*6*	**3,519**	(8,344)
(Loss) profit for the period	*7*	**(19,586)**	46,328

	Note	Six months ended 31 December **2019** *HK$'000* (unaudited)	2018 *HK$'000* (unaudited)
Other comprehensive (expense) income for the period			
Items that may be reclassified subsequently to profit or loss			
Reclassification adjustments upon disposal of a subsidiary included in profit or loss		**–**	165
Reclassification adjustments upon disposal of an associate included in profit or loss		**(321)**	–
Share of exchange difference of a joint venture arising on translating foreign operation		**(8)**	(10)
Share of exchange difference of an associate arising on translating foreign operation		**–**	285
Exchange difference arising on translating foreign operation		**(2,593)**	5,465
		(2,922)	5,905
Total comprehensive (expense) income for the period		**(22,508)**	52,233
(Loss) profit for the period attributable to:			
– Owners of the Company		**(19,586)**	46,509
– Non-controlling interests		**–**	(181)
		(19,586)	46,328
Total comprehensive (expense) income for the period attributable to:			
– Owners of the Company		**(22,508)**	52,414
– Non-controlling interests		**–**	(181)
		(22,508)	52,233
(Loss) earnings per share	*9*		
Basic (HK cents)		**(0.75)**	1.79
Diluted (HK cents)		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	**31 December 2019 HK$'000 (unaudited)**	30 June 2019 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	*10*	**79,745**	88,281
Right-of-use assets	*10*	**727,181**	–
Goodwill	*11*	**393,969**	411,876
Intangible assets		**–**	5,600
Interests in associates	*12*	**–**	8,418
Interest in a joint venture		**161**	169
Rental deposits		**15,032**	30,358
Deposit for acquisition of a subsidiary	*24*	**25,875**	–
Deferred tax assets		**4,161**	161
		1,246,124	544,863
Current assets			
Film and television rights	*13*	**61,345**	4,787
Film and television series production in progress	*13*	**113,473**	134,203
Inventories		**729**	685
Trade and other receivables	*14*	**167,058**	162,719
Rental deposits		**13,108**	19,163
Tax recoverable		**–**	713
Pledged bank deposits	*15*	**665**	664
Bank balances and cash	*15*	**167,223**	122,035
		523,601	444,969

	Notes	31 December 2019 HK$'000 (unaudited)	30 June 2019 HK$'000 (audited)
Current liabilities			
Trade and other payables	*16*	**174,716**	219,555
Contract liabilities	*16*	**96,380**	46,562
Tax payable		**5,856**	5,585
Bank and other borrowings			
– due within one year	*17*	**50,000**	65,220
Loans from a related company	*18*	**27,731**	27,801
Amount due to a joint venture		**385**	385
Contingent consideration payable		**80,081**	139,235
Lease liabilities		**78,528**	–
		513,677	504,343
Net current assets (liabilities)		**9,924**	(59,374)
Total assets less current liabilities		**1,256,048**	485,489
Non-current liabilities			
Deposits received	*16*	**294**	950
Bonds payable		**46,500**	22,000
Loans from a related company	*18*	**219,751**	198,168
Bank and other borrowings			
– due after one year	*17*	**49,268**	–
Contingent consideration payable		**178,155**	178,155
Lease liabilities		**694,409**	–
		1,188,377	399,273
		67,671	86,216
Capital and reserves			
Share capital	*19*	**6,489**	6,489
Reserves		**61,182**	83,690
Equity attributable to owners of the Company		**67,671**	90,179
Non-controlling interests		**–**	(3,963)
Total equity		**67,671**	86,216

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2019

	Attributable to owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 (Note)	Exchange reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 July 2018 (audited)	6,489	521,046	10	(3,607)	(403,858)	120,080	(3,779)	116,301
Profit (loss) for the period	–	–	–	–	46,509	46,509	(181)	46,328
Reclassification adjustments upon disposal of a subsidiary included in profit or loss *(note 21)*	–	–	–	165	–	165	–	165
Share of exchange difference of an associate arising on translating foreign operation	–	–	–	285	–	285	–	285
Share of exchange difference of a joint venture arising on translating foreign operation	–	–	–	(10)	–	(10)	–	(10)
Exchange difference arising on translating foreign operation	–	–	–	5,465	–	5,465	–	5,465
Total comprehensive income (expense) for the period	–	–	–	5,905	46,509	52,414	(181)	52,233
At 31 December 2018 (unaudited)	6,489	521,046	10	2,298	(357,349)	172,494	(3,960)	168,534
At 1 July 2019 (audited)	6,489	521,046	10	1,996	(439,362)	90,179	(3,963)	86,216
Loss for the period	–	–	–	–	(19,586)	(19,586)	–	(19,586)
Reclassification adjustments upon disposal of an associate included in profit or loss *(note 12)*	–	–	–	(321)	–	(321)	–	(321)
Share of exchange difference of a joint venture arising on translating foreign operation	–	–	–	(8)	–	(8)	–	(8)
Exchange difference arising on translating foreign operation	–	–	–	(2,593)	–	(2,593)	–	(2,593)
Total comprehensive expense for the period	–	–	–	(2,922)	(19,586)	(22,508)	–	(22,508)
Disposal of subsidiaries *(note 21)*	–	–	–	–	–	–	3,963	3,963
At 31 December 2019 (unaudited)	6,489	521,046	10	(926)	(458,948)	67,671	–	67,671

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 GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

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, as appropriate.

Other than changes 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 2019 are the same as those presented in the preparation of the Group's annual financial statements for the year ended 30 June 2019.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 July 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

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

2.1 Impacts and changes in accounting policies on application of HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the condensed consolidated financial statements would not differ materiality from individual leases within the portfolio.

The Group also applies practical expedient not to separate non-lease components from lease component for all classes of underlying assets, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of certain premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;

- any lease payments made at or before the commencement date, less any lease incentives received;

- any initial direct costs incurred by the Group; and

- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* and initially measured at fair value. Any adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;

- variable lease payments that depend on an index or a rate;

- amounts expected to be paid under residual value guarantees;

- the exercise price of a purchase option reasonably certain to be exercised by the Group; and

- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 July 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 July 2019. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK$814,408,000 and right-of-use assets of HK$799,932,000 as at 1 July 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 7%.

	At 1 July 2019 *HK$'000*
Operating lease commitments disclosed as at 30 June 2019	1,166,279
Lease liabilities discounted at relevant incremental borrowing rates	815,271
Less: Recognition exemption – leases with lease term ends within 12 months of the date of initial application	(863)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 July 2019	814,408
Analysed as	
– Current	125,645
– Non-current	688,763
	814,408

The carrying amount of right-of-use assets as at 1 July 2019 comprises the following:

	Right-of-use assets *HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	814,408
Adjustment on rental deposits at 1 July 2019 *(note a)*	20,992
Less: Accrued lease liabilities relating to rent-free period at 1 July 2019 *(note b)*	(35,468)
	799,932
By class:	
Cinema	797,603
Leased buildings	1,602
Others	727
	799,932

Note a: Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK$20,992,000 in aggregate was adjusted to current and non-current refundable rental deposits paid and right-of-use assets.

