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## **Transmit Entertainment Limited**

**傳遞娛樂有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1326)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2024**

#### **FINANCIAL HIGHLIGHTS**

- For the Period under Review, the Group recorded revenue from continuing operations of approximately HK\$30.9 million, representing a decrease of approximately HK\$8.6 million or 21.8% as compared to the corresponding period last year. The Group continued to focus on developing business in Mainland China, with Mainland China continuing to be the major source of revenue for the Group.
- The Group recorded a loss attributable to owners of the Company of approximately HK\$9.2 million for the Period under Review, as compared to a loss of approximately HK\$23.7 million for the corresponding period last year. This was primarily due to the fact that the Company did not recognise any impairment loss on intangible assets during the Period under Review, as compared to an impairment loss on intangible assets of approximately HK\$12.1 million recognised in the corresponding period last year.
- The Board does not recommend the payment of any interim dividend for the Period under Review.

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2024

The board of directors (the “Board”) of Transmit Entertainment Limited (the “Company”) is pleased to announce the unaudited results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31 December 2024 (the “Period under Review”) together with the comparative unaudited figures for the corresponding period in 2023 as follows:

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

*For the six months ended 31 December 2024*

		<b>Six months ended 31 December 2024</b>	2023
	<i>Notes</i>	<b>HK\$'000</b> <b>(unaudited)</b>	<i>HK\$'000</i> <i>(unaudited)</i> <i>(Restated)*</i>
<b>Continuing operations</b>			
<b>Revenue</b>	3	<b>30,940</b>	39,545
Cost of sales		<u>(26,795)</u>	<u>(39,574)</u>
<b>Gross profit (loss)</b>		<b>4,145</b>	(29)
Other gains and losses	5	–	(12,088)
Other income	5	<b>3,930</b>	1,680
Selling and distribution expenses		–	(148)
Administrative expenses		<b>(10,148)</b>	(25,943)
Impairment losses under expected credit loss model, net of reversal		<b>(241)</b>	396
Fair value change on contingent consideration payable		–	(4,366)
Finance costs	6	<u><b>(5,677)</b></u>	<u>(4,783)</u>
<b>Loss before tax from continuing operations</b>		<b>(7,991)</b>	(45,281)
Income tax credit	7	<u><b>90</b></u>	<u>4,566</u>
Loss for the period from continuing operations	8	<u><b>(7,901)</b></u>	<u>(40,715)</u>
<b>Discontinued operation</b>			
(Loss) profit for the period from discontinued operation	19	<u><b>(2,104)</b></u>	<u>13,090</u>
<b>Loss for the period</b>		<u><b>(10,005)</b></u>	<u>(27,625)</u>

		<b>Six months ended</b>	
		<b>31 December</b>	
		<b>2024</b>	<b>2023</b>
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(unaudited)</b>	<b>(unaudited)</b>
			<b>(Restated)*</b>
<b>Other comprehensive income (expense) for the period</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange difference arising on translation of foreign operations		<u>2,005</u>	<u>3,321</u>
		<u>2,005</u>	<u>3,321</u>
<b>Total comprehensive expense for the period</b>		<u><b>(8,000)</b></u>	<u><b>(24,304)</b></u>
<b>Loss for the period attributable to:</b>			
– Owners of the Company		<u>(9,196)</u>	<u>(23,660)</u>
– Non-controlling interests		<u>(809)</u>	<u>(3,965)</u>
		<u><b>(10,005)</b></u>	<u><b>(27,625)</b></u>
<b>Total comprehensive expense for the period attributable to owners of the Company</b>			
– From continuing operations		<u>(5,087)</u>	<u>(34,350)</u>
– From discontinued operation		<u>(2,104)</u>	<u>13,090</u>
		<u><b>(7,191)</b></u>	<u><b>(21,260)</b></u>
<b>Attributable to non-controlling interests of the Company</b>			
– From continuing operations		<u>(809)</u>	<u>(3,044)</u>
– From discontinued operation		<u>–</u>	<u>–</u>
		<u><b>(8,000)</b></u>	<u><b>(24,304)</b></u>
<b>Loss per share</b>			
	<i>10</i>		
From continuing and discontinued operations			
Basic (HK cents)		<u>(0.35)</u>	<u>(0.91)</u>
From continuing operations Basic (HK cents)		<u>(0.27)</u>	<u>(1.42)</u>

\* Comparative information has been re-presented due to a discontinued operation (see Note 19 for details).

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

		<b>31 December</b>	30 June
		<b>2024</b>	2024
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>456</b>	629
Right-of-use assets		<b>3,588</b>	8,976
Goodwill	<i>11</i>	<b>19,474</b>	19,658
Intangible assets	<i>12</i>	<b>931</b>	1,293
		<hr/>	<hr/>
		<b>24,449</b>	30,556
		<hr/>	<hr/>
<b>Current assets</b>			
Film rights and television series production in progress	<i>13</i>	<b>142,408</b>	143,708
Trade and other receivables	<i>14</i>	<b>117,319</b>	132,722
Financial assets at fair value through profit or loss		<b>996</b>	8,202
Restricted bank balances		<b>531</b>	534
Pledged bank deposits		<b>–</b>	20,678
Bank balances and cash		<b>69,339</b>	58,988
		<hr/>	<hr/>
		<b>330,593</b>	364,832
		<hr/>	<hr/>

		<b>31 December 2024</b>	<b>30 June 2024</b>
	<i>Notes</i>	<b>HK\$'000</b> <b>(unaudited)</b>	<b>HK\$'000</b> <b>(audited)</b>
<b>Current liabilities</b>			
Trade and other payables	15	<b>170,891</b>	189,018
Contract liabilities	15	<b>71,159</b>	73,229
Tax payable		<b>12,267</b>	12,361
Other borrowings	16	<b>60,047</b>	57,522
Loans from related companies	17	<b>38,782</b>	36,419
Loan from controlling shareholder	17(vi)	<b>2,795</b>	–
Contingent consideration payable		<b>129,234</b>	130,453
Lease liabilities		<b>1,624</b>	6,706
		<b>486,799</b>	505,708
<b>Net current liabilities</b>		<b>(156,206)</b>	(140,876)
<b>Total assets less current liabilities</b>		<b>(131,757)</b>	(110,320)
<b>Non-current liabilities</b>			
Loans from related companies	17	<b>73,563</b>	71,870
Deferred tax liabilities		<b>233</b>	323
Lease liabilities		<b>1,545</b>	2,585
		<b>75,341</b>	74,778
<b>Net liabilities</b>		<b>(207,098)</b>	(185,098)
<b>Capital and reserves</b>			
Share capital	18	<b>6,489</b>	6,489
Reserves		<b>(698,326)</b>	(691,135)
<b>Deficit in shareholders' equity</b>		<b>(691,837)</b>	(684,646)
<b>Perpetual bonds</b>		<b>443,862</b>	457,862
<b>Non-controlling interests</b>		<b>40,877</b>	41,686
<b>Total equity</b>		<b>(207,098)</b>	(185,098)

