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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)**

### **FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2024**

#### **FINANCIAL HIGHLIGHTS**

- The Group recorded revenue of approximately HK\$292.6 million for the year ended 30 June 2024, representing an increase of approximately HK\$126.2 million or 75.8% as compared to last year.
- The TV series and variety show production and distribution business recorded total revenue of approximately HK\$186.0 million for the year ended 30 June 2024, representing an increase of approximately 667.5% as compared to last year. The Group's proportion of revenue from Mainland China was approximately 80.9%. Mainland China continues to be the major source of income and business growth of the Group.
- The Group recorded a loss attributable to owners of the Company of approximately HK\$350.5 million for the year ended 30 June 2024, as compared to a loss of approximately HK\$186.9 million recorded last year. This was mainly attributable to the fact that (i) the adverse impact of post-pandemic restoration period of the industry, which led to delays in the productions of the Group's TV series and the artiste work schedules; and (ii) impairment of goodwill amounting to approximately HK\$223.8 million provided by the Company during the reporting period, considering the current market condition, the intensified competitions and the uncertainty of the future.
- The Board does not recommend payment of final dividend for the year ended 30 June 2024.

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

*For the year ended 30 June 2024*

	<i>Notes</i>	<b>2024</b>	2023
		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	3	<b>292,603</b>	166,429
Cost of sales		<u>(364,020)</u>	<u>(120,238)</u>
<b>Gross (loss) profit</b>		<b>(71,417)</b>	46,191
Other gains and losses	5	<b>(6,107)</b>	3,739
Other income	5	<b>100,510</b>	48,709
Selling and distribution expenses		<b>(65,283)</b>	(74,928)
Administrative expenses		<b>(53,929)</b>	(65,499)
Impairment losses under expected credit loss model, net of reversal		<b>(214)</b>	2,361
Impairment losses recognised on goodwill		<b>(223,792)</b>	(117,802)
Impairment losses recognised on intangible assets		<b>(32,841)</b>	–
Fair value change on purchased call option		–	(3,423)
Fair value change on contingent consideration payable		<b>(5,823)</b>	(8,538)
Finance costs	6	<u>(14,089)</u>	<u>(18,590)</u>
<b>Loss before tax</b>		<b>(372,985)</b>	(187,780)
Income tax credit	7	<u>11,116</u>	<u>2,276</u>
<b>Loss for the year</b>	8	<u>(361,869)</u>	<u>(185,504)</u>
<b>Other comprehensive expense for the year</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange difference arising on translation of foreign operations		<b>(210)</b>	(28,962)
Reclassification of the cumulative gain included in profit or loss upon disposal of foreign operations		<u>–</u>	<u>(830)</u>
		<u>(210)</u>	<u>(29,792)</u>
<b>Total comprehensive expense for the year</b>		<u><b>(362,079)</b></u>	<u>(215,296)</u>

	<i>Note</i>	<b>2024</b> <b>HK\$'000</b>	2023 <i>HK\$'000</i>
<b>(Loss) profit for the year attributable to:</b>			
– Owners of the Company		<b>(350,510)</b>	(186,920)
– Non-controlling interests		<b>(11,359)</b>	1,416
		<u><b>(361,869)</b></u>	<u>(185,504)</u>
<b>Total comprehensive expense for the year attributable to:</b>			
– Owners of the Company		<b>(350,359)</b>	(212,602)
– Non-controlling interests		<b>(11,720)</b>	(2,694)
		<u><b>(362,079)</b></u>	<u>(215,296)</u>
<b>Loss per share</b>	<i>10</i>		
Basic and Diluted (HK cents)		<u><b>(13.50)</b></u>	<u>(7.20)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	<i>Notes</i>	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>629</b>	1,144
Right-of-use assets		<b>8,976</b>	63,881
Goodwill	<i>11</i>	<b>19,658</b>	245,725
Intangible assets	<i>12</i>	<b>1,293</b>	48,840
Rental deposits		–	17,450
		<u><b>30,556</b></u>	<u>377,040</u>
<b>Current assets</b>			
Film rights and television series production in progress	<i>13</i>	<b>143,708</b>	322,060
Trade and other receivables	<i>14</i>	<b>132,722</b>	84,715
Financial assets at fair value through profit or loss		<b>8,202</b>	10,850
Restricted bank balances		<b>534</b>	520
Pledged bank deposits		<b>20,678</b>	42,271
Bank balances and cash		<b>58,988</b>	85,108
		<u><b>364,832</b></u>	<u>545,524</u>
<b>Current liabilities</b>			
Trade and other payables	<i>15</i>	<b>189,018</b>	190,071
Contract liabilities		<b>73,229</b>	138,364
Tax payable		<b>12,361</b>	17,070
Bank and other borrowings	<i>16</i>	<b>57,522</b>	98,306
Loans from related companies	<i>17</i>	<b>36,419</b>	9,224
Contingent consideration payable		<b>130,453</b>	125,850
Lease liabilities		<b>6,706</b>	81,039
		<u><b>505,708</b></u>	<u>659,924</u>
<b>Net current liabilities</b>		<u><b>(140,876)</b></u>	<u>(114,400)</u>
<b>Total assets less current liabilities</b>		<u><b>(110,320)</b></u>	<u>262,640</u>

		<b>2024</b>	2023
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Non-current liabilities</b>			
Loans from related companies	<i>17</i>	<b>71,870</b>	74,160
Deferred tax liabilities		<b>323</b>	12,210
Lease liabilities		<b>2,585</b>	9,089
		<u><b>74,778</b></u>	<u>95,459</u>
<b>Net (liabilities) assets</b>		<u><b>(185,098)</b></u>	<u>167,181</u>
<b>Capital and reserves</b>			
Share capital	<i>18</i>	<b>6,489</b>	6,489
Reserves		<b>(691,135)</b>	(340,776)
<b>Deficit in shareholders' equity</b>		<b>(684,646)</b>	(334,287)
<b>Perpetual bonds</b>	<i>19</i>	<b>457,862</b>	448,062
<b>Non-controlling interests</b>		<b>41,686</b>	53,406
<b>Total equity</b>		<u><b>(185,098)</b></u>	<u>167,181</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 1. GENERAL INFORMATION

Transmit Entertainment Limited (the “Company”, together with its subsidiaries, the “Group”) is a limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company’s registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is located at Flat B, 14/F, Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong. Its immediate and ultimate holding company is Nice Rich Group Limited, a company incorporated in the British Virgin Islands (the “BVI”). Its ultimate controlling shareholder is Mr. Zhang Liang, Johnson (“Mr. Zhang”), who is also the chairman of the board of directors (the “Board”) and an executive director of the Company.

The consolidated financial statements are presented in Hong Kong dollar (“HK\$”), which is also the Company’s functional currency.