Note b: These relate to accrued lease liabilities for leases of properties in which the lessors provided rent-free period. The carrying amount of the lease incentive liabilities as at 1 July 2019 was adjusted to right-of-use assets at transition.

The transition to HKFRS 16 has no impact to the Group's accumulated losses as at 1 July 2019.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 July 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 30 June 2019	**Adjustments**	**Carrying amounts under HKFRS 16 at 1 July 2019**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Rental deposits	30,358	(15,409)	14,949
Right-of-use assets	–	799,932	799,932
Current asset			
Rental deposits	19,163	(5,583)	13,580
Current liabilities			
Trade and other payables	219,555	(35,468)	184,087
Lease liabilities	–	125,645	125,645
Non-current liability			
Lease liabilities	–	688,763	688,763

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position as at 1 July 2019 as disclosed above.

3A. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue from contracts with customers

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Film and television ("TV") series production, distribution and licensing income	**191,565**	268,542
Film exhibition income	**99,995**	119,711
Post-production, advertising and marketing income	**3,444**	7,024
Commission income from artiste management	**11,629**	–
Total	**306,633**	395,277
Timing of revenue recognition		
At a point in time	**283,991**	381,728
Over time	**22,642**	13,549
Total	**306,633**	395,277

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

3B. SEGMENT INFORMATION

Information reported to the executive directors, 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" for the Group's annual financial statements for the year ended 30 June 2019.

(i) Film and TV series production and distribution;

(ii) Film exhibition; and

(iii) Others

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies used in the preparation of the Group's annual financial statements for the year ended 30 June 2019 except for the changes in accounting policy as disclosed in note 2. Segment profit (loss) represent the loss incurred or profit earned by each segment without allocation of certain other gains and losses, certain other income, certain selling and distribution expenses, certain administrative expenses, certain finance costs and share of results of associates. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

For the six months ended 31 December 2019 (unaudited)

	Film and TV series production and distribution	**Film exhibition**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenue				
– External customers	**191,565**	**99,995**	**15,073**	**306,633**
Segment profit (loss)	**77,165**	**(59,310)**	**(13,648)**	**4,207**
Unallocated head office and corporate expenses				**(16,641)**
Fair value change on contingent consideration payable				**(7,628)**
Loss on disposal of subsidiaries				**(4,838)**
Gain on disposal of associates				**4,258**
Finance costs				**(1,608)**
Share of results of associates				**(855)**
Loss before tax				**(23,105)**

For the six months ended 31 December 2018 (unaudited)

	Film and TV series production and distribution	Film exhibition	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue				
– External customers	268,542	119,711	7,024	395,277
Segment profit (loss)	76,671	(2,393)	(1,161)	73,117
Unallocated other gains and losses				(2)
Unallocated other income				318
Unallocated head office and corporate expenses				(8,817)
Fair value change on contingent consideration payable				(10,496)
Finance costs				(94)
Share of results of associates				646
Profit before tax				54,672

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 income from film and TV series production, distribution and licensing, film exhibition and others is derived from are as below:

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Hong Kong and Macau	**110,085**	233,260
The People's Republic of China (the "PRC")	**191,965**	154,001
South East Asia Region	**–**	3,499
Others	**4,583**	4,517
	306,633	395,277

The information about its non-current assets (excluded goodwill and deferred tax assets) by geographical locations of the assets are details below:

	31 December 2019	30 June 2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
The PRC	**4,977**	550
Hong Kong	**817,142**	132,276
	822,119	132,826

4. OTHER GAINS AND LOSSES AND OTHER INCOME

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Other gains and losses		
(Loss) gain on disposal of subsidiaries *(note 21)*	**(4,838)**	17,715
Gain on disposal of associates *(note 12)*	**4,258**	–
Loss on disposal of property, plant and equipment	**–**	(2)
	(580)	17,713
Other income		
Handling service income	**1,532**	1,878
Investment income from investments in film/drama production	**–**	624
Membership income	**476**	655
Interest income	**334**	310
Others	**5,131**	1,271
	7,473	4,738

5. FINANCE COSTS

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest expenses on:		
Loans from a related company *(note 18)*	**8,096**	3,462
Lease liabilities	**23,131**	–
Bank and other borrowings	**1,571**	94
Bond payable	**1,568**	–
	34,366	3,556

6. INCOME TAX (CREDIT) EXPENSE

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Hong Kong Profits Tax		
– Current period	**–**	3,735
PRC Enterprise Income Tax ("EIT")		
– Current period	**481**	4,586
	481	8,321
Deferred taxation	**(4,000)**	23
Income tax (credit) expense	**(3,519)**	8,344

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits 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 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%.

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 is 25% for both periods.

As stipulated in Cai Shui [2011] No. 112, enterprises newly established in Khorgas special economic areas during the period from 2011 to 2020 could enjoy EIT exemption for five years starting from its first profit-making year. The enterprises 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》. According to《企業所得稅優惠事項備案表》, one of the Group's subsidiaries obtained the approval from the PRC tax bureau on 23 June 2017 for entitlement of EIT exemption from 1 January 2017 to 31 December 2020.

7. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss) profit for the period has been arrived at after charging:		
Directors' emoluments	**2,029**	2,932
Other staff costs	**21,781**	18,643
Retirement benefit scheme contributions, excluding those of Directors	**1,207**	921
Total staff costs	**25,017**	22,496
Auditors' remuneration	**1,385**	846
Depreciation of property, plant and equipment	**6,340**	7,224
Depreciation of right-of-use assets	**54,342**	–
Cost of film and TV rights recognised as an expense	**68,210**	160,735
Impairment loss on film and TV series production in progress (including in cost of sales) *(note 13)*	**–**	4,412
Contingent rents incurred for cinemas	**529**	660
Cost of scriptwriters and directors for film and TV series production	**20,806**	–
Cost of services provided	**36,437**	52,551
Cost of artiste and internet celebrity	**7,145**	–
Cost of inventories sold	**1,996**	1,988

8. DIVIDEND

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

9. (LOSS) EARNINGS PER SHARE

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

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss) earnings		
(Loss) profit for the period attributable to owners of the Company for the purpose of basic (loss) earnings per share	**(19,586)**	46,509

	Six months ended 31 December	
	2019	2018
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**2,595,613,733**	2,595,613,733

No diluted (loss) earnings per share is presented as the Company has no potential ordinary shares in issue during both periods.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the Group acquired property, plant and equipment amounting to HK$341,000 (six months ended 31 December 2018: HK$2,148,000) for the purpose of the Group's operation.

Upon the application of HKFRS 16 as at 1 July 2019, the Group's cinema and office premise in Hong Kong and the PRC were adjusted to right-of-use assets with an aggregate carrying amounts of HK$799,932,000 as at 1 July 2019. Details are disclosed in note 2.1.2.

During the current interim period, the Group entered into the new lease agreements for the use of office premises in the PRC for three years. On lease commencement, the Group recognised HK$2,861,000 of right-of-use assets and HK$2,823,000 lease liabilities.