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2024

	Attributable to owners of the Company					Sub-total	Perpetual bonds	Non-controlling interests	Total
	Share capital	Share premium	Other reserve	Exchange reserve	Accumulated losses				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Note i)						
At 1 July 2023	<u>6,489</u>	<u>521,046</u>	<u>2,581</u>	<u>(11,724)</u>	<u>(852,679)</u>	<u>(334,287)</u>	<u>448,062</u>	<u>53,406</u>	<u>167,181</u>
Loss for the period	-	-	-	-	(23,660)	(23,660)	-	(3,965)	(27,625)
Exchange difference arising on translation of foreign operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,400</u>	<u>-</u>	<u>2,400</u>	<u>-</u>	<u>921</u>	<u>3,321</u>
Total comprehensive income (expense) for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,400</u>	<u>(23,660)</u>	<u>(21,260)</u>	<u>-</u>	<u>(3,044)</u>	<u>(24,304)</u>
Issuance of perpetual bonds (Note ii)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,000</u>	<u>-</u>	<u>6,000</u>
At 31 December 2023 (unaudited)	<u>6,489</u>	<u>521,046</u>	<u>2,581</u>	<u>(9,324)</u>	<u>(876,339)</u>	<u>(355,547)</u>	<u>454,062</u>	<u>50,362</u>	<u>148,877</u>
At 1 July 2024	<u>6,489</u>	<u>521,046</u>	<u>2,581</u>	<u>(11,573)</u>	<u>(1,203,189)</u>	<u>(684,646)</u>	<u>457,862</u>	<u>41,686</u>	<u>(185,098)</u>
Loss for the period	-	-	-	-	(9,196)	(9,196)	-	(809)	(10,005)
Exchange difference arising on translation of foreign operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,005</u>	<u>-</u>	<u>2,005</u>	<u>-</u>	<u>-</u>	<u>2,005</u>
Total comprehensive income (expense) for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,005</u>	<u>(9,196)</u>	<u>(7,191)</u>	<u>-</u>	<u>(809)</u>	<u>(8,000)</u>
Repayment of perpetual bonds (Note ii)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,000)</u>	<u>-</u>	<u>(14,000)</u>
At 31 December 2024 (unaudited)	<u>6,489</u>	<u>521,046</u>	<u>2,581</u>	<u>(9,568)</u>	<u>(1,212,385)</u>	<u>(691,837)</u>	<u>443,862</u>	<u>40,877</u>	<u>(207,098)</u>

*Notes:*

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

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

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

- (ii) On 7 September 2023, the Company issued perpetual bonds amounting to HK\$6,000,000 to Mr. Zhang. The perpetual bonds are redeemable at the issuer’s option. Interests are payable annually in arrears at a fixed rate of 4.5% per annum, which may be deferred at the issuers’ discretion and in which event, the Company will not declare or pay any interests or redeem, reduce, cancel or buy back or otherwise acquire any of the Company’s securities of lower or equal rank. On 8 July 2024, the Company redeemed perpetual bonds issued by the Company amounting to HK\$14,000,000 to Mr. Zhang.

The Group is considered to have no contractual obligations to call its principal or to pay any interests. The perpetual bonds do not meet the definition of financial liabilities. They are classified as equity instruments by the Group.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 31 December 2024*

## 1. BASIS OF PREPARATION

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

As at 31 December 2024, the Group had net current liabilities of HK\$156,206,000 and net liabilities of HK\$207,098,000. The directors of the Company (the “Directors”) are of the opinion that, after taking into account, among other things, the financial resources available to the Group including the future cash flows to be generated from the television (“TV”) series production and distribution, loan facilities granted by a related company amounting to RMB183,000,000 (equivalent to HK\$194,000,000) and a new perpetual bond issued by the Company to the controlling shareholder amounting to HK\$5,750,000 in January 2025. The Directors are satisfied that the Group will have sufficient working capital to meet its financial obligations and commitments as and when they fall due within the next twelve months from the end of the reporting period. Accordingly, the Directors are satisfied that it is appropriate to prepare the condensed consolidated financial statements of the Group on a going concern basis.

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional/change in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2024 are the same as those presented in the Group’s annual financial statements for the year ended 30 June 2024.

### **Application of new and amendments to HKFRSs**

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 July 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1	Presentation of financial statements: Classification of liabilities as current or non-current (“2020 Amendments”)
Amendments to HKAS 1	Presentation of financial statements: Non-current liabilities with covenants (“2020 Amendments”)
Amendments to HKAS 16	Lease liability in a sale and leaseback

Amendments to HKAS 7, Statement of cash flows and HKFRS 7, Financial instruments: Disclosures — Supplier finance arrangements

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

### 3. REVENUE

#### Disaggregation of revenue from contracts with customers

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
		(Restated)
<b>Types of revenue from continuing operations</b>		
Television ("TV") series production and distribution income	<b>6,597</b>	7,584
Pan entertainment income	<b>24,343</b>	31,961
	<u><b>30,940</b></u>	<u>39,545</u>
Total	<b>30,940</b>	39,545
<b>Timing of revenue recognition from continuing operations</b>		
At a point in time	<b>14,437</b>	25,118
Over time	<b>16,503</b>	14,427
	<u><b>30,940</b></u>	<u>39,545</u>
Total	<b>30,940</b>	39,545
<b>Types of revenue from discontinued operation</b>		
Film exhibition	<b>4,192</b>	30,150
	<u><b>4,192</b></u>	<u>30,150</u>
<b>Timing of revenue recognition from discontinued operation</b>		
At a point in time	<b>4,192</b>	30,150
	<u><b>4,192</b></u>	<u>30,150</u>

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

## **Performance obligations for contracts with customers**

### *a. TV series production and distribution*

- i. Income from the distribution of variety shows and TV series program is recognised when variety shows and TV series program have been released and distributed to TV broadcast networks or the TV series productions in progress have been sold to the customers.
- ii. Income from scriptwriters and directors service on TV series production is recognised over time as performance obligation is satisfied.

