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**智數科技集團有限公司**

**SMART DIGITAL TECHNOLOGY GROUP LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1159)**

## **ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024**

### **AUDITED ANNUAL RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) of Smart Digital Technology Group Limited (the “**Company**”) hereby announces its audited annual consolidated results (“**Audited Results**”) for the year ended 31 December 2024, together with the corresponding comparative figures for the year ended 31 December 2023 as follows.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

		2024	2023
	Notes	HK\$'000	HK\$'000
REVENUE	6	40,369	80,336
Cost of sales		<u>—</u>	<u>(65,234)</u>
Gross profit		40,369	15,102
Other income and gains		15,832	9,745
Selling and distribution expenses		(2,456)	(8,344)
Administrative expenses		(20,334)	(26,094)
Net reversal of impairment/(impairment) of trade receivables and contract assets		4,184	(2,983)
Impairment of film investments		—	(896)
Impairment of prepayments, other receivables and other assets		—	(7,044)
Changes in fair value of financial liabilities at fair value through profit or loss and derivative financial liabilities		(30,213)	(1,311)
Other expenses		(6,689)	(5,837)
Finance costs	8	<u>(26,744)</u>	<u>(22,122)</u>
LOSS BEFORE TAX	7	(26,051)	(49,784)
Income tax (expense)/credit	9	<u>(2,331)</u>	<u>3,910</u>
LOSS FOR THE YEAR		<u><u>(28,382)</u></u>	<u><u>(45,874)</u></u>

		2024	2023
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Attributable to:			
– Owners of the parent		(28,382)	(45,720)
– Non-controlling interests		<u>–</u>	<u>(154)</u>
		<b><u>(28,382)</u></b>	<b><u>(45,874)</u></b>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	11		
Basic and diluted loss per share ( <i>HK\$ cents</i> )		<b><u>(28.89)</u></b>	<b><u>(55.51)</u></b>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2024*

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
LOSS FOR THE YEAR	(28,382)	(45,874)
OTHER COMPREHENSIVE EXPENSE		
Other comprehensive expense that may be reclassified to profit or loss in subsequent periods:		
– Exchange differences on translation of foreign operations, net of tax	<u>(2,355)</u>	<u>(1,839)</u>
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR, NET OF TAX	<u>(2,355)</u>	<u>(1,839)</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	<u><u>(30,737)</u></u>	<u><u>(47,713)</u></u>
Attributable to:		
– Owners of the parent	(30,737)	(47,560)
– Non-controlling interests	<u>–</u>	<u>(153)</u>
	<u><u>(30,737)</u></u>	<u><u>(47,713)</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Note	2024 HK\$'000	2023 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		21	276
Right-of-use assets		–	1,534
Prepayments, other receivables and other assets		288,581	290,108
Investment in films, television programs and program rights		11,653	11,715
Intangible assets		3,448	–
Total non-current assets		303,703	303,633
<b>CURRENT ASSETS</b>			
Trade receivables	12	–	12,006
Prepayments, other receivables and other assets		92,537	97,728
Contract assets		7,696	11,163
Cash and cash equivalents		38,826	52,003
Total current assets		139,059	172,900
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		102,971	104,256
Contract liabilities		37,275	36,581
Interest-bearing borrowings and film investment loans		420,629	441,696
Derivative financial liabilities		40,632	36,984
Financial liabilities at fair value through profit or loss		185,449	196,464
Amount due to a shareholder		1,063	1,099
Lease liabilities		–	1,209
Tax payable		36,761	36,046
Total current liabilities		824,780	854,335
NET CURRENT LIABILITIES		(685,721)	(681,435)
TOTAL ASSETS LESS CURRENT LIABILITIES		(382,018)	(377,802)

		2024	2023
	<i>Note</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
NON-CURRENT LIABILITY			
Lease liabilities		<u>—</u>	<u>448</u>
NET LIABILITIES		<b><u>(382,018)</u></b>	<b><u>(378,250)</u></b>
EQUITY			
Share capital	13	<b>9,856</b>	82,356
Reserves		<b><u>(391,874)</u></b>	<u>(460,100)</u>
Equity attributable to owners of the parent		<b>(382,018)</b>	(377,744)
Non-controlling interests		<u>—</u>	<u>(506)</u>
NET DEFICIT		<b><u>(382,018)</u></b>	<b><u>(378,250)</u></b>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. CORPORATE AND GROUP INFORMATION

Smart Digital Technology Group Limited (Formerly known as Starlight Culture Entertainment Group Limited) (the “**Company**”) was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of the registered office and principal place of business of the Company has been changed from Room 1002, 10th Floor, China Huarong Tower, 60 Gloucester Road, Wanchai, Hong Kong to Room 1201, 12th Floor, 1111 King’s Road, Taikoo Shing, Hong Kong with effect from 1 March 2024.

During the year and up to 31 December 2024, the Company and its subsidiaries (the “**Group**”) were involved in the media and culture business.

In the opinion of the directors of the Company (the “**Directors**”), the single largest shareholder of the Company is Timcha Investment Limited (“**Timcha**”), a company wholly owned by 江陰星輝文化傳播有限公司 (Jiangyin Starlight Communications Co., Ltd.\*), a limited company incorporated in the People’s Republic of China (the “**PRC**”). In the opinion of the Directors, as of 31 December 2024, the Company had no single controlling shareholder.

\* *The English name of the entity registered in the PRC represents the best efforts made by the management of the Company to translate its Chinese name as the entity does not have an official English name. The English translation of the name is for identification purposes only.*

## 2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial liabilities at fair value through profit or loss and derivative financial liabilities which have been measured at fair value. The consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

### **Going concern assumption**

The Group incurred net loss of HK\$28,382,000 for the year ended 31 December 2024. As at 31 December 2024, the Group had net current liabilities and net deficit of approximately HK\$685,721,000 and HK\$382,018,000 respectively. As at 31 December 2024, the Group defaulted on repayment of certain interest-bearing borrowings and film investment loans (including those classified as financial liabilities at fair value through profit or loss and derivative financial liabilities) with principal amounts of approximately HK\$611,286,000, and have a further interest-bearing borrowings and film investment loans (including those classified as financial liabilities at fair value through profit or loss and derivative financial liabilities) with principal amount of approximately HK\$35,424,000 which were repayable within one year. These borrowings and film investment loans of approximately HK\$646,710,000 in total exceed the Group's cash and cash equivalents of approximately HK\$38,826,000 as at 31 December 2024.

