



China 3D Digital Entertainment Limited

中國3D數碼娛樂有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code : 8078)

ANNUAL RESULTS ANNOUNCEMENT

For the year ended 30 June 2014

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This announcement, for which the directors of China 3D Digital Entertainment Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

* for identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

The Company and its subsidiaries (collectively the “Group”) reported total revenue of approximately HK\$199.7 million for the year ended 30 June 2014 (the “Year”), compared with approximately HK\$70 million for the previous fiscal year. A loss of approximately HK\$15.7 million was recorded (2013: approximately HK\$20.9 million). The loss is mainly due to impairment loss on film rights and advertising expenses for the year ended 30 June 2014.

An analysis of the Group’s revenues and results by reportable segment are set out in note 5 to the consolidated financial statements.

PROSPECTS

The Board believes that acquisition of cinemas or operation rights of cinemas will strengthen the Group’s operation by providing the Group with more alternatives to distribute movies. To achieve the goal of the Group to become a leading 3D digital entertainment company offering the best entertainment experience to the audience in Hong Kong and the People’s Republic of China (the “PRC”), the directors (the “Director(s)”) believe that the Company is well positioned to capture the rising demands for entertainment in the PRC attributable to the favourable policies from the local government aimed at boosting local cultural development. In June 2013, CineUnited Circuits Company Limited (“CineUnited”), an indirect wholly-owned subsidiary of the Company entered a tenancy agreement with ChongQing PengRun Real Estate Development Company Limited (重慶鵬潤房地產開發有限公司) in relation to the 20 years long lease of a premise for development and use as cinema. The premise is situated at Shop 13, Level B1, Guotai Plaza, ChongQing, the PRC (中國重慶國泰廣場B1層13號舖). According to the report of Chongqing Bureau of Culture (重慶市文化委員會), the box office in Chongqing has grown by 40% in 2013, ranking number 12 and 2 amongst other cities and western district in the PRC respectively.

In August 2013, CineUnited and Xiamen Hete Properties Company Limited (廈門赫特物業有限公司) entered the Xiamen Tenancy Agreement, pursuant to which CineUnited conditionally agreed to rent and Xiamen Hete conditionally agreed to lease the Xiamen premise for development and use as cinema for a term of 15 years. The premise is situation at Unit 102 of Xiamen Qixing Lifespace Shopping Mall, 3 Qixing West Road, Siming District, Xiamen, Fujian Province, the PRC (中國福建省廈門市思明區七星西路3號102單元廈門七星樂都滙購物中心). The premise has a gross floor area of approximately 2,737 sq.m., comprising seven movie theatres with about 700 seats. Xiamen cinema has started generating income to the Group since March 2014.

Moreover, in May 2014, the Group entered a new operating lease agreement with an independent third party to lease a premise for development and use as cinema in Guangzhou, the PRC (“Guangzhou Cinema”) for a term of 15 years. It is expected that after renovation implemented by the Group, such cinema will become a 6-house cinema equipped with advanced Dolby atoms sound systems, comfortable electronic recliner seats, digital IMAX (an acronym for Image MAXimum) screen, 4K projection system and D-Box motion chairs. The Guangzhou Cinema is situated at Unit 303, 3rd Floor, Nan Fung the Place, No. 618 Xingang East Road, Haizhu District, Guangzhou, PRC (廣州市海珠區新港東路618號南豐匯環球展貿中心第三層303號舖) which has a gross floor area of approximately 4,600 sq.m.. Guangzhou Cinema is expected to start its operation at the end of the year 2014.

Taking into account the stable interest income stream and the prospects of the money lending business, the Group intends to expand its money lending business, which is principally the provision of mortgage loans and personal loans for customers with good credit record in Hong Kong. The Board is optimistic to the future prospects of this business segment in view of the existing operation and developments.

On the other hand, effort would continually be put into business segment of artiste management to source talented artistes with an aim to achieve satisfactory profit and provide synergy with other operations of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2014, total borrowing of the Group (excluding payables) amounted to approximately HK\$73.1 million (2013: HK\$23.9 million). The Group’s gearing ratio (expressed as a percentage of total borrowing over total assets) increased from 8.4% in 2013 to 17.6% in 2014.

In addition to its share capital and reserves, the Group also made use of cash flow generated from operations fund raising, and the borrowings, mainly including convertible bond and promissory note payable, to finance its operation. The promissory note payable is denominated in Hong Kong dollars, unsecured, interest-free and has a fixed repayment term.

Other than disclosed above, the Group has no other external borrowings. The Group’s bank and cash held on hand were mainly denominated in Hong Kong dollars. The Group managed its foreign exchange risk by closely monitoring the movement of the foreign currency rates. The management conducted periodical review of foreign currency exposure and would take appropriate measures to mitigate the risk should the need arise. The Group experienced no significant exposure to foreign exchange rate fluctuation during the Year.

CHARGES ON GROUP’S ASSET

As at 30 June 2014, except for the pledged bank deposits of approximately HK\$5.9 million to secure a guarantee granted by a bank in the PRC, the Group has no other asset pledged to bank to secure the bank borrowing granted to the Group (2013: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2014, the Group had 77 (2013: 28) full-time and part-time employees. The total employee remuneration, including that of the Directors, for the year ended 30 June 2014 amounted to approximately HK\$11 million (2013: approximately HK\$8 million). The Group remunerates its employees based on their performance, experience and the prevailing commercial practice. To provide incentives or rewards to the employees, the Company has adopted a new share option scheme in year 2014. No option was granted or outstanding during the Year.