As at 30 June 2024, the Group had net current liabilities of HK\$140,876,000 and net liabilities of HK\$185,098,000. 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, and loan facilities granted by a related company amounting to RMB186,000,000 (equivalent to HK\$199,020,000). The Directors are satisfied that the Group will have sufficient working capital to meet its financial obligations and commitments as and when they fall due within the next twelve months from the end of the reporting period. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements of the Group on a going concern basis.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### **New and amendments to HKFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the first time, which are mandatorily effective for the current year for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

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

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision:

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

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

***Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies***

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies.

#### **New and amendments to HKFRSs in issue but not yet effective**

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

Amendments to HKFRS 16	Lease liability in a sale and leaseback <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>1</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>3</sup>
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs Accounting Standards – Volume 11 <sup>4</sup>
HKFRS 18	Presentation and Disclosure in Financial Statements <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2025.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2026.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2027.

The Directors anticipate that the application of the above new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.



### 3. REVENUE

#### Disaggregation of revenue from contracts with customers

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
TV series production and distribution income	186,039	24,241
Film exhibition income	55,922	71,604
Pan entertainment income	50,642	70,584
	<hr/>	<hr/>
Total	<b>292,603</b>	166,429
	<hr/>	<hr/>
<b>Timing of revenue recognition</b>		
At a point in time	274,775	109,485
Over time	17,828	56,944
	<hr/>	<hr/>
Total	<b>292,603</b>	166,429
	<hr/>	<hr/>

The contracts for sales of goods and provision of services to external customers are short-term.

#### *Performance obligations for contracts with customers and revenue recognition policies*

- 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
  - 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 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, 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 operating and reportable segments identified under HKFRS 8 *Operating Segments*.

- (i) TV series production and distribution;
- (ii) Film exhibition; and
- (iii) Pan entertainment.

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

## Segment revenue and results

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

### For the year ended 30 June 2024

	TV series production and distribution <i>HK\$'000</i>	Film exhibition <i>HK\$'000</i>	Pan entertainment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue				
– External customers	<u>186,039</u>	<u>55,922</u>	<u>50,642</u>	<u>292,603</u>
Segment (loss) profit	<u>(134,460)</u>	<u>58,927</u>	<u>(40,186)</u>	<u>(115,719)</u>
Head office and corporate expenses				(16,635)
Fair value change on contingent consideration payable				(5,823)
Unallocated finance costs				(11,016)
Impairment losses recognised on goodwill				<u>(223,792)</u>
Loss before tax				<u>(372,985)</u>

### For the year ended 30 June 2023

	TV series production and distribution <i>HK\$'000</i>	Film exhibition <i>HK\$'000</i>	Pan entertainment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue				
– External customers	<u>24,241</u>	<u>71,604</u>	<u>70,584</u>	<u>166,429</u>
Segment (loss) profit	<u>(38,296)</u>	<u>(1,565)</u>	<u>7,865</u>	<u>(31,996)</u>
Head office and corporate expenses				(29,183)
Fair value change on contingent consideration payable				(8,538)
Unallocated finance costs				(11,018)
Fair value change on purchased call option				(3,423)
Impairment losses recognised on goodwill				(117,802)
Gain on disposal of subsidiaries				<u>14,180</u>
Loss before tax				<u>(187,780)</u>

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

## Other segment information

*For the year ended 30 June 2024*

	TV series production and distribution <i>HK\$'000</i>	Film exhibition <i>HK\$'000</i>	Pan entertainment <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Amounts included in the measure of segment profit or loss:</b>						
Amortisation of intangible assets	-	-	(14,695)	(14,695)	-	(14,695)
Depreciation of right-of-use assets	(1,160)	(52,896)	(782)	(54,838)	(488)	(55,326)
Depreciation of property, plant and equipment	(135)	(11)	(355)	(501)	(8)	(509)
Interest income	16	1,276	228	1,520	297	1,817
Finance costs	(147)	(2,832)	(94)	(3,073)	(11,016)	(14,089)
Impairment losses recognised on trade and other receivables	(214)	-	-	(214)	-	(214)
Impairment losses recognised on TV series production	(24,867)	-	-	(24,867)	-	(24,867)
Impairment losses recognised on intangible assets	-	-	(32,841)	(32,841)	-	(32,841)

*For the year ended 30 June 2023*

	TV series production and distribution <i>HK\$'000</i>	Film exhibition <i>HK\$'000</i>	Pan entertainment <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Amounts included in the measure of segment profit or loss:</b>						
Amortisation of intangible assets	-	-	(17,876)	(17,876)	-	(17,876)
Depreciation of right-of-use assets	(1,106)	(52,896)	(811)	(54,813)	(491)	(55,304)
Depreciation of property, plant and equipment	(189)	(102)	(425)	(716)	(18)	(734)
Interest income	44	1,232	482	1,758	280	2,038
Finance costs	(182)	(7,260)	(130)	(7,572)	(11,018)	(18,590)
Impairment losses reversed on trade and other receivables	2,361	-	-	2,361	-	2,361
Impairment losses recognised on TV series production	(12,722)	-	-	(12,722)	-	(12,722)

## Geographical information

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

	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Hong Kong	<b>55,922</b>	71,604
Mainland, the People's Republic of China (the "PRC")	<b>236,681</b>	94,825
	<b><u>292,603</u></b>	<b><u>166,429</u></b>

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

	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Hong Kong	<b>5,214</b>	57,643
Mainland, the PRC	<b>25,342</b>	301,947
	<b><u>30,556</u></b>	<b><u>359,590</u></b>

## Information about major customers

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

	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Customer A <sup>1</sup>	<b>9,854</b>	17,448
Customer B <sup>1</sup>	<b>84,717</b>	1,109

<sup>1</sup> Revenue from TV series production and distribution.