The Group has recognised an impairment on property, plant and equipment and right-of-use assets amounted to HK$2,507,000 and HK$18,371,000 respectively, due to unsatisfactory operating result of film exhibition operations and the amount is charged to profit or loss during the six months ended 31 December 2019.

11. GOODWILL

Goodwill arose on the acquisition of Khorgas Houhai Culture Media Company Limited ("Khorgas Houhai") and its subsidiary, Beijing Juhai Culture Media Company Limited (collectively known as the "Khorgas Group"). The acquisition was completed on 28 August 2018 and details are set out in note 37 of annual report of the Company for the year ended 30 June 2019.

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

The calculation of the recoverable amount of Khorgas Group uses cash flow projections based on financial budgets approved by management covering a 5-year period with an average annual revenue growth rate of zero to 8% (30 June 2019: 2% to 40%) and a pre-tax discount rate of 21% (30 June 2019: 20%) per annum as at 31 December 2019. Cash flows beyond the 5-year ended are extrapolated using a steady expected inflation rate of 3% 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. The Directors believe that any reasonably possible change in any of these assumptions would not cause the carrying amount of cash generating unit to exceed its recoverable amount.

12. INTERESTS IN ASSOCIATES

	31 December 2019	30 June 2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Cost of unlisted investments in associates	–	74,000
Impairment loss recognised	–	(58,963)
	–	15,037
Share of post-acquisition losses and other comprehensive expenses, net of dividend received	–	(6,619)
	–	8,418

As at 30 June 2019, the interests in associates represented the Group's equity interests in the companies principally engaged in comic publication and licensing of comic stories and comic heroes and provision of artiste management services in Hong Kong and the PRC.

On 30 November 2019, the Group disposed of its equity interest in Supreme Art Entertainment Limited ("Supreme Art") to an independent third party for a cash consideration of HK$8,500,000. Before the disposal, the Group owned 40% interest in Supreme Art and the investment was previously accounted for as an investment in an associate using the equity method of accounting. This transaction has resulted in the Group recognising a gain of disposal of HK$3,737,000 in profit or loss.

	HK$'000
Cash consideration	8,500
Less: carrying amount of the 40% investment on the date of disposal	(4,763)
Gain recognised in profit or loss	3,737

On 30 November 2019, the Group disposed of its equity interest in Jade Dynasty Holdings Limited ("JDH") to an independent third party for a cash consideration of HK$200,000. Before the disposal, the Group owned 40% interest in JDH and the investment was previously accounted for as an investment in an associate using the equity method of accounting. This transaction has resulted in the Group recognising a gain of disposal of HK$521,000 in profit or loss.

	HK$'000
Cash consideration	200
Add: reclassification of cumulative exchange reserve upon disposal	321
Less: carrying amount of the 40% investment on the date of disposal	–
Gain recognised in profit or loss	521

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

	Film and TV rights *HK$'000*	Film and TV series production in progress *HK$'000*
COST		
At 1 July 2018	641,201	175,521
Exchange adjustment	–	(948)
Additions	–	163,139
Acquisition of subsidiaries	–	109,095
Transfer	272,729	(272,729)
At 30 June 2019	913,930	174,078
Exchange adjustments	(5,681)	(4,564)
Additions	–	109,160
Transfer	125,326	(125,326)
At 31 December 2019	1,033,575	153,348
ACCUMULATED AMORTISATION AND IMPAIRMENT		
At 1 July 2018	639,429	35,463
Charged for the year	269,714	–
Impairment loss recognised for the year *(Note)*	–	4,412
At 30 June 2019	909,143	39,875
Exchange adjustments	(5,123)	–
Charged for the period	68,210	–
At 31 December 2019	972,230	39,875
CARRYING AMOUNTS		
At 31 December 2019 (unaudited)	61,345	113,473
At 30 June 2019 (audited)	4,787	134,203

Note: During the six months ended 31 December 2018, an impairment loss of HK$4,412,000 was recognised on the production costs for film and television series production in progress. Management was in a view that the production plan for the film and television series production in progress was postponed and considered that the amount may not be fully recovered. The Directors are of opinion that the carrying amount of HK$4,412,000 was fully impaired.

14. TRADE AND OTHER RECEIVABLES

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

	31 December 2019	30 June 2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables:		
0–30 days	**101,804**	18,426
31–60 days	**–**	133
61–90 days	**–**	11,888
91–180 days	**–**	9,691
181–365 days	**18,678**	97,341
Over one year	**–**	2,869
	120,482	140,348
Other receivables, deposits and prepayments	**13,532**	5,507
Prepayment for film and TV series production	**13,171**	479
Prepayment of interest to bondholders	**1,026**	884
Prepayment of artiste agency and scriptwriters	**15,800**	12,920
Other deposits and prepayments for cinema operation	**3,047**	2,581
	167,058	162,719

Generally, with the exception of PRC TV series production customers and post-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 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$18,678,000 (30 June 2019: HK$110,094,000) as at 31 December 2019 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.

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

15. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

At 31 December 2019, amount of HK$665,000 (30 June 2019: HK$664,000) has been pledged to a bank to secure the 4Dx's equipment rental fees payable to a supplier of 4Dx equipment for the Group's operation in the Lease Premises in accordance with the 4Dx equipment rental agreement dated 20 August 2015. The pledged bank deposits carry interests at a fixed rate of 0.45% (30 June 2019: 0.45%) per annum and it will be mature on 20 February 2020 (30 June 2019: 20 August 2019), respectively.

Bank balances and cash of the Group carry interest at market rates ranging from 0.01% to 0.30% (30 June 2019: 0.01% to 0.25%) per annum as at 31 December 2019.

16. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	31 December 2019	30 June 2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade payables	**55,404**	48,995
Payables in respect of acquisition of property, plant and equipment	**5,318**	10,534
Payables in respect of artiste agency and scriptwriters	**29,028**	6,111
Other payables and accruals	**40,710**	66,391
Investment funds from investors *(note i)*	**9,000**	51,015
Advances from former shareholders of subsidiaries acquired *(note iii)*	**35,068**	36,343
Deposits received *(note ii)*	**482**	1,116
	175,010	220,505
Less: amount shown under non-current liabilities *(note ii)*	**(294)**	(950)
Amount shown under current liabilities	**174,716**	219,555
Contract liabilities *(note iv)*	**96,380**	46,562

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:

	31 December 2019	30 June 2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 60 days	**44,757**	32,607
Within 61 to 90 days	**–**	1
Within 91 to 365 days	**10,647**	16,387
	55,404	48,995

Notes:

(i) The investment funds from investors represented the share of return on investments to other investors of TV series produced by the Group.

(ii) 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 at 31 December 2019, an amount of deposits received of HK$188,000 (30 June 2019: HK$166,000) will expire in November 2020 (30 June 2019: November 2019) and therefore the amount was classified as current liabilities. The remaining amount of HK$294,000 (30 June 2019: HK$950,000) will expire in February 2022 (30 June 2019: February 2022) and therefore, the amount was classified as non-current liabilities.

(iii) The advances from former shareholders of subsidiaries acquired were non-trade related, unsecured, interest-free and repayable on demand.