### *b. Film exhibition (ceased business in July 2024 and presented as discontinued operation)*

- i. Income from box office takings for film exhibition is recognised upon the sale of tickets and when the film is released.
- ii. Revenue from the sale of goods is recognised when the goods are delivered and titles have been passed.

### *c. Pan entertainment*

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

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

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

## **4. SEGMENT INFORMATION**

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

- (i) TV series production and distribution;
- (ii) Film exhibition (ceased business in July 2024 and presented as discontinued operation); and
- (iii) Pan entertainment.

The accounting policies of the operating and reportable segments are the same as the Group’s accounting policies described in note 2. Segment (loss) profit represents the profit earned or loss incurred by each segment without allocation of head office and corporate expenses, certain finance costs and fair value change on contingent consideration payable. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

## Segment revenue and results

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

As discussed in note 19, the Group no longer carries on the business of film exhibition segment. The results of the segment have been classified as discontinued operation of the Group for the six months ended 31 December 2024 and 2023.

*For the six months ended 31 December 2024*

	Continuing operations		
	TV series production, and distribution <i>HK\$'000</i>	Pan entertainment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
– External customers	<u>6,597</u>	<u>24,343</u>	<u>30,940</u>
Segment loss	<u>(275)</u>	<u>(1,023)</u>	(1,298)
Head office and corporate expenses			(1,102)
Unallocated finance costs			<u>(5,591)</u>
Loss before tax from continuing operations			<u>(7,991)</u>

*For the six months ended 31 December 2023 (Restated)*

	Continuing operations		
	TV series production, and distribution <i>HK\$'000</i>	Pan entertainment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
– External customers	<u>7,584</u>	<u>31,961</u>	<u>39,545</u>
Segment loss	<u>(16,624)</u>	<u>(13,817)</u>	(30,441)
Head office and corporate expenses			(5,848)
Fair value change on contingent consideration payable			(4,366)
Unallocated finance costs			<u>(4,626)</u>
Loss before tax from continuing operations			<u>(45,281)</u>

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

## Geographical information

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

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
		(Restated)
<b>Continuing operations</b>		
Mainland, the People's Republic of China (the "PRC")	<u>30,940</u>	<u>39,545</u>
<b>Discontinued operation</b>		
Hong Kong	<u>4,192</u>	<u>30,150</u>

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

	<b>31 December</b>	30 June
	<b>2024</b>	2024
	<b>HK\$'000</b>	HK\$'000
Mainland, the PRC	24,449	5,214
Hong Kong	<u>–</u>	<u>25,342</u>
	<u>24,449</u>	<u>30,556</u>

## 5. OTHER GAINS AND LOSSES AND OTHER INCOME

	Six months ended	
	31 December	
	2024	2023
	HK\$'000	HK\$'000
		(Restated)
<b>Continuing operations</b>		
<b>Other gains and losses</b>		
Impairment losses recognised on intangible assets ( <i>note 12</i> )	<u>–</u>	<u>(12,088)</u>
<b>Other income</b>		
Interest income from bank balances	272	116
Government subsidy received ( <i>note i</i> )	205	603
Others	<u>3,453</u>	<u>961</u>
	<u>3,930</u>	<u>1,680</u>
<b>Discontinued operation</b>		
<b>Other income</b>		
Interest income from bank balances	23	8
Cinema operation right income ( <i>note ii</i> )	–	17,529
Handling service income	107	621
Cinema promotion income	865	1,149
Government subsidy received ( <i>note i</i> )	265	–
Coupon sales income from film producers	–	244
Others	<u>1,207</u>	<u>14,017</u>
	<u>2,467</u>	<u>33,568</u>

### Notes:

- i. Amounts mainly represent subsidies granted by certain local governments for encouraging domestic business development and recognised upon receipt. There are no unfulfilled conditions or contingencies relating to these subsidies.
- ii. Cinema operation right income represents income arising from a management agreement between Cinema City (Langham Place) Limited (“CCLP”), a subsidiary of the Company, and Mandarin Motion Pictures Limited, a connected party controlled by a director of CCLP, in relation to operation of the cinema of CCLP for the period from the date of 26 May 2021 to 25 May 2024.

## 6. FINANCE COSTS

	Six months ended 31 December	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
<b>Continuing operations</b>		
Interest expenses on:		
Loans from related companies and controlling shareholder	2,404	2,012
Lease liabilities	111	144
Bank and other borrowings	<u>3,162</u>	<u>2,627</u>
	<u>5,677</u>	<u>4,783</u>
<b>Discontinued operation</b>		
Interest expenses on lease liabilities	<u>24</u>	<u>1,996</u>

## 7. INCOME TAX CREDIT

	Six months ended 31 December	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Continuing operations</b>		
Current tax: PRC Enterprise Income Tax ("EIT")	–	610
Deferred tax	<u>(90)</u>	<u>(5,176)</u>
Income tax credit	<u>(90)</u>	<u>(4,566)</u>

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

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

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

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

\* For identification purpose only

## 8. LOSS FOR THE PERIOD

	Six months ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
		(Restated)
<b>Continuing operations</b>		
Loss for the period has been arrived at after charging:		
Directors' emoluments	754	1,797
Other staff costs	3,956	6,881
Retirement benefit scheme contributions, excluding those of the directors	689	726
Total staff costs	5,399	9,404
Auditors' remuneration	–	1,120
Depreciation of property, plant and equipment	173	262
Depreciation of right-of-use assets	964	1,323
Amortisation of intangible assets	359	8,619
Short-term lease expenses for premises	128	486
Cost of scriptwriters for television series production	–	10,342
Cost of services provided for television series production	5,139	8,458
Cost of artiste and internet celebrity agency business	21,656	20,774
<b>Discontinued operation</b>		
Loss for the period has been arrived at after charging:		
Other staff costs	1,435	2,019
Retirement benefit scheme contributions	21	100
Total staff costs	1,456	2,119
Depreciation of property, plant and equipment	–	10
Depreciation of right-of-use assets	4,408	26,447
Cost of services provided for film exhibition	1,817	12,888