## 5. OTHER GAINS AND LOSSES AND OTHER INCOME

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<b>Other gains and losses</b>		
Gain on disposal of subsidiaries	–	14,180
Gain (loss) on disposal of property, plant and equipment and right-of-use assets	16	(95)
Donation	(109)	–
Gain on modification of financial liabilities	–	1,614
Gain from deregistration of a subsidiary	667	–
Reversal of additional value added tax input deduction	(433)	–
Net foreign exchange losses	–	(1,260)
Provision for arbitration	(6,248)	(10,700)
	<u>(6,107)</u>	<u>3,739</u>
<b>Other income</b>		
Cinema operation right income ( <i>note ii</i> )	32,981	27,397
Handling service income	1,177	1,746
Interest income	1,817	2,038
Government subsidy received ( <i>note i</i> )	698	2,321
Coupon sales income from film producers	681	201
Cinema promotion income	2,420	9,487
Additional value added tax input deduction	194	898
Others ( <i>note iii</i> )	60,542	4,621
	<u>100,510</u>	<u>48,709</u>

### Notes:

- i. Amounts mainly represent subsidies granted by certain local governments for encouraging domestic business development and are recognised upon receipt. There are no unfulfilled conditions or contingencies relating to these subsidies.
- ii. Cinema operation right income represents income arising from a management agreement, as novated and supplemented by a supplemental agreement entered into among the Company, Cinema City (WL) Limited and Mandarin Motion Pictures Limited (“MMP”), a connected party controlled by a director of Cinema City (Langham Place) Limited (“CCLP”), in relation to management of cinema operation of Langham Place Cinema for the period from the date of 26 May 2021 to 25 May 2024. Upon expiration of cinema management agreement on 25 May 2024 till the termination date of the Lease (as defined in note 14 to the consolidated financial statements) on 22 July 2024, the cinema operation has been managed by CCLP.
- iii. Others included HK\$58,151,000 (2023: nil) which represents reversal of other payables upon expiration of cinema management agreement on 25 May 2024 as mentioned in note (ii) agreed between CCLP and MMP.

## 6. FINANCE COSTS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interest expenses on:		
Loans from related companies	4,339	3,220
Lease liabilities	3,098	7,613
Bank and other borrowings	6,652	7,241
Bonds payable	–	516
	<u>14,089</u>	<u>18,590</u>

## 7. INCOME TAX CREDIT

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current tax:		
PRC Enterprise Income Tax (“EIT”)	768	2,193
Deferred tax	<u>(11,884)</u>	<u>(4,469)</u>
	<u>(11,116)</u>	<u>(2,276)</u>

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

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 years.

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*

The income tax credit for the year can be reconciled to loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
Loss before tax	<b>(372,985)</b>	(187,780)
Tax at the income tax rate of 16.5% (2023: 16.5%)	<b>(61,543)</b>	(30,984)
Tax effect of income not taxable for tax purpose	<b>(3)</b>	(300)
Tax effect of expenses not deductible for tax purpose	<b>57,565</b>	20,480
Tax effect of fair value change on contingent consideration payable	<b>1,456</b>	2,135
Tax effect of tax losses not recognised	<b>38,527</b>	22,045
Tax effect of deductible temporary differences not recognised	<b>3,367</b>	72
Tax effect of utilisation of tax losses and deductible temporary difference previously not recognised	<b>(13,363)</b>	(5,773)
Effect of tax exemption granted to PRC subsidiaries	<b>(1,565)</b>	(4,085)
Effect of different tax rates of subsidiaries operating in PRC jurisdictions	<b>(35,557)</b>	(5,866)
Income tax credit for the year	<b>(11,116)</b>	(2,276)



## 8. LOSS FOR THE YEAR

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss for the year has been arrived at after charging:		
Directors' emoluments	2,738	3,941
Other staff costs	15,353	25,711
Retirement benefit scheme contributions, excluding those of the Directors	<u>2,205</u>	<u>3,065</u>
Total staff costs	<u>20,296</u>	<u>32,717</u>
Auditors' remuneration	1,920	2,450
Depreciation of property, plant and equipment	509	734
Depreciation of right-of-use assets	55,326	55,304
Amortisation of intangible assets	14,695	17,876
Short-term lease expenses for premises	785	2,626
Impairment losses recognised on TV series production	24,867	12,722
Cost of TV series production	250,538	10,631
Cost of scriptwriters for TV series production	30,718	21,158
Cost of services provided for TV series production	961	1,523
Cost of services provided for film exhibition	23,213	32,223
Cost of artiste and internet celebrity agency business	<u>33,723</u>	<u>41,981</u>

## 9. DIVIDEND

No dividend was paid or proposed for the year ended 30 June 2024, nor has any dividend been proposed since the end of the reporting period (2023: Nil).

## 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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<b>Loss</b>		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(350,510)</u>	<u>(186,920)</u>
	<b>2024</b>	<b>2023</b>
<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 for both years were presented as the Company has no potential ordinary shares issues for both years.

## 11. GOODWILL AND IMPAIRMENT ASSESSMENT

	<b>Goodwill</b> <i>HK\$'000</i>
<b>COST</b>	
At 1 July 2022	461,473
Exchange adjustments	<u>(35,499)</u>
At 30 June 2023	<b>425,974</b>
Exchange adjustments	<u>(3,582)</u>
At 30 June 2024	<b><u>422,392</u></b>
<b>IMPAIRMENT</b>	
At 1 July 2022	<b>67,652</b>
Impairment loss recognised in the year	<b>117,802</b>
Exchange adjustments	<u>(5,205)</u>
At 30 June 2023	<b><u>180,249</u></b>
Impairment loss recognised in the year	<b>223,792</b>
Exchange adjustments	<u>(1,307)</u>
At 30 June 2024	<b><u>402,734</u></b>
<b>CARRYING AMOUNTS</b>	
At 30 June 2024	<b><u>19,658</u></b>
At 30 June 2023	<b><u>245,725</u></b>

For the purpose of impairment testing, goodwill has been allocated to the following cash generating units. The carrying amount before impairment loss of goodwill allocated to these cash generating units are as follows:

	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Khorgas Group ( <i>note a</i> )	<b>383,223</b>	386,805
聞瀾(上海)文化傳媒有限公司 (“Wenlan”) ( <i>note b</i> )	<b><u>39,169</u></b>	<u>39,169</u>
	<b><u>422,392</u></b>	<b><u>425,974</u></b>

*Notes:*

- (a) During the year ended 30 June 2019, the Group acquired the entire equity interest in 霍爾果斯厚海文化傳媒有限公司 (Khorgas Houhai Culture Media Company Limited, “Khorgas Houhai”) and its subsidiary, 北京聚海文化傳媒有限公司 (Beijing Juhai Culture Media Company Limited) (collectively known as the “Khorgas Group”) and goodwill of HK\$411,876,000 was resulted from the acquisition within TV series production and distribution segment.

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

The calculation of the recoverable amount of Khorgas Group uses cash flow projections based on financial budgets approved by management covering a 5-year period and pre-tax discount rate of 24.7% (2023: 25.6%) per annum as at 30 June 2024. Cash flows beyond the 5-year period are extrapolated using a steady expected inflation rate of 2.0% (2023: 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 revenue and operating profit of Khorgas Group for the current year did not meet those budgeted primarily due to the impact of the economic downturn and industry policies, so the management of the Group assessed the recoverable amount of Khorgas Group to which goodwill is allocated. As at 30 June 2024, the estimated recoverable amount of Khorgas Group was below its carrying amount. Accordingly the Group recognised impairment loss on goodwill amounting to HK\$223,792,000 (2023: HK\$100,701,000) during the year ended 30 June 2024.