CAPITAL STRUCTURE

During the Year, the capital structure of the Company has changed as follows:

Bonus Issue

By a special resolution dated 6 September 2013, the Company was approved to issue five bonus shares for every one share held. The issued share capital of the Company therefore increased from 932,123,813 shares of HK\$0.005 each to 5,592,742,878 shares of HK\$0.005 each accordingly.

Upon the completion of this bonus issue, the share premium reduction during the year of approximately HK\$23,303,095 was credited to share capital and the same amount was debited to the share premium account.

Placing of New Shares under General Mandate

On 14 November 2013, the Company completed the placing of 1,118,520,000 new shares of the Company at the placing price of HK\$0.0249 per placing share. The net proceeds from the placing amount to approximately HK\$27 million.

On 16 April 2014, the Company completed the placing of 134,100,000 new shares of the Company at the placing price of HK\$0.128 per placing share. The net proceeds from the placing amount to approximately HK\$16.60 million.

Capital Reorganisation

By a special resolution dated 6 January 2014, the Company implemented the capital reorganisation which involved the share consolidation and the capital reduction. The share consolidation involved the consolidation of every ten (10) issued and unissued shares of HK\$0.005 each in the share capital of the Company into one (1) consolidated share of HK\$0.05 each (“Consolidated Shares”). The capital reduction involved the reduction of the issued share capital of the Company by cancelling the paid up capital of the Company to the extent of HK\$0.045 on each of the then issued Consolidated Shares such that the nominal value of each issued Consolidated Share will be reduced from HK\$0.05 to HK\$0.005 (Adjusted Shares”). The subdivision involved the subdivision of each authorized but unissued Consolidated Share into 10 adjusted shares of HK\$0.005 each.

COMMITMENTS

Total commitments of the Group as at 30 June 2014 was approximately HK\$392.8 million (2013: approximately HK\$261.3 million).

CONTINGENT LIABILITIES

As at 30 June 2014, the Group and the Company did not have any significant contingent liabilities (2013: Nil).

EVENT AFTER REPORTING PERIOD

On 31 July 2014, the Company completed the placing of 1,500,000,000 new shares of the Company under specific mandate at the placing price of HK\$0.07 per placing share. The net proceeds from the placing amount to approximately HK\$102 million.

On 1 September 2014, the ordinary resolutions were passed by the shareholders to approve the Company to implement the share consolidation, increase in authorised share capital, capitalisation of share premium, the bonus issue and the change in board lot size.

The share consolidation involved the consolidation of every five (5) issued and unissued Shares of par value of HK\$0.005 each have been consolidated into one (1) consolidated share (“Consolidated Share”) of par value of HK\$0.025.

After the share consolidation became effective on 2 September 2014, the authorised share capital of the Company increased from HK\$100,000,000 divided into 4,000,000,000 Consolidated Shares to HK\$200,000,000 divided into 8,000,000,000 Consolidated Shares by the creation of an additional 4,000,000,000 Consolidated Shares.

After the share consolidation and the increase in authorised share capital became effective on 2 September 2014, the Company was approved to implement the bonus issue of new Consolidated Shares on the basis of ten (10) bonus shares for every one (1) Consolidated Share held. The issued share capital of the Company therefore increased from 461,045,257 shares of HK\$0.025 each to 5,071,497,827 shares of HK\$0.025 each after completion of share consolidation and bonus issue.

Upon the completion of the bonus issue, the bonus shares will be credited as fully paid at par by way of capitalisation of share premium of an amount of HK\$115,261,314.25.

The bonus shares have been dispatched to the shareholders on 22 September 2014. Details of the share consolidation, increase in authorised share capital, capitalisation of share premium, the bonus issue and the change in board lot size were set out in the Company’s announcement dated 18 July 2014 and 7 August 2014 and circular dated 15 August 2014 respectively.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2014

	<i>Notes</i>	2014 HK\$'000	2013 <i>HK\$'000</i>
Turnover	4	199,717	70,018
Other income	6	1,600	730
Cost of film and television programmes production and distribution		(138,896)	(57,225)
Cost of artiste management services and music production		(30,689)	(2,326)
Cost of cinema operation		(588)	–
Selling and distribution costs		(12,308)	(4,948)
Administrative expenses		(31,775)	(20,473)
Finance costs	7	(1,563)	(1,235)
Change in fair value of financial assets at fair value through profit or loss		(1,137)	–
Cumulative losses reclassified from equity to profit or loss upon disposal of available-for-sale investments		–	(5,339)
Share of results of a joint venture		(33)	(132)
Loss before taxation	8	(15,672)	(20,930)
Taxation	9	–	(13)
Loss for the year		(15,672)	(20,943)
Other comprehensive income/(loss):			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		55	54
Net loss arising on revaluation of available-for-sale investments during the year		(168)	(16,694)
Release of investment revaluation reserve upon disposal of available-for-sale investments		–	5,339
Total other comprehensive loss for the year, net of tax		(113)	(11,301)
Total comprehensive loss for the year		(15,785)	(32,244)
Loss for the year attributable to:			
Owners of the Company		(15,664)	(21,237)
Non-controlling interests		(8)	294
		(15,672)	(20,943)
Total comprehensive loss for the year attributable to:			
Owners of the Company		(15,777)	(32,538)
Non-controlling interests		(8)	294
		(15,785)	(32,244)
Loss per share			(Restated)
Basic and diluted	10	HK(1.08) cents	HK(4.41) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	<i>Notes</i>	30 June 2014	30 June 2013
		<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		6,040	6,035
Investment property		–	6,380
Interest in a joint venture		85	118
Available-for-sale investments	11	54,516	50,203
Prepayments, deposits and other receivables	12	52,040	7,040
Film rights and films production in progress	13	165,466	87,402
Loans receivables	14	4,380	–
		<hr/> 282,527	<hr/> 157,178
Current assets			
Inventories		141	174
Loans receivables	14	9,657	13,041
Trade receivables	15	12,623	6,598
Prepayments, deposits and other receivables	12	85,309	76,814
Amount due from a joint venture		20	–
Financial assets at fair value through profit or loss		5,079	–
Pledged bank deposits		5,860	–
Bank and cash balances		13,886	29,565
		<hr/> 132,575	<hr/> 126,192
Current liabilities			
Trade payables	16	11,991	3,927
Accruals, deposits received and other payables	17	61,788	12,360
Amount due to a joint venture		–	40
Other borrowings	18	57,434	9,000
Convertible bond		1,947	–
Promissory note payable		13,753	–
Tax payables		13	13
		<hr/> 146,926	<hr/> 25,340
Net current (liabilities)/assets		<hr/> (14,351)	<hr/> 100,852
Total assets less current liabilities		<hr/> 268,176	<hr/> 258,030