(iv) Deposits are received by the Group as the instalments of contribution from the PRC co-producers for film and TV series production in progress and advances of distribution and licensing income received from distributors prior to release and delivery of film negatives and TV series program. Payment terms are negotiated in contract by contract 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.

17. BANK AND OTHER BORROWINGS

	31 December 2019	30 June 2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Variable-rate bank borrowings:		
– secured	**–**	22,800
– unsecured	**11,000**	–
Fixed-rate bank borrowing, secured	**–**	3,420
	11,000	26,220
Unsecured other borrowings		
– Pure Project Limited *(note i)*	**39,000**	39,000
– Guangzhou Black Hole Investment Limited *(note ii)*	**49,268**	–
	99,268	65,220
Analysis as:		
– Current liabilities	**50,000**	65,220
– Non-current liabilities	**49,268**	–
	99,268	65,220

The Group's bank borrowings are repayable within one year and denominated in RMB.

As at 31 December 2019, the Group raised a new bank borrowing which is unsecured, interest-bearing at Borrowing rate of the Bank of Beijing plus 0.81% and repayable within one year. The Group's variable-rate and fixed-rated bank borrowings were carrying interest at Borrowing Rate of the People's Bank of China plus 0.91% and 7.2%, respectively, as at 30 June 2019. The Group's secured bank borrowings as at 30 June 2019 were secured by the Group's trade receivables of RMB32,627,000 (equivalent to HK$37,195,000) and guaranteed by an insurance company in the PRC.

Notes:

(i) The other loan represents a loan from Pure Project Limited in which Mr. Wong (the former executive director of the Company) has controlling interests during the year ended 30 June 2019. The borrowing is unsecured, interest-free and repayable on demand.

(ii) The balance represents a new other borrowing from Guangzhou Black Hole Investment Limited, an independent third party of the Group, with a principal amount of RMB43,520,000 (equivalent to HK$47,872,000) plus an accrued interest of RMB1,269,000 (equivalent to HK$1,396,000) as at 31 December 2019. Such borrowing is unsecured, carrying interest at 7% per annum and repayable in August 2021. Therefore, such borrowing is classified as non-current liabilities.

18. LOAN FROM A RELATED COMPANY

Members of the key management of the Group have controlling interests over the related companies.

	31 December 2019	30 June 2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Loan from a related company		
– Loan 1 *(note i)*	**36,094**	36,473
– Loan 2 *(note ii)*	**183,657**	161,695
– Loan 3 *(note iii)*	**27,731**	27,801
	247,482	225,969
Analysis as:		
– Current liabilities	**27,731**	27,801
– Non-current liabilities	**219,751**	198,168
	247,482	225,969

Notes:

(i) Guangzhou Daide Management Consultancy Company Limited ("Guangzhou Daide"), a wholly-owned subsidiary of the Company, borrowed an aggregate loan advances of RMB31,000,000 (equivalent to HK$35,650,000) from Guangzhou Seedland Real Estate Development Limited ("Guangzhou Seedland"), a company in which Mr. Zhang Liang, Johnson, the controlling shareholder and the executive director of the Company, has controlling interests. The loan advances are unsecured, interest-bearing at 7% per annum and repayable in January 2021. Therefore, the loan advances are classified as non-current liabilities.

(ii) Guangzhou Huohua Investment Company Limited ("Guangzhou Huohua"), a wholly-owned subsidiary of the Company, borrowed loan advances of RMB135,000,000 (equivalent to HK$155,250,000) and RMB70,000,000 (equivalent to HK$2,000,000), in January 2019 and September 2019 respectively, from Guangzhou Seedland. The loan advances are unsecured, interest-bearing at 7% per annum and the loans amount with interests accrued are repayable in 3 years after the loan's drawdown date. Therefore, the amounts are classified as non-current liabilities.

(iii) Khorgas Houhai, a non-wholly owned subsidiary of the Company, borrowed an aggregate loan advances of RMB38,000,000 (equivalent to HK$43,700,000) from Guangzhou Seedland. The loan advances are unsecured, interest-bearing at 7% per annum and repayable on 31 December 2019. During the year ended 30 June 2019, the Group made a partial repayment of RMB15,000,000 (equivalent to HK$17,250,000) to Guangzhou Seedland.

On 18 December 2019, Khorgas Houhai and Guangzhou Seedland entered into a new loan agreement to extend the repayment date of the remaining loan balance of RMB23,000,000 (equivalent to HK$27,731,000) from 31 December 2019 to 30 June 2020. Therefore, the loan advance of RMB23,000,000 (equivalent to HK$27,731,000) is classified as current liabilities as at 31 December 2019.

19. SHARE CAPITAL

	Number of shares	Share capital *HK$'000*
Ordinary shares of HK$0.0025 each:		
Authorised:		
At 1 July 2018, 30 June 2019 (audited) and 31 December 2019 (unaudited)	32,000,000,000	80,000
Issued and fully paid:		
At 1 July 2018, 30 June 2019 (audited) and 31 December 2019 (unaudited)	2,595,613,733	6,489

20. SHARE-BASED PAYMENT TRANSACTIONS

Share option scheme

The Company's share option scheme (the "Scheme"), was approved and adopted by the sole shareholder on 5 October 2012 for the primary purpose to grant options to eligible persons as incentives or rewards for their contribution to the Group.

Under the Scheme, the Directors may, at its discretion, grant options pursuant to the Scheme to the Directors (including executive directors, non-executive directors and independent non-executive directors), employees, advisors and consultants of the Company and its subsidiaries who the Directors consider, in its absolute discretion, have contributed or will contribute to the Group (the "Participants").

The total numbers of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

The Scheme shall be valid and effective for a period of 10 years commencing on 5 October 2012. Options granted during the life of the Scheme shall continue to be exercisable in accordance with their terms of grant. The exercise price is determined by the Directors and will not be less than the highest of (i) the closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares. Upon acceptance of the option, the Participants shall pay HK$1.00 to the Company by way of consideration for the grant. The option will be offered for acceptance for a period of 28 days from the date of grant.

For the six months ended 31 December 2019, there was no share option granted under the Scheme by the Company. There was no share option outstanding as at 30 June 2019 and 31 December 2019.

21. DISPOSAL OF SUBSIDIARIES

For the six months ended 31 December 2019

(a) Disposal of Chili Advertising and Promotions Limited ("Chili") and its subsidiaries (collectively referred to as the "Chili Group")

On 30 November 2019, the Group entered into an agreement to dispose of the entire equity interest in Chili Group, indirectly wholly-owned subsidiaries of the Company, to an independent third party of the Group, at a cash consideration of HK$7,000,000. Chili Group engaged in advertising and marketing business. The disposal was completed on 10 December 2019, on which date when the control of Chili Group passed to the acquirer.

(b) Disposal of Star Pictures Entertainment (Hong Kong) Limited ("Star Pictures")

On 30 November 2019, the Group entered into an agreement to dispose the entire equity interest of Star Pictures, an indirect wholly-owned subsidiary of the Company, to an independent third party of the Group, at a cash consideration of HK$100,000. Star Pictures is engaged in film production and distribution business. The disposal was completed on 4 December 2019, on which date when the control of Star Pictures passed to the acquirer.