In view of these circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. The following plans and measures are formulated to mitigate the liquidity pressure, to improve the financial position of the Group, and to remediate the overdue repayments to the lenders:

- (a) The Group has been actively negotiating with all of the lenders for renewal and extension for repayments of the overdue borrowings to reduce the liquidity pressure of the Group.
- (b) The Group has also been negotiating with various financiers and potential investors of the film industry to secure new sources of finance and identifying various options for financing the Group's working capital and commitments in the foreseeable future. The Directors believe that, considering the Group's track record of film investments and relationship with famous film directors, the Group will be able to obtain new financing.
- (c) The Group will continue to implement business strategy to enhance the Group's profitability and cash inflows.



- (d) The Group will continue to take active measures to control costs and prioritise film investments expenditures so as to improve the Group's cash outflows.

The Directors have reviewed the Group's cash flow forecast prepared by management which covers a period of eighteen months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the Directors believe that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2024 on a going concern basis.

Notwithstanding the above, material uncertainties exist as to whether the Group is able to achieve its plans and measures as described above which incorporate assumptions about future events and conditions that are subject to inherent uncertainties. Whether the Group will be able to continue as a going concern for a period of eighteen months from the end of the reporting period would depend upon the following:

- (a) New sources of finance will be obtained to support the Group's operating and financing cash flows;
- (b) Re-financing or extensions will be obtained for the Group's existing borrowings and film investment loans (including those classified as financial liabilities at fair value through profit or loss and derivative financial liabilities);
- (c) The Group's business strategy will be implemented effectively; and
- (d) The Group's cost control strategies on its selling, distribution and administrative costs and film investment expenditures will be implemented effectively.

Should the Group be unable to achieve the above mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments may have to be made to write down the carrying values of assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

## **Basis of consolidation**

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, carrying amounts of non-controlling interests and cumulative exchange reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and amendments to HKFRSs for the first time for the current year's consolidated financial statements, which are effective for the Group's financial year beginning on 1 January 2024:

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non current and related amendments to Hong Kong Interpretation 5 (2020)</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

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.

### 4. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised HKFRSs that have been issued but are not yet effective for the year ended 31 December 2024 and have not been early adopted in these consolidated financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKAS 21	<i>Lack of Exchangeability<sup>1</sup></i>
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments<sup>2</sup></i>
Amendments to HKFRS Accounting Standards	<i>Annual Improvements to HKFRS Accounting Standards – Volume 11<sup>2</sup></i>
HKFRS 18	<i>Presentation and Disclosure in Financial Statements<sup>3</sup></i>
HKFRS 19	<i>Subsidiaries without Public Accountability: Disclosures<sup>3</sup></i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>4</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after January 1, 2025

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2026

<sup>3</sup> Effective for annual periods beginning on or after January 1, 2027

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that, the application of the amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

## 5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has only one reportable operating segment which is the media and culture business segment, of which it engages in investment in the production and distribution of entertainment content such as films and television programs.

HKFRS 8 “Operating Segments” requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-makers in order to allocate resources to segments and to assess their performance. The information reported to the Directors, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the Directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

### Geographical information

The Group mainly operates in USA, Hong Kong and the PRC, and the geographical segment information as required by HKFRS 8 “Operating Segments” is presented as follows:

#### *(a) Revenue from external customers*

	2024 HK\$'000	2023 HK\$'000
USA	<u>40,369</u>	<u>80,336</u>

The revenue information above is based on the location of the customers.

#### *(b) Non-current assets*

	2024 HK\$'000	2023 HK\$'000
USA	289,686	292,109
Hong Kong	<u>3,450</u>	<u>900</u>
	<u>293,136</u>	<u>293,009</u>

The non-current assets information above is based on the locations of the assets and excluded other receivables and deposits.

### Information about major customers

Revenue from major customers individually amounting to over 10% of the total revenue of the Group is set out below:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Customer A	26,197	70,529
Customer B	7,309	8,298
Customer C	6,863	N/A*
	<u>40,369</u>	<u>78,827</u>

\* *These customers did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2023.*

## 6. REVENUE

### Revenue from contracts with customers

#### *Disaggregated revenue information*

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue from films generated from USA market, and recognised at a point in time	<u>40,369</u>	<u>80,336</u>

## 7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	<i>Note</i>	<b>2024</b> <b>HK\$'000</b>	2023 <i>HK\$'000</i>
Amortisation of investment in films, television programs and program rights		–	65,234
Depreciation of property, plant and equipment		<b>255</b>	533
Depreciation of right-of-use assets		<b>755</b>	1,899
Lease payments not included in the measurement of lease liabilities		<b>108</b>	439
Amortisation of intangible assets		<b>1,414</b>	–
Loss on de-registration of subsidiaries		<b>2,735</b>	–
Auditor's remuneration		<b>1,330</b>	1,880
Employee benefit expense (excluding directors' and chief executive's remuneration):			
– Wages and salaries		<b>4,336</b>	5,029
– Pension scheme contributions		<b>88</b>	99
Total		<b>4,424</b>	5,128
Net (Reversal of impairment)/impairment of financial and contract assets:			
– (Reversal of impairment)/impairment of trade receivables, net	12	<b>(632)</b>	646
– (Reversal of impairment)/impairment of contract assets, net		<b>(3,552)</b>	2,337
Total		<b>(4,184)</b>	2,983
Fair value losses/(gains), net:			
– Derivative financial liabilities		<b>3,836</b>	23,176
– Financial liabilities at fair value through profit or loss		<b>26,377</b>	(21,865)
Total		<b>30,213</b>	1,311

## 8. FINANCE COSTS

An analysis of finance costs is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interest on interest-bearing borrowings and film investment loans	26,713	22,033
Interest on lease liabilities	<u>31</u>	<u>89</u>
Total	<u><b>26,744</b></u>	<u><b>22,122</b></u>

## 9. INCOME TAX

Pursuant to the rules and regulations of Bermuda, British Virgin Islands (“BVI”) and Seychelles, the Group is not subject to any income tax in Bermuda, BVI and Seychelles.