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2014

	<i>Notes</i>	30 June 2014 <i>HK\$'000</i>	30 June 2013 <i>HK\$'000</i>
Non-current liabilities			
Convertible bond		–	1,790
Promissory note payable		–	13,036
		<hr/>	<hr/>
		–	14,826
		<hr/>	<hr/>
NET ASSETS		268,176	243,204
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Share capital	19	4,026	4,660
Reserves		263,665	235,204
		<hr/>	<hr/>
Equity attributable to owners of the Company		267,691	239,864
Non-controlling interests		485	3,340
		<hr/>	<hr/>
TOTAL EQUITY		268,176	243,204
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

	Attributable to owners of the Company									
	Share capital	Share premium*	Investment revaluation reserve*	Contributed surplus*	Foreign currency translation reserve*	Convertible bond equity reserve*	Retained earnings/ (Accumulated losses)*	Sub-total	Non- controlling interests	Total equity
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2012	20,212	91,295	(3,068)	45,652	-	766	30,177	185,034	2,486	187,520
Total comprehensive loss for the year	-	-	(11,355)	-	54	-	(21,237)	(32,538)	294	(32,244)
Disposal of partial interest in a subsidiary	-	-	-	-	-	-	(60)	(60)	560	500
Capital reduction	19 (26,327)	-	-	26,327	-	-	-	-	-	-
Issue of shares upon placing	19 10,775	79,040	-	-	-	-	-	89,815	-	89,815
Transaction cost attributable to issue of shares	-	(2,387)	-	-	-	-	-	(2,387)	-	(2,387)
At 30 June 2013 and 1 July 2013	4,660	167,948	(14,423)	71,979	54	766	8,880	239,864	3,340	243,204
Total comprehensive loss for the year	-	-	(168)	-	55	-	(15,664)	(15,777)	(8)	(15,785)
Issue of shares upon placing	19 6,264	38,752	-	-	-	-	-	45,016	-	45,016
Transaction cost attributable to issue of shares	-	(1,516)	-	-	-	-	-	(1,516)	-	(1,516)
Bonus issue	19 23,303	(23,303)	-	-	-	-	-	-	-	-
Capital reorganisation	19 (30,201)	-	-	30,201	-	-	-	-	-	-
Acquisition of partial interest in a subsidiary	-	-	-	-	-	-	104	104	(2,847)	(2,743)
At 30 June 2014	<u>4,026</u>	<u>181,881</u>	<u>(14,591)</u>	<u>102,180</u>	<u>109</u>	<u>766</u>	<u>(6,680)</u>	<u>267,691</u>	<u>485</u>	<u>268,176</u>

Notes:

* These reserve accounts comprise the consolidated reserves of approximately HK\$263,665,000 (2013: approximately HK\$235,204,000) in the consolidated statement of financial position.

Notes to the Consolidated Financial Statements:

1. GENERAL

The Company is incorporated as an exempted company with limited liability in Bermuda under the Bermuda Companies Act. Its shares are listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office and its principal place of business of the Company are 7th Floor, Zung Fu Industrial Building, 1067 King’s Road, Quarry Bay, Hong Kong.

The Company is an investment holding company.

The principal activities of the Group are set out in the Segment information in note 5 to the consolidated financial statements.

2. GOING CONCERN

During the year ended 30 June 2014, the Group has net current liability of approximately HK\$14,351,000 (2013: net current assets of HK\$100,852,000). As at 30 June 2014, the Group’s cash and bank balances were approximately HK\$13,886,000 (2013: HK\$29,565,000). The decrease was mainly attributable to payments for film productions. In addition, as at 30 June 2014, the Group has total operating lease and capital commitments of approximately HK\$392,820,000, out of which approximately HK\$66,462,000 would require cash outflows in the coming year. In order to improve the Group’s operating performance and alleviate its liquidity risk, management is implementing measures to control costs and contain capital expenditures. With the anticipated positive cash flows from the films broadcasting and licensing of the corresponding rights and artiste management services fee, the Directors expect that the Group’s cash flows and financial position will be improved in the coming twelve months. In the opinion of the Directors, the Group will have sufficient financial resources in the coming twelve months to meet its financial obligations as and when they fall due. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are relevant to its operations and effective for its accounting year beginning on 1 July 2013. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRSs”); Hong Kong Accounting Standards (“HKASs”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current year and prior years except as stated below.

(a) HKFRS 12 “Disclosure of Interests in Other Entities”

HKFRS 12 “Disclosure of Interests in Other Entities” specifies the disclosure requirements for subsidiaries, joint arrangements and associates, and introduces new disclosure requirements for unconsolidated structured entities.

The adoption of HKFRS 12 only affects the disclosures relating to the Group’s subsidiaries, and joint arrangements in the consolidated financial statements. HKFRS 12 has been applied retrospectively.