Consideration received:

	Chili Group	**Star Pictures**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Cash received	7,000	100	7,100

Analysis of assets and liabilities over which control was lost:

	Chili Group	**Star Pictures**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Plant and equipment	10	–	10
Intangible assets	5,600	–	5,600
Trade and other receivables	486	2,039	2,525
Tax recoverable	97	–	97
Bank balances and cash	1,295	50	1,345
Trade and other payables	(659)	(943)	(1,602)
Net assets disposed of	6,829	1,146	7,975

Loss on disposal:

	Chili Group	Star Pictures	Total
	HK$'000	*HK$'000*	*HK$'000*
Cash received	7,000	100	7,100
Non-controlling interests	(3,963)	–	(3,963)
Net assets disposed of	(6,829)	(1,146)	(7,975)
Loss on disposal	(3,792)	(1,046)	(4,838)

Net cash inflow on disposal:

	Chili Group	Star Pictures	Total
	HK$'000	*HK$'000*	*HK$'000*
Cash consideration received	7,000	100	7,100
Cash and cash equivalents disposed of	(1,295)	(50)	(1,345)
	5,705	50	5,755

For the six months ended 31 December 2018

On 8 May 2018, Shanghai Xinma Development Company Limited ("Shanghai Xinma"), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement (the "Equity Transfer Agreement") with two independent third parties of the Group (the "Purchasers"), pursuant to which Shanghai Xinma agreed to sell and the Purchasers agreed to acquire 100% equity interest of Shengma Cultural Communication (Shanghai) Company Limited ("Shengma Cultural"), a direct wholly-owned subsidiary of Shanghai Xinma which engaged in cinema operations and management in the PRC, at a consideration of RMB40,700,000 plus the cash at bank of Shengma Cultural at the completion date and minus (i) the total amount of liabilities of Shengma Cultural at the completion date and (ii) the contingent liabilities. Details of the disposal are set out in the circular issued by the Company dated 8 May 2018.

On 31 July 2018, the disposal of Shengma Cultural was completed at a net consideration of RMB20,032,000 (equivalent to HK$22,836,000) and the control of Shengma Cultural has been passed to the Purchasers. Upon completion of the disposal, Shengma Cultural ceased to be a subsidiary of the Company.

Consideration received:

	HK$'000
Consideration, satisfied by cash, net	22,836

Analysis of assets and liabilities over which control was lost:

	HK$'000
Property, plant and equipment	18,947
Inventories	55
Trade and other receivables	3,790
Rental deposits	1,230
Bank balances and cash	565
Trade and other payables	(19,126)
Contract liabilities	(346)
Tax payable	(159)
Net assets disposed of	4,956

Gain on disposal of a subsidiary:

	HK$'000
Cash received	22,836
Reclassification of cumulative exchange reserve upon disposal to profit or loss	(165)
Less: net assets disposed of	(4,956)
Gain on disposal	17,715

Net cash inflow on disposal of a subsidiary:

	HK$'000
Cash consideration received	22,836
Amount not received and included in other receivables	(6,156)
Cash and cash equivalents disposed of	(565)
	16,115

22. RELATED PARTY DISCLOSURES

Apart from the balances with related parties as disclosed in note 18, during the period, the Group also entered into the following significant transactions with related parties:

Name of related party	*Notes*	Nature of transaction	**Six months ended 31 December**	
			2019	2018
			HK$'000	*HK$'000*
			(unaudited)	(unaudited)
PM Motion Pictures Limited	*(a)*	Service income	**–**	200
Pure Project Limited	*(b)*	Rental expense	**–**	354
Mandarin Motion Pictures Production Limited ("Mandarin Motion")	*(c)*	Production, film distribution service and film processing fees	**1,894**	605
Guangzhou Seedland	*(d)*	Interest expenses	**8,096**	3,462

Notes:

(a) The service income was received from PM Motion Pictures Limited for the Group's provision of film distribution services. Mr. Wong (who resigned as executive director of the Company on 1 April 2019) and Mr. Wong Chi Woon, Edmond and Ms. Wong Yee Kwan, Alvina (the former executive directors of the Company), collectively have controlling interests in this company.

(b) The rental expense was paid to Pure Project Limited for the office premise leased by the Group. Mr. Wong (who resigned as executive director of the Company on 1 April 2019) has controlling interests in Pure Project Limited.

(c) The production, film distribution service and film processing service income were received from Mandarin Motion in which Ms. Wong Kit Fong, the sister of Mr. Wong (who resigned as executive director of the Company on 1 April 2019), has controlling interests.

(d) The interest expenses were paid to Guangzhou Seedland for the loan advances from it to the Group in which Guangzhou Seedland is beneficially owned by Mr. Zhang, the controlling shareholder and the executive director of the Company.

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The level in the fair value hierarchy within which the financial asset and financial liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

Financial liability	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	31 December 2019	30 June 2019				
	HK$'000	*HK$'000*				
Contingent consideration payable	**258,236**	317,390	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration, based on an appropriate discount rate.	Discount rate of 7% per annum	The higher the estimated discount rate, the lower the fair value.

24. EVENT AFTER THE REPORTING PERIOD

After the reporting period, Guangzhou Daide Management Consultancy Company Limited ("Guangzhou Daide") entered into an equity transfer agreement with a group of third party sellers (the "Sellers") and 聞瀾(上海)文化傳媒有限公司 (Wenlan (Shanghai) Culture Communication Co., Ltd.) (the "Target Company"). Under the agreement, Guangzhou Daide conditionally agreed to acquire, and Chen Jie (the "Seller One") and 上海艾播文化傳播有限公司 (Shanghai Aibo Culture Communication Co., Ltd.) (the "Seller Three") conditionally agreed to sell, the equity interest collectively hold by Seller One and Seller Three, representing 60% equity interest in the Target Company, at an aggregate consideration of RMB96,000,000 and 壽瑋達 (the "Seller Two") and 上海薈喆企業管理中心(有限合夥) (Shanghai Huizhe Enterprise Management Center Co., Ltd.) (the "Seller Four") agreed to grant the call option to Guangzhou Daide for purchasing the remaining 40% equity interest in the Target Company.

On the same day, Guangzhou Daide, the Sellers and the Target Company also entered into a profit guarantee agreement, pursuant to which and subject to the completion of the acquisition, the other two of the Sellers undertake to Guangzhou Daide that the aggregate amount of profit for the profit guarantee period from the date of completion to 31 December 2022 shall be not less than RMB70,000,000.

Details of the acquisition are set out in the announcements of the Company dated 10 September 2019 and 11 December 2019.

As at 31 December 2019, the Group paid a deposit of acquisition amounted to RMB23,520,000 (equivalent to HK$25,875,000). Up to the date of this announcement, the transaction has not been completed.