## 9. DIVIDEND

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

## 10. 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:

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
		(Restated)
<b>Loss</b>		
(Loss) profit for the period attributable to owners of the Company for the purpose of basic and diluted loss per share		
– Continuing operations	(7,092)	(36,750)
– Discontinued operation	<u>(2,104)</u>	<u>13,090</u>
	<u>(9,196)</u>	<u>(23,660)</u>
	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2024</b>	2023
<b>Number of shares</b>		
Number of ordinary shares for the purpose of basic and diluted loss per share	<u>2,595,613,733</u>	<u>2,595,613,733</u>

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

## 11. GOODWILL AND IMPAIRMENT ASSESSMENT

For the purpose of impairment testing, goodwill has been allocated to the cash generating units (“CGUs”) 霍爾果斯厚海文化傳媒有限公司 (Khorgas Houhai Culture Media Company Limited “Khorgas Houhai”) and its subsidiaries (collectively known as the “Khorgas Group”). During the six months ended 31 December 2024, no impairment loss has been recognised in profit or loss (six months ended 31 December 2023: Nil).

### **Khorgas Group**

The calculation of the recoverable amount of Khorgas Group uses cash flow projections based on financial budgets approved by management covering a 5-year period and pre-tax discount rate of 24.7% (30 June 2024: 24.7%) per annum as at 31 December 2024. Cash flows beyond the 5-year period are extrapolated using a steady expected inflation rate of 2.0% (30 June 2024: 2.0%) per annum. Other key assumptions for the value in use calculation relate to the estimation of cash inflows and outflows which include budgeted sales and budgeted costs. Such estimation is based on Khorgas Group’s past performance and management’s expectations for the market development.

The carrying amount of goodwill as at 31 December 2024 belong to Khorgas Group is HK\$19,474,000 (30 June 2024: HK\$19,658,000).

## 12. IMPAIRMENT OF INTANGIBLE ASSETS

The intangible asset is a six-year agency contract associated with Ms. Yang Chaoyue, a famous artiste in the PRC, which is held by 聞瀾(上海)文化傳媒有限公司 (Wenlan (Shanghai) Culture Communication Co., Ltd) (“Wenlan”), a non-wholly owned subsidiary acquired by the Group on 12 March 2020. As at 31 December 2023, the revenue and operating profit of Wenlan for the current period did not meet those being budgeted before, so the management of the Group assessed the recoverable amount of the intangible assets based on their value in use. The estimated recoverable amount of the intangible assets was below its carrying amount. Accordingly the Group recognised an impairment loss on intangible assets amounting to HK\$12,088,000 during the six months ended 31 December 2023. There was no impairment loss on intangible assets during the six months ended 31 December 2024.

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

	<b>Television series production in progress HK\$'000</b>
<b>COST</b>	
At 1 July 2023	374,203
Additions	98,409
Transfer upon completion and/or sold	(250,538)
Exchange adjustments	<u>(1,700)</u>
At 30 June 2024	220,374
Additions	4,164
Transfer upon completion and/or sold	(5,139)
Exchange adjustments	<u>(1,042)</u>
At 31 December 2024	<u>218,357</u>
<b>ACCUMULATED IMPAIRMENT</b>	
At 1 July 2023	52,143
Additions	24,867
Exchange adjustments	<u>(344)</u>
At 30 June 2024	76,666
Exchange adjustments	<u>(717)</u>
At 31 December 2024	<u>75,949</u>
<b>CARRYING AMOUNTS</b>	
At 31 December 2024 (unaudited)	<u>142,408</u>
At 30 June 2024 (audited)	<u>143,708</u>

No impairment loss was recognised on TV series production in progress in current period. During the year ended 30 June 2024, an impairment loss of HK\$24,867,000 was recognised on TV series production in progress. Since the production plans for such TV series had been postponed and the management, after having reassessed such production in progress, considered that they may not be able to generate any profit in the future and are therefore no longer of value for reasons including increasingly intense market competition and economic downturn, the Directors are of opinion that the carrying amount of HK\$24,867,000 for certain TV series production in progress was fully impaired.

#### 14. TRADE AND OTHER RECEIVABLES

	<b>31 December</b>	30 June
	<b>2024</b>	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	<b>52,246</b>	54,393
Less: Allowance for expected credit losses	<b>(907)</b>	(1,011)
	<b>51,339</b>	53,382
Other receivables, deposits and prepayments	<b>41,921</b>	42,098
Other receivable from TV series	<b>18,022</b>	19,469
Less: Allowance for expected credit losses	<b>(1,139)</b>	(794)
	<b>58,804</b>	60,773
Investment in film and TV series producers at fair value through profit or loss (“FVTPL”) (note i)	<b>1,918</b>	1,954
Other deposits and prepayments for cinema operation	–	11,166
Other tax recoverable	<b>5,258</b>	5,447
	<b>117,319</b>	132,722

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

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

	<b>31 December</b>	30 June
	<b>2024</b>	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables:		
0–30 days	<b>46,893</b>	51,578
31–90 days	–	–
91–180 days	<b>3,466</b>	239
181–365 days	<b>189</b>	–
Over one year	<b>791</b>	1,565
	<b>51,339</b>	53,382

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

As at 31 December 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$4,446,000 (30 June 2024: HK\$1,804,000) which are past due as at the reporting date. Out of the past due balances, HK\$4,287,000 (30 June 2024: HK\$1,565,000) has been past due 90 days or more and is not considered as in default by considering the background of the debtors and historical payment arrangement. The Group does not hold any collateral over these balances.