(b) HKFRS 13 “Fair Value Measurement”

HKFRS 13 “Fair Value Measurement” establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of HKFRS 13 only affects disclosures on fair value measurements in the consolidated financial statements. HKFRS 13 has been applied prospectively.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

Notes to the Consolidated Financial Statements: (Continued)

4. TURNOVER

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Artiste management services fee income and music productions	36,509	2,125
Films and television programmes production and licensing of the corresponding rights	158,956	65,897
Distribution of films and television programmes	60	22
Gain arising on change in fair value of financial assets at fair value through profit or loss	–	189
Rental income	21	120
Interest income and handling fee income from money lending	2,667	1,077
Cinema operation income	1,504	–
Bonds interest income	–	588
	<u>199,717</u>	<u>70,018</u>

5. SEGMENT INFORMATION

The Group has seven reportable segments as follows:

- Artiste management services and music production
- Production of films and television programmes
- Distribution of films and television programmes
- Money lending
- Operation of cinemas
- Securities and bonds investment
- Property investment

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. The operating segments are identified by senior management who is designated as "Chief Operating Decision Maker" ("CODM") to make decisions about resource allocation to the segments and assess their performance.

Information regarding the above segment is reported below.

Notes to the Consolidated Financial Statements: (Continued)

5. SEGMENT INFORMATION (CONTINUED)

(a) Segment revenue and results

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

	Artiste management services and music production		Production of films and television programmes		Distribution of films and television programmes		Money lending		Operation of cinemas		Securities and bonds investment		Property investment		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000
TURNOVER:																
Revenue from external customers	36,509	2,125	158,956	65,897	60	22	2,667	1,077	1,504	-	-	777	21	120	199,717	70,018
RESULTS:																
Segment profit/(loss)	936	(3,079)	15,305	4,951	(17)	(2,641)	1,871	635	(2,025)	-	(2,092)	777	(29)	504	13,949	1,147
Bank interest income															150	40
Cumulative losses reclassified from equity to profit or loss upon disposal of available-for-sale investment															-	(5,339)
Unallocated corporate expenses															(28,175)	(15,411)
Finance costs															(1,563)	(1,235)
Share of results of a joint venture															(33)	(132)
Loss before taxation															(15,672)	(20,930)
Taxation															-	(13)
Loss for the year															(15,672)	(20,943)

The accounting policies on segment reporting are the same as the Group's accounting policies. Segment results represent the profit earned by or loss incurred from each segment without allocation of unallocated corporate expenses, bank interest income, finance costs, share of results of a joint venture and taxation. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Notes to the Consolidated Financial Statements: (Continued)

5. SEGMENT INFORMATION (CONTINUED)

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	Artiste management services and music production		Production of films and television programmes		Distribution of films and television programmes		Money lending		Operation of cinemas		Securities and bonds investment		Property investment		Consolidated total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000
ASSETS:																
Segment assets	12,467	9,283	275,952	158,685	5,228	3,392	14,551	13,309	27,839	-	12,921	3,529	-	6,732	348,958	194,930
Other non-current financial assets															46,674	46,674
Interest in a joint venture															85	118
Unallocated corporate assets															19,385	41,648
Total assets															415,102	283,370
LIABILITIES:																
Segment liabilities	12,135	979	56,385	12,369	76	244	50	9,018	2,584	-	-	-	-	10	71,230	22,620
Amount due to a joint venture															-	40
Unallocated corporate liabilities															75,696	17,506
Total liabilities															146,926	40,166

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than other non-current financial asset, and unallocated head office and corporate assets as these assets are managed on a group basis; and
- all liabilities are allocated to reportable segments other than current tax liabilities, convertible bond, promissory note, and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Notes to the Consolidated Financial Statements: (Continued)

5. SEGMENT INFORMATION (CONTINUED)

(c) Other segment information

The following is an analysis of the Group's other segment information for the current and prior year:

	Artiste management services and music production		Production of films and television programmes		Distribution of films and television programmes		Money lending		Operation of cinemas		Securities and bonds investment		Property investment		Consolidated total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000
Capital expenditure	444	2,087	-	-	-	195	-	-	3,392	-	-	-	-	-	3,836	2,282
Depreciation of property, plant and equipment	418	194	-	-	-	58	-	-	168	-	-	-	-	-	586	252
Amortisation of film rights	-	-	27,657	18,334	-	-	-	-	-	-	-	-	-	-	27,657	18,334
Impairment loss recognised in respect of film rights	-	-	6,633	5,281	-	-	-	-	-	-	-	-	-	-	6,633	5,281
Loss arising on written down of inventories and music production in progress	-	248	-	-	-	-	-	-	-	-	-	-	-	-	-	248
Gain arising on change in fair value of an investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	(540)	-	(540)
	444	2,087	27,657	18,334	195	58	3,392	168	3,392	168	3,392	168	3,392	3,836	2,282	

(d) Geographical information

The Group's operations are located in Hong Kong and the PRC.

The Group's revenue from external customers classified in accordance with geographical location of customers during the reporting period and information about the non-current assets other than available-for-sale investments at costs classified in accordance with geographical location of the assets at the end of the reporting period are detailed below.