- (b) During the year ended 30 June 2020, the Group acquired 60% of equity interest in Wenlan and goodwill of HK\$38,633,000 was resulted from the acquisition within pan entertainment segment, which has been fully impaired during the year ended 30 June 2023.

## 12. INTANGIBLE ASSETS

	<b>Agency contract HK\$'000</b>
<b>COST</b>	
At 1 July 2022	113,601
Exchange adjustments	<u>(8,738)</u>
At 30 June 2023	104,863
Exchange adjustments	<u>(971)</u>
At 30 June 2024	<b><u>103,892</u></b>
<b>AMORTISATION</b>	
At 1 July 2022	42,017
Provided for the year	17,876
Exchange adjustments	<u>(3,870)</u>
At 30 June 2023	56,023
Provided for the year	14,695
Exchange adjustments	<u>(655)</u>
At 30 June 2024	<b><u>70,063</u></b>
<b>IMPAIRMENT</b>	
At 1 July 2022 and 30 June 2023	–
Provided for the year	32,841
Exchange adjustments	<u>(305)</u>
At 30 June 2024	<b><u>32,536</u></b>
<b>CARRYING AMOUNTS</b>	
At 30 June 2024	<b><u>1,293</u></b>
At 30 June 2023	<b><u>48,840</u></b>

### **Agency contract**

The agency contract is a six-year agency contract associated with Ms. Yang Chaoyue, a famous artiste in the PRC, which is held by Wenlan, a non-wholly owned subsidiary acquired by the Group on 12 March 2020. It is identified as an intangible asset at the date of acquisition of Wenlan and amortised over 6 years. The revenue and operating profit of Wenlan for the current year did not meet those budgeted, so the management of the Group assessed the recoverable amount of the cash generating unit to which the intangible asset belongs.

The recoverable amount of the intangible asset has been determined based on a value in use calculation.

The calculation of the recoverable amount uses cash flow projections based on financial budgets approved by management covering agency contract period and pre-tax discount rate of 33.38% (2023: 30.01%) per annum as at 30 June 2024. 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 Wenlan's past performance and management's expectations for the market development.

As at 30 June 2024, the estimated recoverable amount of the cash generating unit was below its carrying amount. Accordingly the Group recognised an impairment loss on intangible assets amounting to HK\$32,841,000 (2023: nil) during the year ended 30 June 2024.

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

	<b>Film rights</b> <i>HK\$'000</i>	<b>Television series production in progress</b> <i>HK\$'000</i>
<b>COST</b>		
At 1 July 2022	776,062	367,297
Additions	–	43,847
Transfer upon completion and sold	–	(10,631)
Disposal of subsidiaries	(776,062)	–
Exchange adjustments	–	(26,310)
	<u>–</u>	<u>–</u>
At 30 June 2023	–	<b>374,203</b>
Additions	–	<b>98,409</b>
Transfer upon completion and/or sold	–	<b>(250,538)</b>
Exchange adjustments	–	<b>(1,700)</b>
	<u>–</u>	<u>–</u>
At 30 June 2024	<u>–</u>	<b>220,374</b>
<b>ACCUMULATED IMPAIRMENT</b>		
At 1 July 2022	776,062	39,875
Additions	–	12,722
Disposal of subsidiaries	(776,062)	–
Exchange adjustments	–	(454)
	<u>–</u>	<u>–</u>
At 30 June 2023	–	52,143
Additions	–	24,867
Exchange adjustments	–	(344)
	<u>–</u>	<u>–</u>
At 30 June 2024	<u>–</u>	76,666
<b>CARRYING AMOUNTS</b>		
At 30 June 2024	<u>–</u>	<b>143,708</b>
At 30 June 2023	<u>–</u>	322,060

The Group carries out a review on a project-by-project basis at the end of each reporting period and makes provision for obsolete projects. Net realisable value of TV series production in progress is the estimated selling price in the ordinary business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of producing and distributing TV series production of a similar nature.

During the year ended 30 June 2024, an impairment loss of HK\$24,867,000 (2023: HK\$12,722,000) was recognised on TV series production in progress. Due to the production plan for certain TV production in progress was postponed and the amount may not be fully recovered, the Directors are of opinion that the carrying amount of HK\$24,867,000 (2023: HK\$12,722,000) for certain TV series production in progress was fully impaired.

#### 14. TRADE AND OTHER RECEIVABLES

	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables	<b>54,393</b>	31,722
Less: Allowance for expected credit losses	<b>(1,011)</b>	(1,109)
	<b>53,382</b>	30,613
Other receivables, deposits and prepayments	<b>42,098</b>	14,603
Other receivable from TV series	<b>19,469</b>	22,162
Less: Allowance for expected credit losses	<b>(794)</b>	(482)
	<b>60,773</b>	36,283
Investment in film and TV series producers at FVTPL ( <i>note i</i> )	<b>1,954</b>	10,613
Prepayment for artiste management agency and scriptwriters	–	1,080
Deposits and prepayments for cinema operation ( <i>note ii</i> )	<b>11,166</b>	17,738
Other tax recoverable	<b>5,447</b>	5,838
	<b>132,722</b>	102,165
Analysed as:		
Current	<b>132,722</b>	84,715
Non-current	–	17,450
	<b>132,722</b>	102,165

#### Notes:

- (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.
- (ii) The amounts include HK\$10,966,000 (2023: HK\$17,450,000) rental deposit generated from CCLP which had entered into a lease agreement on 27 December 2013 to rent a cinema situated in Langham Place (the "Lease Premises"), a prime location in Hong Kong, and to take the cinema operation for a term of ten years commencing on 23 July 2014 and expired on 22 July 2024 (the "Lease"). Based on the terms of the Lease, the Company is obliged to pay a deposit in a sum equivalent to the aggregate of three months' base rent for the tenth year, three months' management charges for the first year, three months' promotional levy for the first year and one quarter's government rates in respect of the Lease Premises.

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>2024</b>	2023
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Trade receivables:		
0 – 30 days	<b>51,578</b>	8,170
31 – 60 days	–	354
61 – 90 days	–	198
91 – 180 days	<b>239</b>	70
181 – 365 days	–	2,267
Over one year	<b>1,565</b>	19,554
	<b>53,382</b>	30,613

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 PRC Mainland 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 30 June 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$1,804,000 (2023: HK\$21,891,000) which are past due as at the reporting date. Out of the past due balances, HK\$1,565,000 (2023: HK\$21,821,000) has been past due 90 days or more and is not considered as in default by considering the background of the debtors and historical payment arrangement. The Group does not hold any collateral over these balances.