The latest outbreak of the novel coronavirus disease (COVID-19) is expected to affect the Group's performance in second half year of the financial year 2019/20. The Television Production Committee and the Artiste Committee of China Federation of Radio and Television Associations has published "Announcement on Suspension of Filming Work in Relation to Film and Television Series amidst Novel Coronavirus", requesting all film and television production companies, film and television crews and film and television artistes to cease the filming work in relation to film and television series amid the disease until next notice. Besides, the decrease in number of customers under film exhibition sector could have adverse impact on the performance. The Group has taken some measures to limit the impact. However, the impact on financial performance is still under progress of estimation.

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; and (iii) other businesses. The Group mainly produces Chinese films, variety shows and TV series in both mainland China and Hong Kong. It also operates five Hong Kong based cinemas. During the six months ended 31 December 2019 (the "Period under Review"), the Group further realized its strategy of business diversification and developed pan-entertainment business, including production business, artiste and internet celebrity agency business and business derived from the upstream and downstream of such businesses.

Film and TV series production and distribution

During the Period under Review, film and TV series production and distribution business remained as the core business of the Group with reported revenue of approximately HK$191.6 million, representing a decrease of approximately 28.7% as compared to the corresponding period in 2018, mainly due to the decrease in the revenue generated from the film production, distribution and licensing as there was no new movie released by the Group during the Period under Review whereas two films, namely "L Storm" (L風暴) and "Lucid Dreams" (八步半喜怒哀樂), were released in the corresponding period in 2018.

Film exhibition

Film exhibition was another key revenue driver for the Group. During the Period under Review, the Group operated five cinemas at different strategic locations across Hong Kong, including Mong Kok, Chai Wan, Causeway Bay and Tsuen Wan, providing 23 screens and over 3,000 seats. According to the statistics from Hong Kong Box Office Limited, the Hong Kong box office receipts posted a slight decrease of approximately 1.75% in 2019 to approximately HK$1.92 billion, mainly attributable to the decline in Hong Kong film market. During the Period under Review, revenue from film exhibition amounted to approximately HK$100.0 million, representing a decrease of approximately 16.5% as compared to the corresponding period in 2018, mainly attributable to the drop in the cinemagoers amidst the continuous weakened market sentiment during the second half of 2019. This business segment recorded a loss of approximately HK$59.3 million during the Period under Review (2018: loss of approximately HK$2.4 million).

Others businesses

During the Period under Review, the post-production, advertising, marketing and publication and pan-entertainment businesses of the Group recorded a total revenue of approximately HK$15.1 million (2018: approximately HK$7.0 million). This business segment recorded a loss of approximately HK$13.6 million during the Period under Review (2018: loss of approximately HK$1.2 million). Taken into account the small scale operation of the post-production business of the Group in the recent years, the recent market trend and the change in the overall business strategy of the Group, the Group has disposed of the post-production business last year.

Furthermore, in order to achieve long-term sustainable development, during the Period under Review, the Group has continued to forge collaborative relationship with various artists, internet celebrities, agencies, renowned scriptwriters and popular directors to make in-depth development in the film and television industry. Meanwhile, the Group nurtures new celebrities and develops Multi Channel Network (MCN) business with vast resources on film and television in channels/internet and expands its revenue base through developing its self-developed consumer brand, and thereby promoting the development strategy of brand diversification and enhancing the Group's brand awareness in the industry. During the Period under Review, the Group recorded income from screenwriting and film direction business as well as artiste and internet celebrity agency business for the first time.

OUTLOOK

Looking forward, the Group will continue to promote the realization of the development strategy of brand diversification and actively develops its self-owned brand to broaden the revenue base through the celebrity market. The Group has targeted the beauty market that is greatly concerned by female audience and invited a number of popular internet celebrities in the beauty field to join the Group. The Group will tap into the film and television intellectual property derived products and e-commerce industry by developing its self-owned brand, and will further nurture new celebrities and develop Multi Channel Network (MCN) business with vast resources on film and television in channels/internet. By cooperating with celebrities with over millions of fans, the Group is able to maintain excellent long-term interaction with targeted fan groups in a bid to develop and promote its self-developed consumer brand and eventually form a complete business cycle. The management of the Group believes that the impressive performance and extensive experience of the celebrities on fan group operation, online and offline marketing and traffic monetization will enable the Group to rapidly develop its self-owned brand and expand the pan-entertainment business. The Group will invite more popular celebrities to join the Group. It is expected that the new business will generate sustainable synergy with the existing resources on film, television and variety shows and thereby creating a broad space for development for the Group in the field of pan-entertainment consumption.

In respect of the film and TV series production and distribution, a number of copyright projects of the Group are currently under pre-production stage, including "Redemption on the Blade" (刀鋒上的救贖), a mystery detective drama originally written by Zhi Wen (指紋), who is the screenwriter of "White Night Chase" (白夜追凶); and an internet variety show "Young at Style" (潮流出動).

Moreover, the Group has reached agreements with some popular copyright owners, and will develop, produce and publish work series for the following copyrights, including "Locard's theory" (洛卡爾定律), a Japanese TV series; novels including "Imperial Harem" (後宮•真煩傳), "Next To The Last Girlfriend" (倒數第二個女朋友), "Romance in the City" (半城風月), "The Flower Throne" (鮮花寶座) and "Her Warfare" (蘇筱的戰爭) etc.

For variety shows, the romantic detective reality show developed and produced by the Group namely, "I Love You, Me Too" (喜歡你，我也是) has ended on 26 June 2019. With the good performance and network popularity of the first season, the Group is considering to produce the second season of "I Love You, Me Too" in order to create a self-developed multi-season variety show brand.

Due to the latest outbreak of the novel coronavirus disease (COVID-19) in mainland China, the Television Production Committee (電視製片委員會) and the Artiste Committee (演員委員會) of China Federation of Radio and Television Associations has published "Announcement on Suspension of Filming Work in Relation to Film and Television Series amidst Novel Coronavirus "(關於新冠疫情期間停止影視劇拍攝工作的通知), requesting all film and television production companies, film and television crews and film and television artistes to cease the filming work in relation to film and television series amid the disease. Meanwhile, the Chinese government has implemented various preventive safety measures of transport control and home quarantine in order to curb the spread of novel coronavirus.

As a result, there has been a delay in work resumption in respect of film and television production crews and office workers of the Group in mainland China, causing disruption to filming progress of some television series and variety shows. In addition, the five cinemas of the Group in Hong Kong has also implemented infection precautions such as strengthening cleaning and disinfection work and enforcing body temperature measurement and distributing masks to cinemagoers. The management is conducting an overall evaluation of the impact of the disease on the Group's performance in the second half year of the financial year 2019/20. The Group will also adopt all effective measures at its best and strive to minimise the adverse effect on the Group's daily operation arising from the disease.

Looking forward, the Group will continue to explore opportunities in relation to the development of the film, television and media industry leveraging its outstanding film production capabilities, especially cooperation opportunities derived from the upstream and downstream of the industry chain, with an aim to strengthen the Group's revenue base. With the joining of these famous internet celebrities, the Group will develop its self-owned consumer brand and gradually expand the scale of the film and television intellectual property derived products and e-commerce industry, so as to further diversify its operation, enhancing its profitability and generating satisfactory returns for the shareholders of the Group.