No provision for Hong Kong Profits Tax was made as the Group did not generate any assessable profits in Hong Kong for the years ended 31 December 2024 and 2023.

No provision for the PRC Enterprise Income Tax has been made as the subsidiaries in the PRC did not generate any assessable profits in the PRC for the years ended 31 December 2024 and 2023.

The subsidiaries in USA are subject to Federal Corporate Tax and State Income Tax. The federal corporate tax rate was 21% and the state income tax rate was 7% for the years ended 31 December 2024 and 2023.

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
USA		
– Current tax	2,331	262
– Over-provision in prior years	<u>–</u>	<u>(4,172)</u>
Total income tax expense/(credit) for the year	<u><b>2,331</b></u>	<u><b>(3,910)</b></u>

## 10. DIVIDENDS

No dividend has been paid or declared during the years ended 31 December 2024 and 2023. The Directors do not recommend the payment of any final dividends for the years ended 31 December 2024 and 2023.

## 11. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic and diluted loss per share amounts is based on loss for the year attributable to owners of the parent, and the weighted average number of ordinary shares of 98,246,644 (2023: 82,356,479) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2024 and 2023.

The calculations of the basic and diluted loss per share are based on:

	<b>2024</b> <b>HK\$'000</b>	<b>2023</b> <b>HK\$'000</b>
Loss attributable to owners of the parent	<b>(28,382)</b>	(45,720)
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	<b>98,246,644</b>	82,356,479
Basic and diluted loss per share ( <i>HK\$ cents</i> )	<b><u>(28.89)</u></b>	<b><u>(55.51)</u></b>

## 12. TRADE RECEIVABLES

	<b>2024</b> <b>HK\$'000</b>	<b>2023</b> <b>HK\$'000</b>
Trade receivables	<b>96,152</b>	111,500
Impairment	<b><u>(96,152)</u></b>	<u>(99,494)</u>
Net carrying amount	<b><u>–</u></b>	<b><u>12,006</u></b>

Trade receivables from royalties from films are due when reported to the Group, and normally settled within one year. Trade receivables from sales of investment in television programs and program rights are due based on the payment schedule specified in contracts. Trade receivables from other revenue sources are generally due within one year from the date of provision of services. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are unsecured and non-interest-bearing.



An aging analysis of the trade receivables as at the end of the reporting period, based on the invoice dates or dates of statement of net receipt, and net of loss allowance, is as follows:

	<b>2024</b> <b>HK\$'000</b>	2023 HK\$'000
Within 6 months	–	12,006
Over 12 months	–	–
	<u>–</u>	<u>–</u>
Total	<u><u>–</u></u>	<u><u>12,006</u></u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	<b>2024</b> <b>HK\$'000</b>	2023 HK\$'000
At 1 January	<b>99,494</b>	101,237
Impairment losses, net ( <i>note 7</i> )	<b>(632)</b>	646
Exchange realignments	<b>(2,710)</b>	(2,389)
	<u><b>(2,710)</b></u>	<u>(2,389)</u>
At 31 December	<u><u><b>96,152</b></u></u>	<u><u>99,494</u></u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

### 13. SHARE CAPITAL

	<b>2024</b> <b>HK\$'000</b>	2023 HK\$'000
Authorised:		
20,000,000,000 ordinary shares of HK\$0.10 each	<u><u><b>2,000,000</b></u></u>	<u><u>2,000,000</u></u>
Issued and fully paid:		
98,556,479 (2023: 823,564,799) ordinary shares of HK\$0.10 each	<u><u><b>9,856</b></u></u>	<u><u>82,356</u></u>

A summary of the Company's share capital is as follows:

	<b>Number of shares in issue</b>	Nominal value of shares issued <i>HK\$'000</i>
At 1 January 2023, 31 December 2023	<b>823,564,799</b>	82,356
Issue of New Shares ( <i>Note a</i> )	<b>162,000,000</b>	16,200
Capital Reorganisation ( <i>Note b</i> )	<b>(887,008,320)</b>	(88,700)
At 31 December 2024	<b><u>98,556,479</u></b>	<b><u>9,856</u></b>

*Note:*

- (a) On 8 January 2024, the Company allotted 162,000,000 ordinary shares of HK\$0.1 each by placing to not less than six placees at a placing price of HK\$0.165 per share. The Company raised approximately HK\$26,463,000 (net of expenses) with the intention at the time of placing to be used for the Group's general working capital. The new placing shares were issued pursuant to the general mandate granted to the directors by a resolution of the shareholders of the Company passed at the annual general meeting held on 15 September 2023.
- (b) On 19 July 2024, a special resolution has been passed by the shareholders of the Company for a capital reorganisation which involves share consolidation and capital reduction. Consolidation of every ten issued existing shares of par value of HK\$0.10 each into one consolidated share of par value of HK\$1.00 each (the "Consolidated Share(s)") in the share capital of the Company. Immediately upon the share consolidation becoming effective, the par value of each issued Consolidated Share is reduced from HK\$1.00 to HK\$0.1 by a cancellation of HK\$0.9 of the paid-up capital on each issued Consolidated Share so that each issued Consolidated Share is treated as one fully paid up share of par value HK\$0.1 each in the share capital of the Company (the "New Share(s)") and the credit arising from the capital reduction be transferred to the contributed surplus account of the Company within the meaning of the Companies Act. The capital reorganisation is completed on 23 July 2024. Details of the capital reorganisation are set out in the Company's circular dated 3 July 2024.

#### **14. EVENT AFTER THE REPORTING PERIOD**

There is no major event after the reporting period should be notified to the shareholders of the Company.