	Revenue from customers		Non-current assets	
	2014	2013	2014	2013
	HK'000	HK'000	HK'000	HK'000
Hong Kong (place of domicile)	35,043	57,910	235,707	110,227
The PRC	144,520	2,378	146	277
Taiwan	1,160	1,153	-	-
Japan	70	-	-	-
Other Asian countries (note (a))	10,974	7,080	-	-
Oceania (note (b))	183	327	-	-
North America (note (c))	215	234	-	-
European countries (note (d))	6,229	-	-	-
Other areas	1,323	936	-	-
	199,717	70,018	235,853	110,504

Notes to the Consolidated Financial Statements: (Continued)

5. SEGMENT INFORMATION (CONTINUED)

(d) Geographical information (CONTINUED)

Notes:

- (a) Other Asian countries mainly included Brunei, Indonesia, Korea, Malaysia, Philippines, Singapore, Thailand, Russia and Laos.
- (b) Oceania included Australia and New Zealand.
- (c) North America included the United States and Canada.
- (d) European countries mainly included Italy, the United Kingdom, Germany, France, Switzerland, Poland, Netherland and Belgium.

(e) Information about major customers

Revenue from two (2013: two) customers under production of films and television programmes segment contributing over 10% of the total revenue of the Group for the year ended 30 June 2014 which amounted to approximately HK\$94,488,000 and HK\$33,388,000 respectively (2013: approximately HK\$30,152,000 and HK\$7,464,00 for two largest customers).

6. OTHER INCOME

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	150	40
Gain arising on change in fair value of an investment property	–	540
Gain on disposal of property, plant and equipment	82	–
Others	1,368	150
	<u>1,600</u>	<u>730</u>

7. FINANCE COSTS

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on other borrowings wholly repayable within one year	495	364
Interest on bank overdraft	143	–
Interest on convertible bond	208	192
Imputed interest on promissory note payable	717	679
	<u>1,563</u>	<u>1,235</u>

Notes to the Consolidated Financial Statements: (Continued)

8. LOSS BEFORE TAXATION

The Group's loss before taxation is stated after charging/(crediting):

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff costs (including Directors' remuneration):		
Salaries, allowances and other benefits in kind	10,639	7,799
Retirement benefits scheme contributions	337	245
	<hr/>	<hr/>
Total staff costs	10,976	8,044
	<hr/>	<hr/>
Gross rental income from an investment property	(21)	(120)
Less: direct operating expenses from an investment property that generated rental income during the year	8	40
	<hr/>	<hr/>
	(13)	(80)
	<hr/>	<hr/>
Auditor's remuneration	500	520
Amortisation of film rights*	27,657	18,334
Cost of inventories and music production in progress recognised as expenses**	30	561
Depreciation of property, plant and equipment	2,245	1,183
Impairment loss recognised in respect of film rights*	6,633	5,281
Impairment loss recognised in respect of other receivables	–	103
Minimum lease payments under operating leases:		
– Land and building	2,126	2,470
Loss arising on written down of inventories and music production in progress**	–	248
Loss arising on written off of property, plant and equipment	–	147
Exchange loss	1,612	54
Fair value loss/(gain) on financial assets at fair value through profit or loss	1,137	(189)
Loss on disposal of financial assets at fair value through profit or loss	955	–
Gain on disposal of property, plant and equipment	(82)	–
	<hr/> <hr/>	<hr/> <hr/>

* Included in "Cost of film and television programmes production and distribution" of the consolidated statement of profit or loss.

** Included in "Cost of artiste management services and music production" of the consolidated statement of profit or loss.

Notes to the Consolidated Financial Statements: (Continued)

9. TAXATION

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current tax:		
Hong Kong		
– Charged for the year	–	13

Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the year. Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

As at 30 June 2014, the Group had unused tax losses of approximately HK\$124,125,000 (2013: HK\$132,300,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The loss may be carried forward indefinitely. There were no other significant temporary differences arising during the year or at the end of the reporting period.

The tax charge for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Loss before taxation	(15,672)	(20,930)
Tax credit of Hong Kong Profits Tax at 16.5% (2013: 16.5%)	(2,586)	(3,454)
Tax effect of share of results of a joint venture	5	22
Tax effect of expenses non-deductible for tax purpose	6,470	561
Tax effect of income not taxable for tax purpose	(2,860)	(595)
Tax effect of tax losses not recognised	4,916	3,644
Tax effective of utilisation of tax losses previously not recognised	(5,756)	(28)
Effect of different tax rate of subsidiaries operating in other jurisdictions	(189)	(137)
Tax charge for the year	–	13

Notes to the Consolidated Financial Statements: (Continued)

10. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the loss for the year attributable to owners of the Company of approximately HK\$(15,664,000) (2013: HK\$21,237,000) and the weighted average number of 1,446,218,659 (2013: 481,945,351 (restated)) ordinary shares of the Company in issue during the year.

The weighted average number of shares for the purposes of calculating basis and diluted loss per share for both years has been adjusted and restated to reflect the capital reorganisation occurred during the year and bonus issue/share consolidation occurred subsequent to the end of each reporting period.

As the exercise of the Group's outstanding convertible bonds for both years would be anti-dilutive, no diluted earnings per share was presented in both years.

11. AVAILABLE-FOR-SALE INVESTMENTS

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Listed securities, at fair value			
– Equity securities listed in Hong Kong	(a)	7,842	3,529
Unlisted equity securities, at cost	(b)	46,674	46,674
		54,516	50,203

Notes:

- (a) The fair values of listed securities are based on current bid prices.
- (b) The amount represents 13.28% equity interests in the issued ordinary shares of Dragonlott Holdings Limited (“DHL”), a private entity incorporated in Jersey, the Channel Islands, with limited liability. The principal activities of DHL and its subsidiaries are provision of general management services and consultancy services of sports lottery in the PRC. At 30 June 2014 and 2013, the carrying amounts of the Group's holdings in DHL exceeded 10% of the total assets of the Group.