FINANCIAL REVIEW

Revenue and gross profit

Revenue of the Group for the Period under Review amounted to approximately HK$306.6 million, representing a decrease of approximately HK$88.7 million or 22.4% as compared to the corresponding period of 2018, mainly contributed by revenue from the business segments of film and TV series production and distribution and film exhibition of approximately HK$191.6 million and HK$100.0 million, respectively. The revenue generated from the film production, distribution and licensing declined since there was no new movie released by the Group during the Period under Review whereas two films, namely "L Storm" (L風暴) and "Lucid Dreams" (八步半喜怒哀樂), were released in the corresponding period in 2018. For the film exhibition segment, the revenue in film exhibition business reduced due to the drop in the cinemagoers amidst the continuous weakened market sentiment during the second half of 2019.

Gross profit of the Group was approximately HK$160.6 million, representing a decrease of approximately HK$14.0 million or approximately 8.0% as compared to the corresponding period of 2018. Gross profit margin for the Period under Review was approximately 52.4%, representing an increase as compared to approximately 44.2% for the corresponding period of 2018.

Other gains and losses and other income

During the Period under Review, other gains and losses and other income was approximately HK$6.9 million, representing a decrease of HK$15.6 million or approximately 69.3% as compared to the corresponding period in 2018, which was mainly due to a significant gain on disposal of a subsidiary amounted to HK$17.7 million in the corresponding period of last year, whereas no such significant gain was recorded under these accounts during the Period under Review.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately HK$5.5 million or 5.7% from approximately HK$97.1 million for the corresponding period of 2018 to approximately HK$91.6 million for the Period under Review. This was mainly due to the recognition of depreciation of right-of-use assets of HK$54.3 million and interest expenses of lease liabilities during the Period under Review as a result of the effect of the adoption of the new accounting standard HKFRS16, whereas the interest expenses of lease liabilities of HK$23.1 million were included in financial costs in the current period. In the corresponding period of last year, only rental expenses of HK$61.2 million was recognized in selling and distribution expenses.

Administrative expenses

Administrative expenses increased by approximately HK$3.0 million or approximately 10.8% from approximately HK$27.5 million for the corresponding period of 2018 to approximately HK$30.5 million for the Period under Review, which was attributable to the ordinary administrative expenses incurred by certain newly-established wholly-owned subsidiaries in 2019.

Share of results of associates

During the Period under Review, share of loss of associates represented the loss incurred by Supreme Art Entertainment Limited in the Period under Review. In addition, the Group disposed of the entire interest of Supreme Art Entertainment Limited and Jade Dynasty Holdings Limited during the Period under Review.

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), in which the Group owned 40% interest. BPL did not record any profit during the Period under Review (2018: loss attributable to the Group of approximately HK$0.01 million).

Loss for the period under review

The Group's loss and total comprehensive expense attributable to owners of the Company for the Period under Review amounted to approximately HK$19.6 million (2018: profit of approximately HK$46.5 million) and approximately HK$22.5 million (31 December 2018: total comprehensive income of approximately HK$52.4 million) respectively.

It was mainly caused by (i) the decrease in the revenue generated from the film production, distribution and licensing as there was no new movie released by the Group during the Period under Review whereas the film "L Storm" was released in the corresponding interim period in 2018; (ii) the decrease in film exhibition income as a result of the drop in the cinemagoers amidst the continuous weakened market sentiment during the second half of 2019; and (iii) the application of Hong Kong Financial Reporting Standard 16 Leases ("HKFRS 16"), which results in a higher total charge to the statement of profit or loss in the first few years of the lease, and such expenses will decrease during the latter part of the lease terms. There is no impact on the cumulative expenses recognized during the remaining lease terms since the adoption date of HKFRS 16. Accordingly, the effects of the application of HKFRS 16 resulted in an increase in corresponding expenses recognised during the Period under Review as the Group currently operates numerous cinemas in Hong Kong.

IMPAIRMENT LOSS ON RIGHT-OF-USE ASSETS AND PROPERTY, PLANT AND EQUIPMENT ("IMPAIRMENT")

Background

As disclosed in note 2.1, the Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 July 2019 to recognise right-of-use assets of HK$800.0 million relating to the lease agreements of five cinemas in Hong Kong which were previously classified as operating leases under HKAS 17.

The Impairment was made on right-of-use assets derived from the lease agreements of numerous cinemas in Hong Kong operating by the Group (the "Cinemas") and property, plant and equipment in relation to the Cinemas, 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 2019. The Cinemas located in Hong Kong have been operating for years and the management assessed the income to be generated therefrom after taking into account of the factors explained in the section headed "Circumstances leading to the Impairment" below.

The relevant cinemas (not including the buildings) were developed by the Group on its own and were not acquired from third parties, and the relevant right-of-use assets and property, plant and equipment in relation to the Cinemas was acquired at various time from the relevant suppliers in the course of the establishment of the Cinemas.

Circumstances leading to the Impairment

At the end of the six months ended 31 December 2019, the management of the Company assessed the carrying value and recoverable amount of the right-of-use assets and property, plant and equipment in relation to the Cinemas after taking into account of the following factors:

(a) the global economic downturn since mid-2019 which leads to the expected decline of occupancy rate of the Cinemas;

(b) the change of the movie industry atmosphere in Hong Kong and the expected slowdown in shooting of international blockbuster movie, and thus the expected decline in the box office in the forthcoming year;

(c) the adverse impact due to the social movement since the second half of 2019, which results in less cinemagoers;

(d) the review and comparison of the budget of the Cinemas prepared for the Period under Review and the actual income and profit generated from the Cinemas during the period, and found that there is a material shortfall from the projected income and operating profit; and

(e) the need to adopt a reasonable approach in evaluating the cashflow to be generated from the cinema operation by the adoption of a discount rate of 13.3% 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 assessed and considered during the course of the preparation of the interim financial information of the Company for the six months period ended 31 December 2019. The above factors were not anticipated nor taken into account when the development plan of the relevant Cinemas was implemented.

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 cashflow method ("DCF"). DCF is adopted because:

(a) the entire carrying amount of the right-of-use assets and property, plant and equipment was tested for impairment in accordance with the HKAS 36 issued by the HKICPA by comparing its recoverable amount with its carrying amount; and

(b) the Group adopted the DCF method under the income-based approach in arriving at the value in use. According to the HKAS 36, measuring value in use of an entity should consider an estimate of the future cash flows the entity expects to derive from the asset. Therefore, the Company adopted the DCF and that the asset-based approach and market based approach were not applicable.

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

(a) the Group recognized the impairment loss on right-of-use assets and property, plant and equipment due to the deteriorating economic environment and intense competition in the market of cinema and film exhibition;

(b) the economic downturn will be a mid-to-long term one and the performance of occupancy rate of the cinema and the box office will not rebound in a short period taking into account the declining economic performance of Hong Kong and the PRC and the uncertainties brought by the increase of the trade war between the United States of America and the PRC as well as the outbreak of novel coronavirus disease (COVID-19);

(c) the interest rate of the banking facilities obtained by the Group for the operation of the Cinemas will not decrease substantially in the foreseeable period and hence affecting the discount rate used when adopting the DCF approach; and

(d) for the impairment testing, the recoverable amount was determined based on value in use calculations which was performed by management. The calculation uses cash flow projections of the Group based on financial budgets approved by the management of the Company covering a lease term period of the Cinemas and a pre-tax discount rate of 13.3%. The key assumption include the future expected cash flows based on management's view of future business prospects and past performance of the Group.