## 15. LITIGATIONS AND CLAIMS

- (a) On 22 September 2022, a company incorporated in the PRC has filed a writ of summons for a legal proceedings against a subsidiary of the Group (the “**Subsidiary**”) in relation to, inter alia, a claim for a repayment of investment principal of US\$804,000 (equivalent to approximately HK\$6,247,000) and the corresponding interests in respect of a co-investment agreement for a movie titled “Midway” (the “**Co-Investment Agreement**”).

On 10 January 2024, the Subsidiary received a final court judgement mandating payment of investment principal of US\$804,000 (equivalent to HK\$6,247,000), along with corresponding interests of US\$316,000 (equivalent to HK\$2,455,000). Management considered that the relevant balances (including the corresponding interests thereof) recognised by the Group under the Co-Investment Agreement as at 31 December 2024 is sufficient and therefore the subsequent final court judgement will not have a material impact to the Group’s consolidated financial statements.

- (b) On 3 March 2023, a company incorporated in the PRC has filed a Notice of Arbitration with Hong Kong International Arbitration Centre to commence an arbitral proceedings against the Subsidiary and the Company in relation to, inter alia, a claim for a repayment of investment principal of US\$3,000,000 (equivalent to approximately HK\$23,306,000) in respect of an alleged investment agreement (the “**Investment Agreement**”) for a movie titled “Malignant”.

On 16 September 2024, the two parties reached a settlement agreement. The Group agreed to pay the settlement amount in installments. Upon receiving the notice of the arbitration termination order on 20 January 2025, the claims will not have a material impact on the consolidated financial statements of the Group.

- (c) On 12 August 2024, a company incorporated in PRC submitted an arbitration notice to the Shanghai International Economic and Trade Arbitration Commission, initiating arbitration proceedings against the Company. The claim relates to the a project investment agreement (the “**Project Investment Agreement**”) for the film “Malignant” and seeks repayment of the investment principal of US\$2,200,000 (equivalent to approximately HK\$17,091,000) and corresponding interest of US\$1,481,000 (equivalent to approximately HK\$11,506,000). As of the date of issuance of these consolidated financial statements, the arbitration tribunal is still in the course of conducting the arbitration proceedings. Management considered that the relevant balances (including the corresponding interests thereof) recognized by the Group under the Project Investment Agreement as at 31 December 2024 is sufficient and therefore the subsequent final court judgement will not have a material impact to the Group’s consolidated financial statements.

- (d) On 27 January 2025, a company incorporated in the BVI has filed a Notice of Arbitration with Hong Kong International Arbitration Centre to commence arbitration proceedings against a subsidiary of the Company and the Company in relation to, inter alia, a claim for a repayment of investment principal of the US\$473,000 (equivalent to approximately HK\$3,675,000) in respect of an alleged investment agreement (the “**Alleged Investment Agreement**”) for a movie titled “Malignant”. Management considered that the arbitration has not been heard at the date of these consolidated financial statements and the exposures from the claim will not have a material impact to the Group’s consolidated financial statements.
- (e) On 13 August 2024, a company incorporated in the Cayman Islands submitted a Statement of Claim to the High Court of Hong Kong, commencing legal proceedings against a subsidiary of the Company and the Company. The claim relates to a film project investment agreement (the “**Film Project Investment Agreement**”) for the films “CRA 2” and “CRA 3”, seeking repayment of the investment principal of US\$1,900,000 (equivalent to approximately HK\$14,760,000).

On 23 October 2024, the two parties reached a settlement agreement. The Group agreed to repay the investment amount in installments. The first payment was made during the year. As a result, the claims will not have a material impact on the Group’s consolidated financial statements.

- (f) On 4 September 2024, a company incorporated in BVI submitted an arbitration notice to the Shanghai International Economic and Trade Arbitration Commission, initiating arbitration proceedings against the Company. The claim relates to the alleged new project investment agreement (the “**Alleged New Project Investment Agreement**”) for the film “Malignant” and seeks repayment of the investment principal of US\$1,000,000 (equivalent to approximately HK\$7,768,000) and corresponding interest of US\$563,692 (equivalent to approximately HK\$4,379,000). As of the date of issuance of these consolidated financial statements, the arbitration tribunal is still in the course of conducting the arbitration proceedings. Management believes that the risk faced by the Group as a result of the claim is not significant.

## 16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year’s presentation.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS AND OPERATION REVIEW**

In recent years, the media business of the world is gradually rebounding from the impact of the COVID-19 pandemic which has spread all over the world in the year of 2019 and the strikes of the Writers Guild of America and Screen Actors Guild-AFTRA in 2023. Delays in distribution, settlement as well as receipt of income of TV drama and film investments of the Company significantly and negatively affected the operating results regarding these investments, which has been reducing the amount of revenue recognized for a few years. The slow-down of business activities and postponement of some of the film and TV drama projects developed by the Group in prior years have impacted on the financial results of the Group.

Revenue and gross profit from its media and culture business for the year of 2024 was approximately HK\$40.4 million and HK\$40.4 million respectively (2023: revenue of approximately HK\$80.3 million and gross profit of approximately HK\$15.1 million).

The Group reported a net loss attributable to owners of the Company of approximately HK\$28.4 million for the year ended 31 December 2024 (2023: approximately HK\$45.7 million).

#### **Media and Culture**

The Group's movies and TV drama series products and investments, projects incubated by film directors and related prepayments amounted to approximately HK\$289.7 million as at 31 December 2024, and the followings are some highlights:

## ***Media investments and products***

### *Crazy Rich Asians*

The movie was invested and released by Warner Bros. Pictures, co-invested by the Group and directed by director Jon M. Chu (who has entered into an agreement with the Group), and was released in August 2018. The film was adapted from a best-selling novel written by Kevin Kwan under the same title, which has a solid reader base. The movie stars Constance Wu, Henry Golding, Michelle Yeoh, and etc. The highly anticipated movie is the first major film that is not a period piece in Hollywood in two and a half decades to feature an all ethnically Asian cast. As the first adapted work of the novel series, there is also expectation for it to develop into commercially successful film series where the stories of the two sequels mainly take place in China. To date, according to Box Office Mojo, its worldwide gross is US\$238,532,921.