## 15. TRADE AND OTHER PAYABLES

	<b>2024</b>	2023
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Trade payables	<b>52,182</b>	43,587
Other payables and accruals ( <i>note i</i> )	<b>55,859</b>	85,039
Advances from former shareholder of subsidiaries acquired ( <i>note ii</i> )	<b>34,112</b>	34,430
Provision for arbitration	<b>16,791</b>	10,700
Accrued services fee for TV series production ( <i>note iii</i> )	<b>30,074</b>	9,835
Investment funds from investors at FVTPL ( <i>note iv</i> )	–	6,480
	<b>189,018</b>	190,071



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>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 60 days	<b>24,034</b>	16,343
Within 61 to 90 days	<b>2,220</b>	1,938
Within 91 to 365 days	<b>3,260</b>	1,881
Over 365 days	<b>22,668</b>	23,425
	<b>52,182</b>	43,587

*Notes:*

- (i) As at 30 June 2023, other payables and accruals included HK\$33,276,000 which represents cumulative amount provided by MMP in excess of relevant years' profit or loss in relation to operation of the cinema of CCLP, upon expiration of cinema management agreement on 25 May 2024, such amount is reversed and recorded as other income disclosed in note 5 to the consolidated financial statements during the year ended 30 June 2024.
- (ii) Advances from former shareholder of subsidiaries acquired are non-trade, unsecured, interest-free and repayable on demand.
- (iii) The amounts represented the accrued services fee payable to scriptwriters of TV series production.
- (iv) Investment funds from investors represent investors' entitlement to the return on film invested by the Group and the return are variable based on contracts with other investors.

## 16. BANK AND OTHER BORROWINGS

	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Bank borrowings:		
Fixed-rate, secured and guaranteed ( <i>note i</i> )	–	32,411
Fixed-rate, unsecured and guaranteed ( <i>note ii</i> )	–	19,440
Variable-rate, secured and guaranteed ( <i>note iii</i> )	–	16,200
Variable-rate, unsecured and guaranteed	–	5,400
	–	73,451
Other borrowings ( <i>note iv</i> )	<b>57,522</b>	24,855
	<b>57,522</b>	98,306

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

	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
Carrying amount repayable (based on scheduled repayment terms):		
Within one year or on demand	57,522	98,306
Less: Amounts due shown under current liabilities:		
On demand or due within one year	<u>(57,522)</u>	<u>(98,306)</u>
Amounts due after one year	<u>          -</u>	<u>          -</u>

*Notes:*

- (i) During the year ended 30 June 2024, the Group did not obtain new fixed rate and secured bank borrowings (2023: HK\$32,411,000) and repaid bank borrowings of HK\$32,411,000 (2023: HK\$26,989,000).
- (ii) During the year ended 30 June 2024, the Group did not obtain new fixed rate and guaranteed bank borrowings (2023: HK\$19,440,000) and repaid bank borrowings of HK\$19,440,000 (2023: HK\$14,040,000).
- (iii) During the year ended 30 June 2024, the Group did not obtain new variable-rate and secured bank borrowings (2023: RMB15,000,000 (equivalent to HK\$16,200,000)), and repaid bank borrowings of RMB15,000,000 (equivalent to HK\$16,200,000) (2023: RMB29,000,000 (equivalent to HK\$31,320,000)). The floating rate of the borrowing was based on the Loan Prime Rate published by PRC National Interbank Funding Center. As at 30 June 2024, the bank borrowings were repaid and the secured bank deposits of HK\$20,000,000 (2023: HK\$20,000,000) is subsequently released in July 2024.
- (iv) Other borrowings represented a loan from a third party company, bearing interest at 15% per annum. During the year ended 30 June 2024, Khorgas Houhai obtained a loan of RMB2,000,000 (equivalent to HK\$2,140,000) (2023: nil) from a third party company and repaid on 25 September 2023. The maturity date of remaining loans plus accrued interest of RMB27,002,000 (equivalent to HK\$28,892,000) was extended to 31 December 2023 and were in default as at 30 June 2024 and repayable on demand. The loan is secured by the Group's trade receivables amounting to RMB17,905,000 (equivalent to HK\$19,338,000) as at 30 June 2023.

During the year ended 30 June 2024, Khorgas Juhai Culture Media Company Limited obtained loans of RMB10,000,000 (equivalent to HK\$10,700,000) and RMB15,903,200 (equivalent to HK\$17,016,000) (2023: nil) from a third party company at interest of 15% and 10% respectively, and accrued interest of RMB581,000 (equivalent to HK\$621,000) and RMB274,000 (equivalent to HK\$293,000) (2023: nil) respectively. These loans are guaranteed by subsidiaries of the Group.

The ranges of effective interest rates (which are also equal to contracted interest rates) per annum on the Group's bank borrowings are analysed as follows:

	2024	2023
Fixed-rate bank borrowings:		
RMB denominated borrowings	n/a	3.65% to 4.90%
Variable-rate bank borrowings:		
RMB denominated borrowings	n/a	3.40% to 4.00%
	<u>          </u>	<u>          </u>

## 17. LOANS FROM RELATED COMPANIES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<b>Loans from related companies</b>		
– Loan 1 ( <i>note i</i> )	25,647	25,599
– Loan 2 ( <i>note ii</i> )	9,139	9,224
– Loan 3 ( <i>note iii</i> )	27,280	26,393
– Loan 4 ( <i>note iv</i> )	46,223	22,168
	<u>108,289</u>	<u>83,384</u>
Analysed as:		
Current liabilities	36,419	9,224
Non-current liabilities	71,870	74,160
	<u>108,289</u>	<u>83,384</u>

### Notes:

- (i) The balance as at 30 June 2024 represents a loan of RMB17,853,000 (equivalent to HK\$19,103,000) (2023: RMB18,954,000 (equivalent to HK\$20,470,000)) plus accrued interest of RMB6,116,000 (equivalent to HK\$6,544,000) (2023: RMB4,749,000 (equivalent to HK\$5,129,000)) 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 30 June 2024 represents interest payables of RMB8,541,000 (equivalent to HK\$9,139,000) (2023: represents interest payables of RMB8,541,000 (equivalent to HK\$9,224,000)) from Guangzhou Black Hole Investment Limited (“Black Hole”), a company in which Mr. Zhang has controlling interests.

- (iii) The balance represents loan of RMB23,500,000 (equivalent to HK\$25,145,000) (2023: RMB23,500,000 (equivalent to HK\$ 25,380,000)) plus accrued interest of RMB1,995,000 (equivalent to HK\$2,135,000) (2023: RMB938,000 (equivalent to HK\$1,013,000)) from Guangzhou Puji as at 30 June 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 loan of RMB41,326,000 (equivalent to HK\$44,220,000) (2023: RMB20,246,000 (equivalent to HK\$21,866,000)) plus accrued interest of RMB1,873,000 (equivalent to HK\$2,003,000) (2023: RMB280,000 (equivalent to HK\$302,000)) 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.