Taking into account of the above factors and the reasonable approach in adopting the relevant accounting standard and the discount rate which is more suitable when making cash flow projections, the Board considers that the Impairment is fair and reasonable.

The Company intends to continue with the operation of the Cinemas which are self-developed, but it will monitor closely the business performance of the Cinemas from time to time and formulate appropriate business strategy for the cinema or to realise the investment if suitable opportunity arises.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2019, the Group's bank balances and cash amounted to approximately HK$167.2 million (30 June 2019: approximately HK$122.0 million), which are denominated mainly in Hong Kong Dollar ("HK$"), United States Dollar ("US$") and Renminbi ("RMB").

As at 31 December 2019, the Group's total debts included bank and other borrowings, bonds payable and loans from a related company, which amounted to approximately HK$99.3 million, approximately HK$46.5 million and approximately HK$247.5 million, respectively (30 June 2019: approximately HK$65.2 million, approximately HK$22.0 million and approximately HK$226.0 million, respectively). As at 31 December 2019, the Group's gearing ratio, representing the ratio of total debts to total assets, was approximately 22.2% (30 June 2019: approximately 31.6%).

On 16 May 2019 and 16 September 2019, the Company and Royston Securities Limited (the "Placing Agent") entered into placing agreements, pursuant to which the Placing Agent conditionally agreed to procure, on a best efforts basis, placees to subscribe in cash for the bonds in an aggregate principal amount of up to HK$150,000,000 during the placing period. Details of the placing of bonds are set out in the announcements of the Company dated 16 May 2019 and 16 September 2019 respectively. As at 31 December 2019, the Group's bonds payable amounted to approximately HK$46.5 million.

As at 31 December 2019, the Group had total non-current assets of approximately HK$1,246.1 million (30 June 2019: approximately HK$544.9 million), net current asset of approximately HK$9.9 million (30 June 2019: net current liabilities of approximately HK$59.4 million) and net assets of approximately HK$67.7 million (30 June 2019: approximately HK$86.2 million). The current ratio of the Group, representing the ratio of current assets over current liabilities, was approximately 1.0 as at 31 December 2019 (30 June 2019: approximately 0.8).

During the Period under Review, the Group mainly funded its liquidity by the net proceeds from the listing of the shares of the Company, bank borrowings, loans from a related company and resources generated internally. The Group's financial resources are sufficient to support its business and operations. The Group would also consider other financing activities when appropriate business opportunities arise under favourable market conditions.

MATERIAL ACQUISITIONS OUT AND DISPOSALS

On 10 September 2019, Guangzhou Daide, the Sellers and the Target Company entered into the equity transfer agreement, pursuant to which Guangzhou Daide conditionally agreed to acquire, and Seller One and Seller Three conditionally agreed to sell, the equity interest collectively hold by Seller One and Seller Three, representing 60% equity interest in the Target Company, at an aggregate consideration of RMB96,000,000 and Seller Two and Seller Four agreed to grant the call option to Guangzhou Daide for purchasing the remaining 40% equity interest in the Target Company.

The Target Company is a company established in Shanghai with limited liabilities and is principally engaged in the planning of culture and entertainment, the performance agent and the training for music bands businesses. In 2016, the Target Company was the appointed manager of the music band group named, CH2 Girls Group, which includes Ms. Yang Chaoyue* (楊超越) ("Ms. Yang") as the key member. Ms. Yang is a Chinese teen idol member signed the artiste management contract with the Target Company. She debuted as a member of Rocket Girls 101* (火箭少女101) after attending Tencent's girl group talent show Produce 101* (創造101) and was named by Artiste of the Year 2018*「影響中國(2018年度演藝人物)」. The acquisition is yet to be completed as at the date of this announcement.

As at the date of this announcement, the initial accounting for the above business combination is incomplete as the fair value assessment of goodwill and intangible assets of the Target Company have not been finalized and therefore, no financial information of the Target Company as at the completion date could be disclosed.

During the Period under Review, the Group disposed of certain subsidiaries and associates. For details, please refer to note 12 and note 21, respectively.

EVENTS AFTER THE REPORTING PERIOD

On 24 February 2020, the Company and the Placing Agent entered into a placing agreement, pursuant to which the Placing Agent conditionally agreed to procure, on a best efforts basis, placees to subscribe in cash for the bonds in an aggregate principal amount of up to HK$150,000,000 during the placing period. Details of the placing of bonds are set out in the announcement of the Company dated 24 February 2020.

The wide spread of the novel coronavirus disease (COVID-19) in Mainland China since the beginning of 2020 is a fluid and challenging situation facing all the industries of the society. The Group has already assessed the overall impact of the situation on the operation of the Group and taken all possible effective measures to limit and keep the impact in control. The Group will keep continuous attention on the change of situation and make timely response and adjustments in the future.

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 six months ended 31 December 2019.

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 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**"). Having made specific 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 six months ended 31 December 2019.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices. During the six months ended 31 December 2019, it complied with and did not deviate from the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 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 Company's shareholders and investors.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Certain changes in Directors' information are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

Name of Director	
Ms. Zhao Wenzhu	Ms. Zhao has been appointed the following positions in the subsidiaries of the Group: (i) the manager and an executive director of Tianjin Chuan Di Zhong Xing Entertainment Limited* (天津傳遞眾星娛樂有限公司) on 11 March 2019; (ii) an executive director of Tianjin Chuan Di Si Li Culture Media Limited* (天津傳遞四力文化傳媒有限公司) on 13 June 2019; (iii) a director of Tianjin Chuan Di Wei Lai Culture Media Limited* (天津傳遞未來文化傳媒有限公司) on 13 June 2019; and (iv) an executive director of Tianjin Chuan Di Shuo Chi Advertising Limtied* (天津傳遞爍馳廣告有限公司) on 6 August 2019.

* *For identification only*

Name of Director	
Mr. Chang Eric Jackson	Mr. Chang has been appointed as an independent non-executive director of Centenary United Holdings Limited (stock code: 1959), a company listed on the Main Board of the Stock Exchange since 18 October 2019, on 16 September 2019. Mr. Chang has been resigned as the company secretary, the chief financial officer and the authorised representative under the Listing Rules and under Part 16 of the Companies Ordinance (Chapter 622 of the laws in Hong Kong) of China Tangshang Holdings Limited (stock code: 674) on 1 August 2019.

Save as disclosed above, the Company is not aware of other changes in the Directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE

The Audit Committee has three members comprising three Independent Non-executive Directors, 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 making recommendations thereof. The interim results of the Group for the six months ended 31 December 2019 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) and the Stock Exchange (www.hkexnews.hk). The interim report 2019/20 will be dispatched to the shareholders of 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 2019. 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, 27 February 2020

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.