### *Greta*

The thriller/crime movie is directed by Neil Jordan who won the Academy Award for Best Original Screenplay and starring French actress Isabelle Huppert who has been nominated for the Academy Award for Best Actress. The international sales of the movie are undertaken by veteran sales agency Sierra/Affinity. To date, international sales are anticipated to be US\$9.5 million. The movie premiered at the Toronto International Film Festival in September 2018 and was released in March 2019.

### *Midway*

The Group arranged the investment in the epic drama movie, directed by the well-known director Roland Emmerich (who has entered into an agreement with the Group), produced by Mark Gordon and starring Woody Harrelson, Mandy Moore and Luke Evans. It started principal photography in 2018 and was released on 8 November 2019. The movie is also the first World War II film of Roland Emmerich. It is adapted from the true stories of the Battle of Midway and tells rarely known stories of war heroes. The total budget is approximately US\$100 million. In terms of distribution, Summit Entertainment, LLC is responsible for the U.S., Bona Film Group is responsible for the Greater China area and Accelerate Global Content, LLC is responsible for overseas sales. The Deadline Magazine has provided extensive coverage in this regard and the commentary described the movie as “one of the biggest movies on-sale at Cannes”. During the pre-sales period, excluding the Greater China area, overseas pre-sales has exceeded US\$30 million.

The movie topped the North American box office only in its opening week. According to Box Office Mojo, its worldwide gross amounted to US\$126,696,475. In addition, the movie also enjoyed positive buzz among audiences since releasing, with being scored by up to 92% of audiences (Audience Score) on Rotten Tomatoes, a professional film critics website.

### *Scary Stories to Tell in the Dark*

The movie is distributed in US by Lionsgate, co-financed by CBS Films, eOne, the Group and Rolling Hills and was released in August 2019. The film is adapted from a bestselling series of short horror stories, written by Alvin Schwartz under the same title. It is directed by André Øvredal, produced by Academy Award Winner Guillermo del Toro, written by Dan Hageman, Kevin Hageman, and Guillermo del Toro. Starring Zoe Margaret Colletti, Michael Garza, Gabriel Rush, etc., the movie's international distributor is Entertainment One and Sierra/Affinity is the foreign sales agency of the picture. Produced for US\$25 million, the movie earned US\$21 million at the domestic box office in its opening weekend. To date, according to Box Office Mojo, its worldwide gross is US\$104,545,505.

### *Malignant*

*Malignant* is a 2021 American horror film directed by James Wan from a screenplay by Akela Cooper, based on a story by Wan, Ingrid Bisu, and Cooper. The film stars Annabelle Wallis as a woman who begins to have visions of people being murdered, only to realize the events are happening in real life. Maddie Hasson, George Young, Michole Briana White, and Jacqueline McKenzie also star. *Malignant* was theatrically released in the United States on September 10, 2021, by Warner Bros. Pictures simultaneously streamed on HBO Max for one month. It is streaming on YouTube, Apple TV, Google Play Movies & TV, Vudu, Amazon Prime Video, YouTube TV and Hulu now.

Posted to his Twitter handle, Stephen King, the legendary horror author praises Wan's *Malignant*. In one short sentence, King sums up his feelings, saying, "*I watched MALIGNANT on HBO and thought it was brilliant.*" King's tweet already has over 2,461 retweets and 33,000 likes. While critics and fans seem mixed over Wan's new horror movie, King sincerely feels the film is brilliant. Given King's expertise in all things horror, receiving praise from the author must feel like a high honor. For many fans who have yet to see *Malignant*, King's high praise is sure to peak their interest.

*Malignant* was released to high reviews and good word of mouth. David Stratton from *The Australian* mentioned that “Wan cheerfully draws on the extreme work of horror film aficionados such as David Cronenberg and Dario Argento as he piles on the bloody violence.” Becca James from *Chicago Reader* mentioned that “Malignant is the type of movie that requires viewers to strap in and shut up from the onset.” A.A. Dowd from *AV Club* mentioned that “There’s no way to watch this deranged follow-up and not conclude that Wan’s back where he belongs.” Alison Shoemaker from *Fox 10 Phoenix* mentioned that “Wan’s final twist is so maniacal and so (and this is a compliment) deeply and thoroughly stupid that it more than makes up for the minor missteps along the way.” Perri Nemiroff from YouTube mentioned that “James Wan swings for the fences and it pays off big time. Malignant is a bonkers and bloody delight that showcases a multitude of different skills and styles Wan’s honed through his horror films over the years.” The IMDb rating of Malignant is 6.3/10. And, the Tomatometer of Malignant reaches 76%.

Malignant won the ReFrame Stamp for Best Feature at ReFrame 2022. It was also nominated for 1) BloodGuts UK Horror Awards at BloodGuts UK Horror Awards 2022 2) Best CCA Super Awards at Critics Choice Super Awards 2022 3) Dorian Award at GALECA: The Society of LGBTQ Entertainment Critics 2022 4) HFCS Award at Hawaii Film Critics Society 2022 5) HCA Award at Hollywood Critics Association 2022 6) HCA Awards At Hollywood Critics Association 2021 7) INOCA at International Online Cinema Awards (INOCA) 2022 8) MCFCA Award at the Music City Film Critics’ Association Awards 2022 9) PCC Award at the Phoenix Critics Circle 2021 10) PCA Award at the Portland Critics Association Awards 2021.

### *Marshall*

The movie was obtained by the Group through acquisition. It is internationally distributed by Sony Pictures Worldwide Acquisitions Inc., and distributed by Open Road Films, LLC in North America. The movie is produced by Paula Wagner, an experienced Hollywood producer, and starring Chadwick Boseman, the leading actor of “Black Panther”, and Sterling K. Brown, an Emmy Award winner and the leading actor of “This Is Us”. The movie was nominated for Oscar Best Original Song (theme song: Stand Up For Something) and received Top Ten Films of African American Film Critics Association Awards, Audience Choice Award of Chicago International Film Festival, Annual Song Award of Hollywood Film Awards, Best Original Song Award of Annual Satellite Awards as well as 18 other internationally renowned awards nominations.