## 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 2022, 30 June 2023 and 30 June 2024	<u>32,000,000,000</u>	<u>80,000</u>
<b>Issued and fully paid:</b>		
At 1 July 2022, 30 June 2023 and 30 June 2024	<u>2,595,613,733</u>	<u>6,489</u>

## 19. PERPETUAL BONDS

On 29 June 2020, two wholly-owned subsidiaries of the Company issued perpetual bonds (the “Issuers”) amounted to RMB31,000,000 (equivalent to HK\$34,100,000) and RMB155,000,000 (equivalent to HK\$170,500,000), respectively to Guangzhou Puji, and the perpetual bonds are redeemable at the issuers’ option on or after 28 June 2025. 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 and the issuers will not declare or pay any interests or redeem, reduce, cancel or buy back or otherwise acquire any of the Company’s and/or the Issuer’s securities of lower or equal rank.

On 1 July 2021 and 13 July 2021, Guangzhou Daide Management Consultancy Company Limited (“Guangzhou Daide”) issued perpetual bonds amounting to RMB78,520,000 (equivalent to HK\$94,224,000) and RMB58,990,000 (equivalent to HK\$70,788,000), respectively to Black Hole and Guangzhou Puji for the purpose of repaying the outstanding loan balance. On 1 July 2021 and 31 July 2021, Guangzhou Daide and the Company issued perpetual bonds amounting to RMB35,000,000 (equivalent to HK\$42,000,000) and HK\$45,000,000 to Mr. Zhang respectively, for the purpose of repaying the outstanding loan balance. On 7 March 2022, the Company issued perpetual bonds amounting to HK\$8,000,000 to Mr. Zhang. The perpetual bonds are redeemable at the issuer’s option on or after 30 June 2025.

On 27 February 2023, the Company voluntarily repaid perpetual bonds amounting to HK\$17,500,000 to Mr. Zhang.

On 24 February 2023, the Company issued perpetual bonds amounting to HK\$950,000 to Skynova International Limited (“Skynova”). The perpetual bonds are redeemable at the issuer’s option on or after February 2028.

On 7 September 2023, 6 February 2024 and 21 February 2024, the Company issued perpetual bonds amounting to HK\$6,000,000, HK\$1,000,000 and HK\$2,800,000 to Mr. Zhang, respectively. The perpetual bonds are redeemable at the issuer’s option on or after September 2028 and February 2029.

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 and the issuers will not declare or pay any interests or redeem, reduce, cancel or buy back or otherwise acquire any of the Company’s and/or the issuer’s securities of lower or equal rank.

The Group is considered to have no contractual obligations to call its principal or to pay any interests. The perpetual bonds do not meet the definition of financial liabilities. They are classified as equity instruments and any distributions made by the Group to the holders are also recognised in equity in the consolidated financial statements of the Group.

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

Subsequent to the end of the reporting period, the Group ceases its operation of film exhibition when the Lease expired on 22 July 2024. 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 under HKFRS 5.

## **MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW**

### **BUSINESS REVIEW**

The Group is principally engaged in (i) TV series and variety show production and distribution; (ii) film exhibition; and (iii) pan entertainment. The Group mainly produces Chinese variety shows and TV series in both Mainland China and Hong Kong as its main markets. It also currently operates one Hong Kong based cinema. During the year ended 30 June 2024, the Group further advanced its brand diversification development strategy. The Group's proportion of revenue from Mainland China was 80.9%. Mainland China continues to be the major source of income and business growth of the Group.

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

Following the development dynamics of the industry and the entertainment tastes of young viewers, the Group has continued to focus on the development and production of outstanding variety contents, while actively exploring innovative business models such as web series, online movies and short videos. For the year ended 30 June 2024, the TV series and variety show production and distribution business remained as the core business of the Group with recorded revenue of approximately HK\$186.0 million, representing an increase of approximately 667.5% as compared to last year. The increase was mainly attributable to the fact that both the urban mystery TV series "Frozen Surface" and the fifth season of the love variety show "I Love You, Me Too" were smoothly broadcasted in January and May 2024 respectively, and the revenue generated was recognised this year, while the fourth season of the love variety show "I Love You, Me Too" was debuted in last year. In addition, the Group has obtained revenue of approximately HK\$90 million from the sales of certain TV series copyright during the year, resulting in an increase in revenue from production and distribution of TV series and variety shows during the year.

## **Film exhibition**

Considering that the novel coronavirus disease (“COVID-19”) pandemic has brought about a challenging business environment for the film exhibition business, the Group had disposed of its partial equity interests in the film exhibition business aiming to reallocate financial resources to other businesses with higher development potential, with the purpose of generating better returns for the Shareholders. The disposal transaction was completed on 26 May 2021. Thereafter, in accordance with a management agreement, as novated and supplemented by a supplemental agreement entered into among the Company, Cinema City (WL) Limited and Mandarin Motion Pictures Limited, the Group earned fees for the operation of Langham Place Cinema in Hong Kong during the term of the agreement. The management believes that the above-mentioned strategic measures will have a positive impact on the Group’s future results and financial performance. For further details of the disposal and the management agreement, please refer to the announcements of the Company dated 18 January 2021 and 26 May 2021, respectively.

The Group’s revenue from film exhibition amounted to approximately HK\$55.9 million for the year, representing a decrease of approximately 21.9% as compared to the last year, which was mainly due to the fact that consumer sentiment of Hong Kong film industry was in the doldrums, resulting in a weaker-than-expected Christmas box office.

## **Pan entertainment**

During the year ended 30 June 2024, the Group continued to improve its industry chain and broaden its revenue base and the influence of the Group’s artistes and celebrities in market segments continued to grow. The Group’s artistes participated in the starring and endorsement activities of various TV series and films. Among which, Yang Chaoyue starred in the TV series “Born to Run” ( 如果奔跑是我的人生 ), the TV series “The Double” ( 墨雨雲間 ), the variety show “2023 Unknown Game” ( 超機智青年大會 ) and the variety show “As You Wish: Love You Seven Times” ( 100 萬個約定之七時吉祥 ), etc.

The Group’s pan entertainment recorded a total revenue of approximately HK\$50.6 million for the year, representing a decrease of approximately 28.3% as compared to approximately HK\$70.6 million last year, which was mainly attributable to decrease in revenue from artiste management business.

## **FINANCIAL REVIEW**

### **Revenue and gross loss**

Revenue of the Group for the year amounted to approximately HK\$292.6 million, representing an increase of approximately HK\$126.2 million or 75.8% as compared to last year, which was mainly contributed by the revenue of approximately HK\$186.0 million and HK\$55.9 million from the production and distribution of TV series segment and the film exhibition segment respectively.