The amount is measured at cost less any identified impairment loss at the end of the reporting period as the range of reasonable fair value estimates is so significant that it cannot be measured reliably. The fair value on initial recognition during the year ended 30 June 2010 is measured by an aggregation of (1) cash consideration of HK\$35,840,000 and (2) fair value of a promissory note of HK\$10,834,000. The directors of the Company have not been provided with the financial or other relevant information from the management of DHL in order to determine whether any impairment in respect of the investment in DHL was necessary at the end of the reporting period and therefore no impairment was recognised in the consolidated statements of profit or loss for the years ended 30 June 2014 and 2013 accordingly.

Notes to the Consolidated Financial Statements: (Continued)

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<i>Note</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Prepayments	(a)	70,415	50,316
Deposits and other receivables		66,934	33,538
		137,349	83,854

The amounts of prepayments, deposits and other receivables are analysed for reporting purpose as follows:

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Non-current portion			
Prepayments	(a)	45,913	2,000
Deposits	(b)	6,127	5,040
		52,040	7,040
Current portion			
Prepayments	(a)	24,502	48,316
Deposits		4,154	3,034
Other receivables	(c)	56,653	25,464
		85,309	76,814
		137,349	83,854

Notes to the Consolidated Financial Statements: (Continued)

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Notes:

- (a) Prepayments mainly represent upfront payments for film productions, distribution rights and prepaid administrative expenses. As at 30 June 2014 and 2013, the amounts of prepayments, deposits and other receivables that were expected to be released within twelve months from the end of the reporting period was classified as current assets. The remaining balances were classified as non-current assets.

Non-current portion of prepayments mainly comprised of prepayments for film production costs.

The amounts of prepayments at the end of the reporting period are analysed for reporting purpose as follows:

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Prepayments for:		
Acquisition of film distribution rights	14,800	8,850
Film production costs	27,134	25,580
Film promotion costs	2,701	2,440
Artiste fee	11,475	6,043
Song productions	402	–
Equipment	95	1,128
Opening of cinemas	10,254	–
Others	3,554	6,275
	70,415	50,316
Less: Non-current portion	(45,913)	(2,000)
Current portion	24,502	48,316

The maximum exposure to credit risk at the end of the reporting period is the carrying value of each class of prepayments, deposits and other receivables mentioned above. The Group does not hold any collateral over these balances.

- (b) Non-current portion of deposits comprised of rental deposits for cinemas leased by the Group in the PRC. The anticipated lease terms of the cinema is over twelve months from the end of the reporting period.
- (c) Included in other receivables was an amount of approximately HK\$52,161,000 (2013: HK\$24,698,000) receivable from an independent third party for the joint film production. During the year ended 30 June 2014, an impairment loss on other receivables of approximately HK\$Nil (2013: approximately HK\$103,000) has been recognised in the consolidated statement of profit or loss.

Other receivables of approximately HK\$52,161,000 (2013: approximately 24,698,000) are denominated in RMB.

Notes to the Consolidated Financial Statements: (Continued)

13. FILM RIGHTS AND FILMS PRODUCTION IN PROGRESS

	Film rights HK\$'000	Films production in progress HK\$'000	Total HK\$'000
Cost:			
At 1 July 2012	25,527	23,787	49,314
Additions	15,052	67,724	82,776
Transfer to prepayments	–	(2,966)	(2,966)
Transfer to film rights	20,981	(20,981)	–
	<hr/>	<hr/>	<hr/>
At 30 June 2013 and 1 July 2013	61,560	67,564	129,124
Additions	9,232	103,122	112,354
Transfer to film rights	76,460	(76,460)	–
	<hr/>	<hr/>	<hr/>
At 30 June 2014	147,252	94,226	241,478
	<hr/>	<hr/>	<hr/>
Accumulated amortisation and impairment:			
At 1 July 2012	18,107	–	18,107
Charge for the year	18,334	–	18,334
Impairment loss recognised	5,281	–	5,281
	<hr/>	<hr/>	<hr/>
At 30 June 2013 and 1 July 2013	41,722	–	41,722
Charge for the year	27,657	–	27,657
Impairment loss recognised	6,633	–	6,633
	<hr/>	<hr/>	<hr/>
At 30 June 2014	76,012	–	76,012
	<hr/>	<hr/>	<hr/>
Carrying values:			
At 30 June 2014	<u>71,240</u>	<u>94,226</u>	<u>165,466</u>
At 30 June 2013	<u>19,838</u>	<u>67,564</u>	<u>87,402</u>

- (a) The Group carried out reviews of the recoverable amount of its film rights with average useful life of three to five years in 2014 with regard to the market conditions of the Group's products. These assets are used in the Group's production of films and television programmes segment. The review led to the recognition of an impairment loss of approximately HK\$6,633,000 (2013: HK\$5,281,000) that have been recognised in profit or loss. The recoverable amount of the relevant assets has been determined on the basis of their fair value using discounted cash flow method (Level 3 fair value measurement). The discount rate used was 16.33% (2013: 16.07%).
- (b) Film production in progress represents films under production. The Directors of the Company assess its recoverability and no impairment loss has been recognised for the years ended 30 June 2014 and 2013. The estimated recoverable amount was determined based on the best estimation of the management on expected future revenue less the relevant costs arising from the distribution and sub-licensing of the film products.

Notes to the Consolidated Financial Statements: (Continued)

14. LOANS RECEIVABLES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Loans receivables	14,037	13,041
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Analysed as:		
Current assets	9,657	13,041
Non-current assets	4,380	–
	14,037	13,041

As at 30 June 2014, certain term loans with principal amount of approximately HK\$12,628,000 (2013: HK\$9,000,000) are secured by customers' pledged properties at fair value of approximately HK\$28,600,000 (2013: approximately HK\$24,000,000).

All loans receivables are denominated in Hong Kong dollars and carried at fixed effective interest ranging from 3% to 24% (2013: 3% to 13.39%) per annum and with the term ranging from 240 days to 20 years (2013: 180 days to 365 days).