### *Umma*

“Umma” is a film that stands out for its fusion of horror with a poetic and lyrical representation of Asian culture. The film was distributed by Sony Pictures on March 15, 2022. It was produced by the renowned horror maestro Sam Raimi, who is known for his work on the “Spider-Man” series and “The Evil Dead” series. The director and writer of the film, Iris K. Shim, had previously been acclaimed for her documentary “The House of Suh,” which won six awards. The lead role in “Umma” was played by the talented Sandra Oh, who was celebrated as the first Asian actress to win a Golden Globe in 40 years. Her collaboration with Sam Raimi and Iris K. Shim brought a fresh and innovative perspective to Hollywood horror. It garnered interest from major studios and was praised for its unique blend of horror with an intimate portrayal of East Asian culture. With the backing of Sony Pictures, “Umma” made a significant impact in the film industry upon its release in 2022 and won the ReFrame Stamp award.

### *My Robot Boyfriend*

My Robot Boyfriend, an urban love sci-fi comedy directed by Lai Chun Tsang and starring Chao Jiang and Xiaotong Mao, which has been firstly broadcasted on Zhejiang Satellite TV on 21 October 2019 with concurrently releasing on Tencent Video and Mango TV.

## **PROJECTS INCUBATING BY FILM DIRECTORS**

With the commitment in further diversifying and enhancing the entertainment business of the Group so as to broaden the income sources, the Group has engaged 8 film directors.

James Wan, Roland Emmerich, Jon M. Chu, Robert Zemeckis, Alan Taylor, Jonathan Liebesman, F. Gary Gray, Sylvester Stallone, Nattawut Poonpiriya and Sam Raimi in relation to the development and production of motion picture projects, which enable the Group to tap into the business of film production and distribution. Reference may be made to the Company’s announcement dated 20 March 2020 for details of the profile of some of the projects under development. With respect to those projects that have not been completed prior to the terminations or expirations of the development agreements, the Company and those directors will continue to collaborate on the development of those projects.

Under the agreements, the Group has developed 44 feature projects, 38 among which have developed completed scripts.

Here are the projects developed under Development/Production Financing Agreements:

James Wan (9)	Malignant, Sentinel, Alien Santa, Golden, Roswell, The Magnificent Theater of Enchanted Puppet, The Call of Cthulhu, Mass Extinction, Border Patrol
Jon M. Chu (6)	Here and Now and Then, The Godfather, Sophia of Silicon Valley, Human Error, Cul-De-Sac, Project Human
Sam Raimi (7)	The Procession, Untitled Rob Savage Project, Bedtime Story, Umma, Sword of the Dead, Smooth Stones and Empty Bones, Little Snake
Nattawut Poonpiriya (2)	The Innkeeper, Homelands
Robert Zemeckis (2)	The Prisoner in His Palace, Empress Wu
Alan Taylor (2)	Gold Mountain, Stone Junction
Roland Emmerich (2)	Dreamland, Emergence
Jonathan Liebesman (1)	Scorpion
Sylvester Stallone (10)	Tier 1, Scavenger Hunt, Bellhop, Arcane, Dark Waters, Hunter, The Line that Held Us, Perfect Horse, Ghost, Safecracker
F Gary Gray (3)	Saints Row, Untitled Golf Action Comedy, Echo

Meanwhile, the Group has jointly developed 12 projects with A-list talents through collaboration, including: The Burden, GMO, Hunting Season, The Troop, The Devil Came to Saint Louis, The Monkey, The Fortunate Sons, The Pigeon, In the Shadow of the Mountain, Down Range, and RIP.

For these projects, the Group will take a diversified project structuring approach, including Films suitable for streaming platforms will be redirected towards them, which allows for relatively quick cost recovery, name recognition, increased exposure, and visibility through the widespread coverage of streaming platforms. Additionally, we will explore various channels for financing, such as international sales, tax refunds, minimum guarantees in North America, and derivative applications in the metaverse (NFT/digital collectible releases, metaverse construction, blockchain games), converting a portion of the budget allocated for visual effects into investments. By retaining the copyright, we aim to establish a new ecosystem.

The Group will be able to generate revenue from these projects and IPs through the following ways: recouping development costs plus a profit; getting producers fees and backend, investment payback, online distribution, theatrical releases, IP licensing, merchandising, web3 and metaverse monetization.

### **Media and culture operating results**

During the year ended 31 December 2024, the Group's revenue generated from media and culture business amounted to approximately HK\$40.4 million (2023: approximately HK\$80.3 million), with a gross profit of approximately HK\$40.4 million (2023: approximately HK\$15.1 million).

In recent years, the media business of the world is gradually rebounding from the impact of the COVID-19 pandemic which has spread all over the world in the year of 2019 and the strikes of the Writers Guild of America and Screen Actors Guild-AFTRA in 2023. Business activities slowed down and some of the film and TV drama projects being developed by the Group have been postponed. Delays in distribution, settlement as well as receipt of income of TV drama and film investments of the Company significantly and negatively affected the future cash flow projections regarding these investments, which in turn reduced the amount of revenue recognized during recent years.

## **FINANCIAL REVIEW**

The Group reported a net loss attributable to owners of the Company of approximately HK\$28.4 million for the year ended 31 December 2024 (2023: approximately HK\$45.7 million).

The Board considers that while the Group recorded an increase in gross profit and a reduction in net loss in the year of 2024 compared to the year of 2023, the slow-down of business activities and postponement of some of the film and TV drama projects being developed by the Group in recent years due to the prolonged impact of COVID-19 and strikes of the Writers Guild of America and Screen Actors Guild-AFTRA continued to affect the financial results of the Group during the year.

Basic loss per share for the year amounted to approximately 28.89 HK\$ cents (2023: approximately 55.51 HK\$ cents). Net deficit of the Group were approximately HK\$382.0 million (2023: approximately HK\$378.3 million).

## **FUTURE PLANS AND PROSPECTS**

Up to the date of this report, the economic downturn and the negative prolonged impact of COVID-19 epidemic will be a mid-to long term issue. The world is gradually rebounding from the impact and the management reasonably foreseen that the business activities of the media and culture business of the Group would resume to a normal level in the long term.