## 15. TRADE AND OTHER PAYABLES/CONTRACT LIABILITIES

	<b>31 December 2024 HK\$'000</b>	30 June 2024 HK\$'000
Trade payables	<b>51,038</b>	52,182
Other payables and accruals	<b>36,677</b>	55,859
Advances from former shareholder of subsidiaries acquired ( <i>note i</i> )	<b>33,793</b>	34,112
Provision for arbitration ( <i>note ii</i> )	<b>18,643</b>	16,791
Accrued services fee for TV series production ( <i>note iii</i> )	<b>30,740</b>	30,074
	<b><u>170,891</u></b>	<u>189,018</u>
Contract liabilities ( <i>note iv</i> )	<b><u>71,159</u></b>	<u>73,229</u>

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

	<b>31 December 2024 HK\$'000</b>	30 June 2024 HK\$'000
Within 60 days	<b>19,896</b>	24,034
Within 61 to 90 days	<b>1,383</b>	2,220
Within 91 to 365 days	<b>7,195</b>	3,260
Over 365 days	<b><u>22,564</u></b>	<u>22,668</u>
	<b><u>51,038</u></b>	<u>52,182</u>

*Notes:*

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

## 16. OTHER BORROWINGS

The Group's other borrowings are repayable as follows:

	<b>31 December 2024 HK\$'000</b>	30 June 2024 HK\$'000
Carrying amount repayable (based on scheduled repayment terms):		
Within one year or on demand	<b>60,047</b>	57,522
Less: Amounts due shown under current liabilities:		
On demand or due within one year	<u><b>(60,047)</b></u>	<u>(57,522)</u>
Amounts due after one year	<u><b>—</b></u>	<u>—</u>

*Note:*

As at 31 December 2024, other borrowings mainly comprised (i) a loan plus accrued interests of RMB 28,332,000 (equivalent to HK\$30,032,000) from a third party company, bearing interest at 15% per annum. The loan was secured by the Group's trade receivables amounting to RMB17,905,000 (equivalent to HK\$19,338,000) as at 30 June 2023; and (ii) loans of RMB10,000,000 (equivalent to HK\$10,600,000) and RMB15,903,200 (equivalent to HK\$16,857,000) from a third party company at interest rates of 15% and 10% respectively, and accrued interests of RMB1,338,000 (equivalent to HK\$1,418,000) and RMB1,076,000 (equivalent to HK\$1,140,000) respectively. These loans are guaranteed by subsidiaries of the Company.

## 17. LOANS FROM RELATED COMPANIES/LOAN FROM CONTROLLING SHAREHOLDER

	31 December 2024 HK\$'000	30 June 2024 HK\$'000
Loans from related companies		
– Loan 1 (note i)	26,898	25,647
– Loan 2 (note ii)	9,053	9,139
– Loan 3 (note iii)	27,587	27,280
– Loan 4 (note iv)	45,976	46,223
– Loan 5 (note v)	2,831	–
	<u>112,345</u>	<u>108,289</u>
Analysed as:		
Current liabilities	38,782	36,419
Non-current liabilities	<u>73,563</u>	<u>71,870</u>
	<u>112,345</u>	<u>108,289</u>

### Notes:

- (i) The balance as at 31 December 2024 represents a loan of RMB18,606,000 (equivalent to HK\$19,723,000) (30 June 2024: RMB17,853,000 (equivalent to HK\$19,103,000)) plus accrued interest of RMB6,769,000 (equivalent to HK\$7,175,000) (30 June 2024: RMB6,116,000 (equivalent to HK\$6,544,000)) from Guangzhou Puji. The loan advance is unsecured, interest bearing at 7% per annum. In December 2021, the maturity date of the loan was extended to July 2023. In December 2022, the maturity date of the loan was extended to July 2025.
- (ii) The balance as at 31 December 2024 represents interest payables of RMB8,541,000 (equivalent to HK\$9,053,000) (30 June 2024: represents interest payables of RMB8,541,000 (equivalent to HK\$9,139,000)) from Guangzhou Black Hole Investment Limited (“Black Hole”), a company in which Mr. Zhang has controlling interests.
- (iii) The balance represents loans of RMB23,500,000 (equivalent to HK\$24,910,000) (30 June 2024: RMB23,500,000 (equivalent to HK\$25,145,000)) plus accrued interest of RMB2,526,000 (equivalent to HK\$2,677,000) (30 June 2024: RMB1,995,000 (equivalent to HK\$2,135,000)) from Guangzhou Puji as at 31 December 2024. The loan advances are unsecured, interest-bearing at 4.50% per annum. In September 2024, the maturity date of the loans were extended from July and September 2024 to September 2026.

- (iv) The balance represents loans of RMB41,326,000 (equivalent to HK\$43,806,000) (30 June 2024: RMB41,326,000 (equivalent to HK\$44,220,000)) plus accrued interest of RMB2,047,000 (equivalent to HK\$2,170,000) (2023: RMB1,873,000 (equivalent to HK\$2,003,000)) from Guangzhou Puji as at 30 June 2024. The loan advances are unsecured, interest-bearing at 4.50% per annum and with maturity dates between February to August 2026.
- (v) The balance represents loans of RMB2,620,000 (equivalent to HK\$2,777,000) plus accrued interest of RMB51,000 (equivalent to HK\$54,000) from Guangzhou Puji as at 31 December 2024. The loan advances are unsecured, interest-bearing at 4.50% per annum and with the maturity date of 31 December 2024.
- (vi) Loan from controlling shareholder represents a loan of RMB2,600,000 (equivalent to HK\$2,756,000) plus accrued interest of RMB37,000 (equivalent to HK\$39,000) from Mr. Zhang as at 31 December 2024. The loan advance from Mr. Zhang is unsecured, interest-bearing at 4.50% per annum and with the maturity date of 31 December 2025.

## 18. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.0025 each:		
<b>Authorised:</b>		
At 1 July 2023, 30 June 2024 (audited) and 31 December 2024 (unaudited)	<u>32,000,000,000</u>	<u>80,000</u>
<b>Issued and fully paid:</b>		
At 1 July 2023, 30 June 2024 (audited) and 31 December 2024 (unaudited)	<u>2,595,613,733</u>	<u>6,489</u>

## 19. DISCONTINUED OPERATION

On 22 July 2024, the Group determined to cease its operation of film exhibition when the lease of the Langham Place Cinema expired. The Directors of the Company were of the opinion that the cessation of film exhibition segment could enable the Group to better utilise its resources in its other segments. Since film exhibition represents a separate major line of business or geographical area of operation, the cessation of film exhibition business will be classified as a discontinued operation as at 31 December 2024.

The comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income have been restated to re-present the film exhibition segment as a discontinued operation. The results of the film exhibition segment for the six months ended 31 December 2024 and 2023, which have been included in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 31 December 2024 and 2023, were as follows:

		<b>Six months ended</b>	
		<b>31 December</b>	
		<b>2024</b>	<b>2023</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	<b>4,192</b>	30,150
Cost of sales	8	<b>(1,817)</b>	(12,888)
Gross profit		<b>2,375</b>	17,262
Other income	5	<b>2,467</b>	33,568
Selling and distribution expenses		<b>(6,339)</b>	(35,680)
Administrative expenses		<b>(583)</b>	(64)
Finance costs	6	<b>(24)</b>	(1,996)
(Loss) profit before tax from discontinued operation		<b>(2,104)</b>	13,090
Income tax expense		<b>–</b>	–
(Loss) profit for the period from discontinued operation	8	<b>(2,104)</b>	13,090
Other comprehensive (expenses) income from discontinued operation		<b>(2,104)</b>	13,090
(Loss) earnings per share	10		
From discontinued operation			
Basic (HK cents)		<b>(0.08)</b>	0.51

	Six months ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
Cash flows generated (used in) from discontinued operation		
Net cash generated from operating activities	6,183	33,229
Net cash generated from investing activities	701	8
Net cash used in financing activities	(5,148)	(38,874)
	<u>1,736</u>	<u>(5,637)</u>

## 20. RELATED PARTY TRANSACTIONS

### (I) Transactions

Apart from the balances with related parties and controlling shareholder as disclosed in note 17, during the current interim period, the Group also entered into the following transactions with related parties and controlling shareholder:

			Six months ended 31 December	
Name of related parties/ controlling shareholder	Notes	Nature of transaction	2024	2023
			HK\$'000	HK\$'000
Guangzhou Puji	(a)	Interest expenses	2,364	2,012
Mr. Zhang	(b)	Interest expenses	<u>40</u>	<u>–</u>

Notes:

- (a) The amounts represented the interest expenses for the loan advances to the Group from Guangzhou Puji.
- (b) The amounts represented the interest expenses for the loan advances to the Group from Mr. Zhang.

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

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

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
Salaries and other allowances	<b>2,362</b>	3,351
Retirement benefit scheme contributions	<b>286</b>	300
	<b><u>2,648</u></b>	<u>3,651</u>

**21. EVENT AFTER THE REPORTING PERIOD**

Subsequent to the end of the reporting period, the Company issued perpetual bond (the “Issuer”) amounting to HK\$5,750,000 to Mr. Zhang, and the perpetual bonds are redeemable at the Issuer’s option on or after 14 January 2030. Interests are payable annually in arrears at a fixed rate of 4.5% per annum, which may be deferred at the Issuer’s discretion and in which event, the Issuer will not declare or pay any interests or redeem, reduce, cancel or buy back or otherwise acquire any of the Issuer’s securities of lower or equal rank.

## **BUSINESS REVIEW**

The Group is principally engaged in (i) TV series and variety show production and distribution; and (ii) pan entertainment. The Group mainly produces Chinese variety shows and TV series in both Mainland China and Hong Kong as its main markets. For the six months ended 31 December 2024 (the “Period under Review”), the Group continued to focus on developing business in Mainland China, with Mainland China continuing to be the major source of revenue for the Group.

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

Keeping up with the development of the industry and the entertainment tastes of young viewers, the Group has continued to focus on developing and producing quality contents for TV series and variety shows, while actively exploring innovative business models such as web series, online movies and short videos. During the Period under Review, TV series and variety show production and distribution business remained as the core business of the Group, recording revenue of approximately HK\$6.6 million, primarily contributed by the income from TV series production and distribution business.

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

The Group continued to improve its industry chain and broaden its revenue base, and its artistes and internet celebrities continued to be more influential in market segments. During the Period under Review, the Group’s artistes starred in many film and TV projects, and participated in many endorsement activities. Among which, Yang Chaoyue starred in the TV series “King of Comedy” (喜劇之王), the drama “The Insanity” (你好，瘋子！), the variety show “Friends Together S2” (是好朋友の週末第二季) and the variety show “Random Journey on the Way” (盲盒旅行局), etc.

During the Period under Review, the Group’s pan entertainment and other businesses recorded revenue of approximately HK\$24.3 million in total, representing a decrease of approximately 23.8% as compared to approximately HK\$32.0 million for the corresponding period last year. This business segment recorded a loss of approximately HK\$1.0 million during the Period under Review (six months ended 31 December 2023: a loss of approximately HK\$13.8 million).

## **Film Exhibition**

Considering the challenging business environment for the film exhibition business, the Group ceased to operate the film exhibition business after the expiry of the tenancy term of the Langham Place Cinema on 22 July 2024. The Directors are of the view that the discontinuance of the film exhibition segment will enable the reallocation of financial resources to other businesses with higher growth potential, thereby generating higher returns for the shareholders of the Company (the “Shareholders”).

As at 31 December 2024, the film exhibition business was classified as a discontinued business with revenue of approximately HK\$4.2 million for the Period under Review.

## **OUTLOOK**

Looking forward, the Group will continue to focus on the development of film and TV series production business as well as artiste and internet celebrity agency business in Mainland China, and strives to create a pan entertainment ecosystem and integrate upstream and downstream industry chains, while proactively expanding various realization channels from the downstream industry chains in a bid to attain its strategic deployment of fusing its strengths and resources. Taking advantages of the ample resources of online platforms, the Group will continue to focus on producing quality film and TV series content, while actively diversify the revenue base by continuously identifying business opportunities in relation to TV and movie entertainment consumption on four aspects including online stream, short videos, internet celebrity cultivation and traffic monetization.

The Group is currently in preparation of a number of projects, including the ongoing development and production of a series of highly popular copyrighted works. As a diverse development enterprise focusing on film, television and variety show content creation and production with the spirit of business value “Enabling”, the Group will make good use of the combined resources of scriptwriters, directors and celebrities to cultivate, explore and create popular films and television copyrights by continuously offering quality content and nurturing talented artistes in order to develop its self-owned full industry chain model and build up a unique moat of soft power, thereby continuously enhancing profitability, sharpening competitive edges in the industry and generating favorable returns for the Shareholders.

## **FINANCIAL REVIEW**

### **Revenue and gross profit**

Revenue from continuing operations of the Group during the Period under Review amounted to approximately HK\$30.9 million, representing a decrease of approximately HK\$8.6 million or approximately 21.8% as compared to the corresponding period last year, mainly contributed by the revenue from the pan entertainment and other segments and the TV series and variety show production and distribution segment of approximately HK\$24.3 million and HK\$6.6 million, respectively.

For the TV series production and distribution segment, the revenue that the Group recorded during the Period under Review was mainly generated from the income from TV series production and distribution business. For the pan entertainment and other segments, the Group recorded a revenue of approximately HK\$24.3 million mainly derived from artiste management services during the Period under Review, representing a decrease of approximately 23.8% as compared to the corresponding period last year.