For the TV series production and distribution segment, the Group's recorded revenue for the year ended 30 June 2024 was mainly contributed by the production of TV series and variety shows. Both the urban mystery TV series "Frozen Surface" and the fifth season of the love variety show "I Love You, Me Too" were smoothly broadcasted in January and May 2024 respectively, and the revenue generated was recognised this year. For the film exhibition segment, the Group completed the disposal of its partial equity interests in the film exhibition business on 26 May 2021, and entered into a management agreement and a supplemental agreement for the operation of the Langham Cinema in Hong Kong. The revenue from film exhibition amounted to approximately HK\$55.9 million for the year, representing a decrease of approximately 21.9% as compared to last year. For the pan entertainment segment, the Group recorded a total revenue of approximately HK\$50.6 million from artiste management services during the year ended 30 June 2024, representing a decrease of approximately 28.3% as compared to last year.

Gross loss of the Group was approximately HK\$71.4 million (30 June 2023: gross profit was approximately HK\$46.2 million), which was mainly attributable to impairment on several TV series production in progress and sale of several films and television copyrights during the year.

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

During the year ended 30 June 2024, other gains and losses and other income amounted to approximately HK\$94.4 million, representing an increase of approximately HK\$42.0 million or approximately 80.0% as compared to last year. Other gains and losses and other income mainly included cinema operation right income, cinema promotion income, etc.

### **Selling and distribution expenses**

Selling and distribution expenses decreased by approximately HK\$9.6 million or 12.9% from approximately HK\$74.9 million last year to approximately HK\$65.3 million for the year, which was mainly attributable to the effective internal control measures on costs.



## **Administrative expenses**

Administrative expenses decreased by approximately HK\$11.6 million or approximately 17.7% from approximately HK\$65.5 million last year to approximately HK\$53.9 million for the year, which was benefited from the effective internal control measures on costs.

## **Loss for the year**

This year, the Group's loss and total comprehensive expense attributable to the owners of the Company amounted to approximately HK\$350.5 million (year ended 30 June 2023: loss of approximately HK\$186.9 million) and approximately HK\$350.4 million (year ended 30 June 2023: total comprehensive expense of approximately HK\$212.6 million) respectively.

This was primarily due to (i) the adverse impact of post-pandemic restoration period of the industry, which led to delays in the productions of the Group's TV series and the artiste work schedules; and (ii) impairment of goodwill amounting to approximately HK\$223.8 million provided by the Company during the reporting period, considering the current market condition, the intensified competitions and the uncertainty of the future.

## **IMPAIRMENT LOSS ON GOODWILL AND INTANGIBLE ASSET (THE "IMPAIRMENT")**

### **Background**

As disclosed in note 11 and note 12 to the consolidated financial statements, goodwill and intangible asset have been allocated to the cash-generating-units ("CGUs") of the Khorgas Group and Wenlan. The carrying amounts of goodwill (before impairment loss) and intangible asset (before impairment loss) allocated to the CGUs of the Khorgas Group and Wenlan amounted to approximately HK\$243.5 million and HK\$33.8 million, respectively as at 30 June 2024.

The Impairment loss of goodwill of the Khorgas Group and intangible asset of Wenlan amounting to approximately HK\$223.8 million and HK\$32.8 million, respectively, was made for the year, which was determined after considering the difference between the recoverable amount based on value in use calculations and the carrying value as at 30 June 2024 and 30 June 2023.

The Khorgas Group was engaged in film and TV series production, distribution and licensing business whereas Wenlan was engaged in artiste management business. The management assessed the revenue and profit margin to be generated therefrom after taking into account the key factors specified in the section headed “Circumstances leading to the Impairment” below.

### ***Circumstances leading to the Impairment***

For the years ended 30 June 2024 and 30 June 2023, the management of the Company assessed the carrying value and recoverable amount of the CGUs and goodwill 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 for the years ended 30 June 2024 and 30 June 2023 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 for the years ended 30 June 2024 and 30 June 2023, and thus, 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 the Khorgas Group and Wenlan prepared for the years and the actual revenue and profit generated from the Khorgas Group and Wenlan during the years, from which a shortfall from the projected revenue and operating profit was found, preliminarily due to the impact of COVID-19 pandemic and its related restrictive measures for the years ended 30 June 2024 and 30 June 2023, which had resulted in unexpectable interruptions in films and TV productions and artistes’ work schedules as stated above;

- (f) the expected decrease in the future revenue growth of the Khorgas Group and 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 the Khorgas Group and Wenlan by the adoption of a pre-tax discount rate of 24.7% and 33.38% respectively (30 June 2023: 25.6% and 30.01% respectively) 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 years ended 30 June 2024 and 30 June 2023 and were assessed and considered during the course of the preparation of the annual financial information of the Khorgas Group and Wenlan for the years ended 30 June 2024 and 30 June 2023.

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

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

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

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

- (a) the Group recognised the impairment loss on goodwill and intangible assets 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 the Khorgas Group and 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 the Khorgas Group was based on financial budgets approved by the management of the Company covering a five-year period and a pre-tax discount rate of 24.7% (30 June 2023: 25.6%). The Group's management prudently estimated that the Khorgas Group's revenue and profit margins generated from the films and TV series in the forecast periods would drop significantly after taking into consideration the factors stated in "Circumstances leading to the Impairment" and sales of certain intellectual property rights during the current year as compared to the previous years' financial budgets. The key assumption includes the future expected cash flows based on management's view of future business prospects and historical performance of the Khorgas Group.

In addition, 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 33.38% (30 June 2023: 30.01%). The Group's management estimated that Wenlan's revenue from artiste management business would drop significantly during the remaining periods of the agency contract after taking into consideration the factors stated in "Circumstances leading to the Impairment" as compared to the previous years' financial budgets. Management prudently predicted that there would be a drop in revenue in the remaining forecast period of the agency contract. The key assumption includes the future expected cash flows based on management's view of future business prospects and historical performance of Wenlan.

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

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

As at 30 June 2024, the Group's bank balances and cash amounted to approximately HK\$59.0 million (30 June 2023: approximately HK\$85.1 million), which are denominated mainly in HK\$, United States Dollar ("US\$") and Renminbi ("RMB").

As at 30 June 2024, the Group's total debts, including bank and other borrowings and loans from related companies amounted to approximately HK\$57.5 million and approximately HK\$108.3 million, respectively (30 June 2023: approximately HK\$98.3 million and approximately HK\$83.4 million, respectively). As at 30 June 2024, the gearing ratio, representing the ratio of total debts to total assets, was approximately 41.9% (30 June 2023: approximately 19.7%).

As at 30 June 2024, the Group had total non-current assets of approximately HK\$30.6 million (30 June 2023: approximately HK\$377.0 million), net current liabilities of approximately HK\$140.9 million (30 June 2023: approximately HK\$114.4 million) and net liabilities of approximately HK\$185.1 million (30 June 2023: net assets of approximately HK\$167.2 million). The current ratio of the Group, representing the ratio of current assets to current liabilities, was approximately 0.72 as at 30 June 2024 (30 June 2023: approximately 0.83).