The following is an aged analysis for the loans receivables at the end of the reporting period:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
0 to 30 days	209	41
31 to 60 days	–	4,000
61 to 90 days	–	–
Over 90 days	13,828	9,000
	14,037	13,041

At the end of the reporting period, the aging analysis of loans receivables that were neither individually nor collectively considered to be impaired is as follow:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Neither past due nor impaired	13,983	13,041
Less than 60 days past due	54	–
	14,037	13,041

Notes to the Consolidated Financial Statements: (Continued)

15. TRADE RECEIVABLES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade receivables	12,623	6,598

(a) The Group allows credit periods of up to 60 days to its trade debtors. Included in the Group's trade receivables balance, no trade receivables (2013: Nil) are past due at the reporting date for which the Group has not provided for impairment loss. Based on the repayment pattern of the debtors of the Group, trade receivables which are past due but not impaired are eventually recoverable. The management of the Group closely monitors the credit quality of debtors and considers the trade receivables that are neither past due nor impaired to be of a good credit quality with reference to their repayment history. The Group does not hold any collateral over these balances.

(b) At the end of the reporting period, the aging analysis of the trade receivables, based on invoice date and net of impairment losses, is as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
0 to 90 days	12,623	6,598

(c) The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
RMB	3,338	–
HK\$	3,669	5,948
US\$	5,616	650
	12,623	6,598

Notes to the Consolidated Financial Statements: (Continued)

16. TRADE PAYABLES

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current	<u>11,991</u>	<u>3,927</u>

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
RMB	619	–
HK\$	<u>11,372</u>	<u>3,927</u>
	<u>11,991</u>	<u>3,927</u>

17. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Accruals	6,581	1,462
Deposits received (note)	43,554	10,632
Other payables	<u>11,653</u>	<u>266</u>
	<u>61,788</u>	<u>12,360</u>

Note:

The amount represents mainly the deposits received for film distribution. Deposits received of HK\$6,000,000 is guaranteed by a Director of the Company.

18. OTHER BORROWINGS

The borrowings are repayable as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
On demand or within one year	<u>57,434</u>	<u>9,000</u>

At 30 June 2014 and 2013, the loans are denominated in Hong Kong dollars and are borrowed from independent third parties.

Other borrowings of HK\$50,000,000 (2013: Nil) are guaranteed by a Director, secured by post dated cheques of approximately HK\$52,131,000, bearing interest rate of 10% per annum and repayable within one year.

Other borrowings of approximately HK\$6,146,000 (2013: HK\$9,000,000) are unsecured, bearing an interest rate of 11% (2013: 13%) and repayable within one year (2013: one year).

Other borrowings of approximately HK\$1,288,000 (2013: Nil) are unsecured, non-interest bearing and repayable within one year.

Notes to the Consolidated Financial Statements: (Continued)

19. SHARE CAPITAL (CONTINUED)

Notes:

For the year ended 30 June 2013

- (a) On 6 September 2012, the Company completed the second tranche of placing, in which 1,500,000,000 placing shares were issued at a placing price of HK\$0.015 each. The net proceeds of approximately HK\$21,955,000 were raised from the second tranche of placing.
- (b) By a special resolution dated 19 November 2012, authorised share capital of the Company for ordinary share of HK\$0.005 each (the “2013 Consolidated Authorised Shares”) was consolidated on the basis of every twenty shares into one share of HK\$0.1 share in the authorised share capital of the Company. The authorised share capital was therefore reduced from HK\$100,000,000 divided into 20,000,000,000 shares of HK\$0.005 each into HK\$100,000,000 divided into 1,000,000,000 of the 2013 Consolidated Authorised Shares of HK\$0.1 each accordingly.

Under the same special resolution, the issued ordinary share of the Company for ordinary share of HK\$0.005 each (the “2013 Consolidated Issued Shares”) was consolidated on the basis of every twenty shares into one share of HK\$0.1 share in the issued share capital of the Company. The issued share capital was therefore reduced from 5,542,476,267 shares of HK\$0.005 each into 277,123,813 of the 2013 Consolidated Issued Shares of HK\$0.1 each accordingly.

- (c) By a special resolution dated 19 November 2012, the nominal value of each share in issued was reduced from HK\$0.1 to HK\$0.005 by cancelling paid up capital to the extent of HK\$0.095 on each issued share. The issued share capital of the Company therefore was reduced from 277,123,813 shares of HK\$0.1 each into 277,123,813 shares of HK\$0.005 each accordingly.
- (d) By a special resolution dated 19 November 2012, each authorised share capital after the share consolidation as stated in (b) above was subdivided into 20 authorised share capital. The authorised share capital of the Company was therefore increased from 1,000,000,000 of the 2013 Consolidated Authorised Shares of HK\$0.1 each into 20,000,000,000 authorised share of HK\$0.005 each accordingly.
- (e) On 18 December 2012, the Company entered into a placing agreement to place, on a best effort basis, a maximum number of 55,000,000 placing shares to not fewer than six placees who and whose ultimate beneficial owners are third parties independent of and are not connected with the Company and its connected persons.

On 14 January 2013, the Company completed the placing, in which 55,000,000 placing shares were issued at a placing price of HK\$0.133 each. The net proceeds of approximately HK\$7,105,000 were raised from the placing.

Notes to the Consolidated Financial Statements: (Continued)

19. SHARE CAPITAL (CONTINUED)

Notes: (Continued)

For the year ended 30 June 2013 (continued)

- (f) On 22 February 2013, the Company entered into a placing agreement to place a maximum number of 1,000,000,000 placing shares in a maximum of five tranches (in which each tranche shall not be less than 200,000,000 placing shares, save for the last tranche) on a best effort basis, to not fewer than six independent placees.