Gross profit from continuing operations of the Group was approximately HK\$4.1 million, representing an increase of approximately HK\$4.2 million as compared to the corresponding period last year. Gross profit margin from continuing operations for the Period under Review was approximately 13.4%, mainly due to the benefits from effective internal cost control measures.

Considering the challenging business environment for the film exhibition business, the Group ceased to operate the film exhibition business after the expiry of the tenancy term of the Langham Place Cinema on 22 July 2024. The Directors are of the view that the discontinuance of the film exhibition segment will enable the reallocation of financial resources to other businesses with higher growth potential, thereby generating higher returns for the shareholders. As at 31 December 2024, the film exhibition business was classified as a discontinued business with revenue of approximately HK\$4.2 million for the Period under Review.

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

During the Period under Review, other gains and losses and other income amounted to approximately HK\$3.9 million, representing an increase of approximately HK\$14.3 million as compared to the corresponding period last year. The increase was mainly due to the fact that the Company did not recognise any impairment loss on intangible assets during the Period under Review, as compared to an impairment loss on intangible assets of approximately HK\$12.1 million recognised in the corresponding period last year.

## **Administrative expenses**

Administrative expenses decreased by approximately HK\$15.8 million or approximately 60.9% from approximately HK\$26.0 million for the corresponding period last year to approximately HK\$10.1 million for the Period under Review, which was primarily benefited from the effective internal cost control measures.

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

During the Period under Review, the Group's loss and total comprehensive expenses attributable to the owners of the Company were approximately HK\$9.2 million (six months ended 31 December 2023: loss of approximately HK\$23.7 million) and approximately HK\$7.2 million (31 December 2023: total comprehensive expenses of approximately HK\$21.3 million), respectively.

This was mainly due to the fact that the Company did not recognise any impairment loss on intangible assets during the Period under Review, as compared to an impairment loss on intangible assets of approximately HK\$12.1 million recognised in the corresponding period last year.

## **IMPAIRMENT LOSS ON INTANGIBLE ASSETS**

### **Background**

As disclosed in note 12 to the condensed consolidated financial statements, intangible assets has been allocated to the cash-generating-units (“CGUs”) of Wenlan. The carrying amounts of intangible assets (before impairment loss) allocated to the CGUs of Wenlan amounted to approximately HK\$0.9 million as at 31 December 2024 (approximately HK\$41.0 million as at 31 December 2023). Impairment loss of intangible assets of Wenlan amounting to approximately HK\$12.1 million was made for the six months ended 31 December 2023, which was determined after considering the difference between the recoverable amount based on value in use calculations and the carrying value as at 31 December 2023. No impairment was made for the Period under Review as the carrying amount of approximately HK\$0.9 million is considered insignificant and is subject to amortization.

Wenlan was engaged in artiste management business, and the intangible assets represented an artiste’s agency contract. The management assessed the revenue and profit margin to be generated therefrom after taking into account the key factors specified in the section headed “Circumstances leading to the Impairment for the six months ended 31 December 2023 (the “2023 Impairment”)” below.

### **Circumstances leading to the Impairment for the six months ended 31 December 2023 (the “2023 Impairment”)**

For the six months ended 31 December 2023, the management of the Company assessed the carrying value and recoverable amount of the CGUs and intangible assets allocated to the CGUs after taking into account the following factors:

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

- (b) the adverse impact of COVID-19 pandemic on the financial performance of the peers in the media and entertainment industry and certain online streaming platforms, and therefore, further cost control measures are expected to be taken by industry participants;
- (c) the intensified market competitions among film and TV production companies in the post-pandemic era, which will further squeeze the revenues and profit margins of film and TV production companies as well as service income earned by artistes management companies;
- (d) the implementation of certain government restrictive rules and regulations such as imposing a cap on the salaries of actors and actresses, a cap on the maximum number of episodes of each TV drama, etc.;
- (e) the review and comparison of the budgets of Wenlan prepared for the six months ended 31 December 2023 and the actual revenue and profit generated from Wenlan during the six months ended 31 December 2023, from which a shortfall from the projected revenue and operating profit was found, preliminarily due to the prolonged impact of COVID-19 pandemic, which had resulted in unexpectable interruptions in films and TV productions and artistes' work schedules as stated above;
- (f) the decrease in the revenue and expected decrease in the future revenue of Wenlan due to the current and future challenging macroeconomic environment in the post-pandemic era; and
- (g) the need to adopt a more reasonable approach in evaluating the cashflow to be generated from Wenlan by the adoption of a pre-tax discount rate of 36.1% with reference to the use of weighted average costs of capital when the recoverable amount was determined based on value in use calculations.

The above factors were identified close to the end of the six months ended 31 December 2023 and were assessed and considered during the course of the preparation of the financial information of Wenlan for the six months ended 31 December 2023.

## **The method, basis and key assumptions used in determining the amount of the 2023 Impairment and the recoverable amount**

The 2023 Impairment relied on the assessment based on the discount cash flow method (“DCF”). DCF is adopted because:

- (a) the entire carrying amount of the CGUs was tested for the 2023 Impairment in accordance with the HKAS 36 issued by the HKICPA by comparing its recoverable amount with its carrying amount; and
- (b) the Group adopted the DCF under the income-based approach in arriving at the value in use. According to the HKAS 36, measuring value in use of an entity should consider an estimate of the future cash flows the entity expects to derive from the CGUs. Therefore, the Company adopted the DCF.

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

- (a) the Group recognised the 2023 Impairment due to the deteriorating economic environment brought by the COVID-19 pandemic in the film and TV series productions, licensing and distribution business as well as artiste management sector;
- (b) the economic downturn and the negative impact of COVID-19 pandemic will be a mid-to long term issue;
- (c) the intensified market competition among film and TV production companies and artiste management companies in the post-pandemic era and the cost control measures taken by the online streaming platforms and film and TV production companies;
- (d) the interest rate of the banking facilities obtained by the Group for the operation of Wenlan will not decrease substantially in the foreseeable period and hence affecting the discount rate used when adopting the DCF approach; and

- (e) for the impairment testing, the recoverable amount was determined based on value in use calculations which was performed by the management. The cash flow projection of Wenlan was based on financial budgets approved by the management of the Company covering the remaining periods of a six-year agency contract and a pre-tax discount rate of 36.1%. The Group's management estimated that Wenlan's revenue from artiste management business would drop during the forecast periods after taking into consideration the factors stated in "Circumstances leading to the Impairment for the six months ended 31 December 2023 (the "2023 Impairment")" as compared to the previous years' financial budgets. Management prudently predicted that there would be no significant revenue growth in the forecast period. The key assumption includes the future expected cash flows based on management's view of future business prospects and historical performance of Wenlan.