In addition, the strikes of the Writers Guild of America and Screen Actors Guild-AFTRA in 2023 has adversely affected the development, production and distribution of feature films and TV and streaming TV programming in the USA.

However, as it takes time for the entire business cycle of the Group to get back on track, it is probable that these negative impacts may continue to be reflected in the financial results of Group in the coming year(s).

The Company plans to utilize its existing Hollywood intellectual property resources to develop metaverse businesses, advance its digital product platform construction, and establish subsidiaries in Hong Kong and Mainland China to expand cross border e-commerce operations.

On 4 January 2024, the Company entered into a strategic cooperation framework agreement (the “**Strategic Cooperation Framework Agreement**”) with Greenland Digital Technology Co., Ltd (“**Greenland Digital**”), being a global leader in providing strategic digital advices and apply digital technology to improve business operation, pursuant to which the Company as a partner, is entitled to improve the development on metaverse business, advance its digital product platform construction and expand crossborder e-commerce operations and these businesses are business expected to commence in or around 2025.

The Directors are of the view that the entering of the Strategic Cooperation Framework Agreement enables the Group and Greenland Digital to use the resources of both parties to operate and be more involved in digital platform in metaverse, digital product and virtual reality technology. As such, the Directors believe that the Strategic Cooperation Framework Agreement could, on one hand, complement the business of the Group and, on the other hand, expand the client base of the Group. Accordingly, it will broaden the Group’s revenue base in the future and is expected to increase investment returns to the shareholders of the Company.

On 10 December 2024, the Group entered into another strategic cooperation framework agreement (the “**Cooperation Agreement**”) with a company incorporated in PRC, being a high-tech enterprise in developing energy storage systems by using artificial intelligence, operating and monitoring battery management systems and developing new energy storage technology. Pursuant to the Cooperation Agreement, the Group as a partner, is entitled to expand the business on developing new energy and renewable energy and the research and development of new energy storage technologies used in the industrial and commercial contexts. The business is expected to commence in or around 2025.

The Directors are of the view that the entering of the Cooperation Agreement enables the Group to diversify its business in new energy and energy storage technology. As such, the Directors believe that the Cooperation Agreement could, on one hand, complement the business of the Group and, on the other hand, expand the client base of the Group. Accordingly, it will broaden the Group's revenue base in the future and is expected to increase investment returns to the shareholders of the Company.

With an aim to turnaround from the making of loss and safeguard returns to the shareholders of the Company, the Group is in the process of reviewing the future prospect and development of its other business segments, and at the same time exploring new business opportunities and making more efforts to explore market opportunities in Mainland China.

## **MATERIAL ACQUISITION AND DISPOSAL**

There is no material acquisition and disposal conducted by the Group during the year that should be notified to the shareholders of the Company.

## **DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2024 (31 December 2023: NIL).

## **CAPITAL STRUCTURE**

As at 31 December 2024, the Company's net deficit was approximately HK\$382.0 million (2023: approximately HK\$378.3 million).

## **REVERSAL OF LOSS ALLOWANCES OF TRADE RECEIVABLES AND CONTRACT ASSETS**

The Company had provided for reversal of loss allowances on trade receivables and contract assets of approximately HK\$0.6 million and HK\$3.6 million for the year ended 31 December 2024. Details of the impairment analysis is set out in note 12 and 7 to this consolidated financial information.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operation by internally generated cash flow, interest-bearing bank and other borrowings, advances from shareholder(s) of the Company, issuance of promissory notes and/or convertible bonds.

The major shareholders of the Company have been able to provide financial resources (in form of loan advance, equity finance etc.) to support the Group's operations. For example, the Group obtained an advance of HK\$472,229,000 (equivalent to RMB415,000,000) ("**Advance**") from the then controlling shareholder (江陰星輝文化傳播有限公司) in the year of 2019. The Group has fully repaid the Advance and the then controlling shareholder also confirmed the full repayment of the Advance during the year of 2020. The Company believes that its shareholders will continue to provide financial support to the Group where necessary and in due course.

As at 31 December 2024, the Group's bank balances and cash amounted to approximately HK\$38.8 million (2023: HK\$52.0 million).

As at 31 December 2024, the current ratio was approximately 0.17 (2023: approximately 0.20) based on current assets of approximately HK\$139.1 million (2023: HK\$172.9 million) and current liabilities of approximately HK\$824.8 million (2023: HK\$854.3 million).

Further details regarding the liquidity of the Group are set out in "going concern assumption" of note 2 of the consolidated financial statements.

Referring to the sections of "Disclaimer of Opinion", "Basis for disclaimer of opinion" and "The Board's response to the Auditor's Opinion", the Company will continue to strive to improve its operating results and financial position and provide further information and communicate with the Company's auditors from time to time for their assessment of the going concern assumption for subsequent financial reporting periods.

While the management would strive to recover the trade receivables of gross carrying amount of HK\$96.2 million as at 31 December 2024 to further improve its financial position, and procure the possible loan or equity finance where necessary and in due course, the Company will continue to allocate more resources to the media and culture segment (e.g. film and TV series investment and production) which are the Group's major growth drivers.

## **EXPOSURE TO FLUCTUATION IN EXCHANGE RATES**

Most of the Group's assets, liabilities and business transactions are denominated in Hong Kong dollars, Renminbi and U.S. dollars which have been relatively stable during the year. The Group was not exposed to material foreign exchange risk and has not employed any financial instruments for hedging purposes.

## **EMPLOYEES AND REMUNERATION POLICIES**

The Group employed 20 (2023: 13) employees as at 31 December 2024. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. Employees may also be invited to participate in the share option scheme of the Group.

## **EVENTS AFTER THE REPORTING PERIOD**

Other than disclosed elsewhere in this announcement, there is no major event after the reporting period that should be notified to the shareholders of the Company.

## **COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES**

The Directors consider that the Company has complied with all applicable provisions of the Corporate Governance Code contained in Appendix C1 (the “Code”) of the Listing Rules throughout the year ended 31 December 2024.



## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Appendix C3 to the Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2024.

## **SUFFICIENCY OF THE PUBLIC FLOAT**

Based on the information that is publicly available to the Company and to the best knowledge, information and belief of the Directors as at the date of this announcement, the Directors confirm that the Company maintained a sufficient public float as required under the Listing Rules during the year ended 31 December 2024.

## **ANNUAL GENERAL MEETING**

A notice convening the forthcoming annual general meeting of the Company will be published and despatched to the shareholders of the Company in the manner required by the Listing Rules and the Bye-laws of the Company in due course.

## **AUDIT COMMITTEE**

As required by Rule 3.21 of the Listing Rules, the Company has established an Audit Committee with written terms of reference which deal clearly with its authority and duties. Its principal duties are to review and supervise the Group's financial reporting process, risk management and internal control systems. The Audit Committee has discussed with the external auditor of the Company, Prism Hong Kong Limited, on the accounting principles and practices adopted by the Group and reviewed the consolidated results of the Group for the year ended 31 December 2024, and is of the opinion that the preparation of the consolidated results complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

## SCOPE OF WORK OF PRISM HONG KONG LIMITED

The financial figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in the preliminary announcement have been compared by the Group’s auditor, Prism Hong Kong Limited (“**Prism**”), to the amounts set out in the Group’s consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by Prism in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

## EXTRACTS FROM INDEPENDENT AUDITOR’S REPORT

The followings are extracted from the independent auditors report on the consolidated financial statements of the Group for the year ended 31 December 2024.

## DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Smart Digital Technology Group Limited (formerly known as Starlight Culture Entertainment Group Limited) (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 5 to 99, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

We do not express an opinion on the consolidated financial statements of the Group. Because of the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements as described in the “Basis for Disclaimer of Opinion” section of our report, it is not possible for us to form an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## **BASIS FOR DISCLAIMER OF OPINION**

### **Multiple uncertainties relating to going concern**

As set out in note 2.1 to the consolidated financial statements, the Group incurred a net loss of approximately HK\$28,382,000 for the year ended 31 December 2024, and as at 31 December 2024, the Group had net current liabilities and net deficit of approximately HK\$685,721,000 and HK\$382,018,000 respectively. As at the same date, the Group's interest-bearing borrowings and film investment loans, derivative financial liabilities and financial liabilities at fair value through profit or loss amounted to approximately HK\$646,710,000 in total, while its cash and cash equivalents was amounted to approximately HK\$38,826,000 only.

As at 31 December 2024, the Group defaulted on repayment of certain interest-bearing borrowings and film investment loans (including those classified as financial liabilities at fair value through profit or loss and derivative financial liabilities) with principal amounts of approximately HK\$611,286,000, and have a further interest-bearing borrowings and film investment loans (including those classified as financial liabilities at fair value through profit or loss and derivative financial liabilities) with principal amounts of approximately HK\$35,424,000, which were repayable within one year. These conditions, together with other matters disclosed in note 2.1 to the consolidated financial statements, indicate the existence of material uncertainties which cast significant doubt on the Group's ability to continue as a going concern.

The directors of the Company have been undertaking measures to improve the Group's liquidity and financial position, and to remediate certain delayed repayments to financial institutions, which are set out in note 2.1 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) new sources of finance will be obtained to support the Group's operating and financing cash outflows; (ii) re-financing or extensions will be obtained for the Group's existing interest-bearing borrowings and film investment loans (including those classified as financial liabilities at fair value through profit or loss and derivative financial liabilities); (iii) the implementation of the Group's business strategy could enhance profitability and cash inflows of the Group; and (iv) the implementation of the Group's cost control strategies on its selling, distribution and administrative costs and film investment expenditures could reduce the cash outflows of the Group.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying amounts of the Group's assets to their realisable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

### **The Board's response to the Auditor's Opinion**

In regard to the matters described in the section headed "Basis for Disclaimer of Opinion" in the Independent Auditor's Report, the Board would like to take this opportunity to provide the Board's response and other relevant information, as well as measures taken or to be taken by management of the Company for information purpose.

### **The Board's response to the basis for disclaimer of opinion**

The Directors have been undertaking measures to improve the Group's liquidity and financial position, which are set out in note 2 to the consolidated financial statements. The Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. The following plans and measures are formulated to mitigate the liquidity pressure, to improve the financial position of the Group, and to remediate the overdue repayments to the lenders:

- (a) The Group has been actively negotiating with all of the lenders for renewal and extension for repayments of the overdue borrowings to reduce the liquidity pressure of the Group.
- (b) The Group has also been negotiating with various financiers and potential investors of the film industry to secure new sources of finance and identifying various options for financing the Group's working capital and commitments in the foreseeable future. The Directors believe that, considering the Group's track record of film investments and relationship with famous film directors, the Group will be able to obtain new financing.

- (c) The Group will continue to implement business strategy to enhance the Group's profitability and cash inflows.
- (d) The Group will continue to take active measures to control costs and prioritise film investments expenditures so as to improve the Group's cashflows.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the year ended 31 December 2024, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **PUBLICATION OF RESULTS AND ANNUAL REPORT**

The results announcement is available for reviewing on the website of Hong Kong Exchanges and Clearing Limited at [www.hkex.com.hk](http://www.hkex.com.hk) under "Latest Listed Companies Information" and the website of the Company at [www.zskj.com.hk](http://www.zskj.com.hk). The annual report will be dispatched to the shareholders of the Company and will also be available on these websites in due course.

By Order of the Board  
**Smart Digital Technology Group Limited**  
**Mr. Sang Kangqiao**  
*Co-Chairman*

Hong Kong, 28 March 2025

*As at the date of this announcement, the Board comprises five executive directors, namely Mr. Sang Kangqiao, Mr. Jing Xufeng, Mr. Luo Lei, Ms. Wu Xiaoli and Mr. Hu Fanghui; and three independent non-executive directors, namely Mr. Wu Hongliang, Mr. Niu Zhongjie, and Mr. Xu Zhihao.*