During the year ended 30 June 2024, the Group mainly funded its liquidity by bank and other borrowings, loans from related companies, and resources generated internally. The Group's financial resources are sufficient to support its business and operations. The Group would also consider other financing activities when appropriate business opportunities arise under favourable market conditions.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

During the year ended 30 June 2024, the Group did not hold any significant investment projects, and there was no material acquisition or disposal of subsidiaries and associates.

## **HUMAN RESOURCES**

As at 30 June 2024, the Group employed a total of 72 permanent employees (30 June 2023: 90) in Mainland China and Hong Kong. During the year ended 30 June 2024, the total salaries and wages, including the Directors' remuneration and part-time workers' salary, amounted to approximately HK\$20.3 million (30 June 2023: approximately HK\$32.7 million).

The Group offers remuneration packages for employees mainly based on their performances and experiences, and with reference to prevailing industry practices. In addition to enrolling the new employees into the mandatory provident fund scheme in Hong Kong and the State-managed pension scheme in the PRC and making contributions for them on a periodic basis, the Group also provides medical coverage, internal and external training programs and grants share options and discretionary bonuses to employees based on employees' individual performances and the Group's overall performance. The Group reviews the remuneration policies and packages on a regular basis.

## **CHARGE ON ASSETS**

As at 30 June 2024, the Group had bank deposits amounting to approximately HK\$0.7 million (30 June 2023: approximately HK\$0.7 million) that were pledged to banks for the bank guarantee provided to a subsidiary of the Company regarding its due payment under a cinema equipment rental agreement. The Group's bank borrowings of RMB15,000,000 (equivalent to approximately HK\$16,200,000) were secured by pledged bank deposits of HK\$20,000,000. As at 30 June 2024, the bank borrowings were repaid and the secured bank deposits of HK\$20,000,000 (2023: HK\$20,000,000) is subsequently released in July 2024.

## **TREASURY POLICY**

The Group's business operations were conducted mainly in Mainland China and Hong Kong with transactions principally denominated in HK\$, US\$ and RMB. The monetary assets and liabilities are denominated mainly in HK\$, US\$ and RMB. Apart from HK\$, which is pegged to US\$, any significant exchange rate fluctuations of HK\$ against RMB may have a financial impact on the Group. As the foreign exchange risks arising from sales and purchases can be eliminated against each other, and the fluctuations of RMB during the year had no significant impact on the costs and operations of the Group for the year, the Directors do not foresee significant risk in exchange rate fluctuation. Currently, the Group has not entered into any financial instrument for hedging purposes. However, the Group will closely monitor its overall foreign exchange exposures and interest rate exposures, and consider hedging against the exposures should the need arise.

## **CAPITAL COMMITMENT**

As at 30 June 2023 and 2024, the Group did not have any significant capital commitments.

## **CONTINGENT LIABILITIES**

As at 30 June 2023 and 2024, the Group did not have any significant contingent liabilities.

## **DIVIDEND**

The Board does not recommend the payment of final dividend for the year ended 30 June 2024 (30 June 2023: Nil).

## **OUTLOOK**

Looking forward, the Group will continue to focus on the development of film and television production business as well as artiste and celebrity agency business in Mainland China, and will strive to create a pan entertainment ecosystem, integrate upstream and downstream industry chains, and proactively expand various realization channels from 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 collaboration platforms, the Group will continue to focus on the creation of high-quality film and TV content whilst proactively broadening its revenue base by continuously identifying business opportunities in the film, television and entertainment markets from the four aspects including online streaming, short videos, celebrity cultivation and traffic monetization.

The Group is currently in preparation of a number of projects, and will proceed to the development and production of a series of highly popular copyrighted works, such as “Persuader”, “Holding my Koi Husband”, “The Son of the Minister and the Son of the Rebel General” (《止狩台》), “Bungy Jumping” (《蹦極》), “Out of Egypt” (《走出埃及》), and “A Prairie Tide” (《療原之潮》).

As an enterprise with diversified development having a focus 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 soft power, thereby continuously enhancing profitability, sharpening competitive edges in the industry and generating favorable long term returns for the Shareholders.

## **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 year ended 30 June 2024. As of 30 June 2024, the Company did not hold any treasury shares.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company is committed to maintaining a high standard of corporate governance practices. The Company complied with all the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) throughout the year ended 30 June 2024.

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

## **COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Appendix C3 of the Listing Rules. Having made specific enquires, 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 year ended 30 June 2024.



## **EVENTS AFTER REPORTING PERIOD**

Save for the event after reporting period as disclosed in note 20 to the consolidated financial statements, no significant events have taken place subsequent to 30 June 2024 and up to the date of this announcement.

## **AUDIT COMMITTEE**

The Audit Committee of the Company (the “Audit Committee”) has three members comprising three independent non-executive Directors, namely Mr. Chang Eric Jackson (Chairman of the Audit Committee), Mr. Wang Bo and Mr. Xiang Feng, with written terms of reference in compliance with the Rules 3.21 to 3.23 of the Listing Rules and the CG Code. The primary duties of the Audit Committee are mainly to communicate with external auditors; to review the remuneration, terms of engagement, independency and objectivity of the external auditors; to review the accounting policy, financial position and financial reporting procedures of the Company; and to review and assess the financial reporting, risk management and internal control systems of the Company and making recommendation thereof. The final results of the Group for the year ended 30 June 2024 have been reviewed by the Audit Committee and a meeting of the Audit Committee has been held with the Company’s auditor for reviewing the final results of the Group for the year ended 30 June 2024.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 June 2024 as set out in this preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 27 September 2024. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## **ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS**

The forthcoming annual general meeting (“AGM”) of the Company will be held on Friday, 22 November 2024 at 3:00 p.m. The register of members of the Company will be closed from Tuesday, 19 November 2024 to Friday, 22 November 2024, both days inclusive. In order to ascertain Shareholders’ eligibility to attend and vote at the forthcoming AGM, all transfer documents, accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Monday, 18 November 2024.

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

The final 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 Annual Report 2023/24 will be dispatched to the Shareholders (if required) and published on the websites of the Stock Exchange and the Company in due course.

## **APPRECIATION**

Lastly, I would like to thank all the staff and the management team for their hard work during the year ended 30 June 2024. I would also like to express heartfelt gratitude on behalf of the Group to all of our customers and suppliers, and wish for their continuous support in the future. We will keep working closely with the Shareholders and our 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.

On behalf of the Board  
**Transmit Entertainment Limited**  
**Zhang Liang, Johnson**  
*Chairman and Executive Director*

Hong Kong, 27 September 2024

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