Taking into account the above factors and the reasonable approach of adopting the relevant accounting standard and the more suitable discount rate when making cash flow projections, the Board considers that the 2023 Impairment was fair and reasonable. Under the current challenging environment of film and TV productions, distribution and licensing business and artiste management business brought by the COVID-19 pandemic, the Group's management will closely monitor the market situations and adjust business strategy timely.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 31 December 2024, the Group's bank balances and cash amounted to approximately HK\$69.3 million (30 June 2024: approximately HK\$59.0 million), which are denominated mainly in Hong Kong Dollar ("HK\$"), United States Dollar ("US\$") and Renminbi ("RMB").

As at 31 December 2024, the Group's total debts, comprising bank and other borrowings, loans from related companies and loan from controlling shareholder were approximately HK\$60.0 million, approximately HK\$112.3 million, and approximately HK\$2.8 million, respectively (30 June 2024: approximately HK\$57.5 million, approximately HK\$108.3 million, and approximately HK\$Nil million, respectively). As at 31 December 2024, the Group's gearing ratio, which is the ratio of total debts to total assets, was approximately 49.3% (30 June 2024: approximately 41.9%).

As at 31 December 2024, the Group had total non-current assets of approximately HK\$24.4 million (30 June 2024: approximately HK\$30.6 million), net current liabilities of approximately HK\$156.2 million (30 June 2024: net current liabilities of approximately HK\$140.9 million) and net liabilities of approximately HK\$207.1 million (30 June 2024: net liabilities of approximately HK\$185.1 million). The current ratio of the Group, representing the ratio of current assets to current liabilities, was approximately 0.68 as at 31 December 2024 (30 June 2024: approximately 0.72).

During the Period under Review, the Group mainly funded its liquidity by bank and other borrowings, loans from related companies, perpetual bonds, and internal resources. The Group's financial resources are sufficient to support its businesses and operations. The Group would also consider other financing activities when appropriate business opportunities arise under favourable market conditions.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

During the Period under Review, the Group did not have any material investment projects, nor any material acquisition or disposal of subsidiaries and joint ventures save for the discontinued film exhibition business as disclosed in note 19 to the condensed consolidated financial statements.

## **PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY OR SALE OF TREASURY SHARES**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company (including sale of treasury shares) during the Period under Review. As of 31 December 2024, the Company did not hold any treasury shares.

## IMPORTANT EVENTS AFTER REPORTING PERIOD

Save as disclosed in note 21 to the condensed consolidated financial statements and below, there was no important event subsequent to the end of the reporting period.

Following the resignation of Mr. Wang Bo (“Mr. Wang”) as an independent non-executive Director, a member of the audit committee of the Company (the “Audit Committee”) and the chairman of each of the nomination committee (the “Nomination Committee”) and remuneration committee (the “Remuneration Committee”) of the Company with effect from 22 January 2025, the Company is not in compliance with the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”):

1. Pursuant to Rule 3.10(1) of the Listing Rules, the Board must include at least three independent non-executive Directors. There are currently only two independent non-executive Directors on the Board.
2. Pursuant to Rule 3.21 of the Listing Rules, the Audit Committee must comprise a minimum of three members. Currently the Audit Committee only comprises two members.
3. Pursuant to Rule 3.25 of the Listing Rules, the Remuneration Committee must be chaired by an independent non-executive Director and comprise a majority of independent non-executive Directors. Currently the Remuneration Committee is not chaired by an independent non-executive Director or comprised of a majority of independent non-executive Directors.
4. Pursuant to Rule 3.27A of the Listing Rules, the Nomination Committee must be chaired by the chairman of the Board or an independent non-executive Director and comprise a majority of independent non-executive Directors. Currently the Nomination Committee is not chaired by the chairman of the Board or an independent non-executive Director or comprised of a majority of independent non-executive Directors.

The Company is identifying suitable candidate to fill the casual vacancy for the positions of independent non-executive Director, member of the Audit Committee, chairman of the Nomination Committee and chairman of the Remuneration Committee and will re-comply with the above Listing Rules not later than three months from the effective date of resignation of Mr. Wang, pursuant to Rules 3.11, 3.23 and 3.27 of the Listing Rules.

## **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 the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules. Having made specific enquiries, all Directors have confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company during the Period under Review.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

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

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

## **AUDIT COMMITTEE**

The Audit Committee currently has two members comprising two independent non-executive Directors, namely Mr. Chang Eric Jackson (Chairman of the Audit Committee) and Mr. Xiang Feng, with written terms of reference in compliance with the Rules 3.21 to 3.23 of the Listing Rules and the CG Code. The primary duties of the Audit Committee are mainly to communicate with the external auditor; to review the remuneration, terms of engagement, independency and objectivity of the external auditor; to review the accounting policy, financial position and financial reporting procedures of the Company; and to review and assess the financial reporting, risk management and internal control systems of the Company and make recommendations thereof. The interim results of the Group for the Period under Review have not been audited but have been reviewed by the Audit Committee.

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

The interim results announcement is published on the websites of the Company ([www.transmit-ent.com](http://www.transmit-ent.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The interim report 2024/25 will be dispatched to the Shareholders (if required) and published on the websites of the Stock Exchange and the Company in due course.

## **APPRECIATION**

Lastly, I would like to thank all the staff and the management team for their hard work during the second half of 2024. I would also like to express heartfelt gratitude to all of our customers and suppliers on behalf of the Group, and wish for their continuous support in the future. We will keep working closely with our Shareholders and employees to steer the Group to a more modernised and sophisticated level of operation, through which we aspire to turn to a new chapter in the Group's development.

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

Hong Kong, 25 February 2025

*As at the date of this announcement, the Board comprises (i) three executive directors, namely Mr. ZHANG Liang, Johnson (Chairman), Mr. JIANG Lei and Mr. LEE Hin Kwong, Patrick; (ii) one non-executive director, namely Ms. CHEN Hong, Vicki; and (iii) two independent non-executive directors, namely Mr. XIANG Feng and Mr. CHANG Eric Jackson.*