On 9 April 2013, the Company completed the first tranche of placing, in which 300,000,000 placing shares were issued at a placing price of HK\$0.1 each. The net proceeds of approximately HK\$29,242,000 were raised from the first tranche of placing.

On 21 June 2013, the Company completed the second tranche of placing, in which 300,000,000 placing shares were issued at a placing price of HK\$0.1 each. The net proceeds of approximately HK\$29,365,000 were raised from the second tranche of placing.

For the year ended 30 June 2014

- (g) By a special resolution dated 6 September 2013, the Company issued five bonus shares for every one share held. The issued share capital of the Company was therefore increased from 932,123,813 shares of HK\$0.005 each to 5,592,742,878 shares of HK\$0.005 each accordingly.

On 26 September 2013, the Company completed the bonus issue, in which, the share premium reduction for the year ended 30 June 2014, approximately, HK\$23,303,000 was credited to share capital and the same amount was debited to the share premium account.

- (h) On 4 November 2013, the Company entered into a placing agreement to place a maximum number of 1,118,520,000 placing shares to not fewer than six placees who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons at the placing price of HK\$0.0249 per placing share.

On 14 November 2013, the Company completed the placing, in which 1,118,520,000 placing shares were issued at a placing price of HK\$0.0249 each. The net proceeds of approximately HK\$27,212,000 were raised from the placing.

19. SHARE CAPITAL (CONTINUED)

Notes: (Continued)

For the year ended 30 June 2014 (continued)

- (i) By a special resolution dated 6 January 2014, the Company implemented capital reorganisation which involves (i) every ten issued and unissued shares of HK\$0.005 each be consolidated into one consolidated share of HK\$0.05; (ii) the existing issued share capital of the Company be reduced through a cancellation of the paid-up capital of the Company to the extent of HK\$0.045 on each of the issued consolidated shares such that the nominal value of each issued consolidated share will be reduced from HK\$0.05 to HK\$0.005 and to round down the total number of issued consolidated shares to a whole number by eliminating any fraction of a consolidated share in the issued share capital of the Company following the share consolidation; (iii) each of the authorised but unissued consolidated shares of HK\$0.05 each (including those arising from the capital reduction) be sub-divided into 10 adjusted shares of HK\$0.005 each; and the credit arising in the books of the Company from the capital reduction of approximately HK\$30,200,682.91 be credited to the contributed surplus account of the Company.
- (j) On 4 April 2014, the Company entered into a maximum of 134,100,000 placing shares to not fewer than six placees who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons at the placing price of HK\$0.128 per placing share.

On 16 April 2014, the Company completed the placing, in which 134,100,000 placing shares were issued at a placing price of HK\$0.128 each. The net proceeds of approximately HK\$16,602,000 were raised from the placing.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, non-controlling interests, retained profits and other reserves) and includes some forms of subordinated debts.

20. EVENTS AFTER THE REPORTING PERIOD

- (a) On 5 June 2014, the Company entered a placing agreement, pursuant to which the placing agent has conditionally agreed to place a maximum number of 1,500,000,000 placing shares in a maximum of 4 tranches (in which each tranche shall not be less than 375,000,000 placing shares, save for the last tranche) on a best effort basis, to currently expected to be not fewer than six independent placees at a price of HK\$0.07 per placing share.

On 31 July 2014, the Company completed the placing, in which 1,500,000,000 placing shares were placed to not fewer than six placees at HK\$0.07 per Placing Share by one single tranche. The net proceeds of approximately HK\$102 million were raised from the placing.

- (b) On 15 August 2014, the Board of Directors proposes (i) share consolidation whereby every five issued and unissued share of par value of HK\$0.005 each will be consolidated into one share (“Consolidated Share”) of par value of HK\$0.025; (ii) to increase the authorised share capital of the Company from HK\$100,000,000 divided into 4,000,000,000 Consolidated Shares to HK\$200,000,000 divided into 8,000,000,000 Consolidated Shares by the creation of an additional 4,000,000,000 Consolidated Shares and (iii) bonus issue of new Consolidated Shares on the basis of ten bonus shares for every one Consolidated Share.

On 1 September 2014, share consolidation, increase in authorised share capital and bonus issue were approved by the shareholders of the Company by way of poll at Special General Meeting.

The share consolidation and increase in authorised share capital were become effective on 2 September 2014.

On 22 September 2014, the Company completed the bonus issue. The Company issued ten bonus shares for every one share held. The issued share capital of the Company was therefore increased from 461,045,257 shares of HK\$0.025 each to 5,071,497,827 shares of HK\$0.025 each accordingly.

Details of the share consolidation, increase in authorised share capital and bonus issue were set out in the Company’s circular dated 15 August 2014.

DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the years ended 30 June 2014 and 2013.

REVIEW OF RESULTS

The audited annual results of the Group for the Year have been reviewed by the audit committee of the Company, which is of the opinion that the preparation of such results has complied with the applicable accounting standards and requirements and that adequate disclosures have been made. The audit committee comprises the three Independent Non-executive Directors, namely Mr. Chan Chi Ho, Mr. Kam Tik Lun and Mr. Tam Kook Ming, Banny.

REVIEW OF THE FINAL RESULTS ANNOUNCEMENT BY THE AUDITOR

The figures in respect of this final results announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 30 June 2014. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the final results announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the Year:

BASIS FOR QUALIFIED OPINION

(a) Opening balances and corresponding figures

The consolidated financial statements of the Group for the year ended 30 June 2013, which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was qualified by the preceding auditor because of the significance of the possible effect of the limitation on the scope of the audit in relation to the investment in Dragonlott Holdings Limited ("DHL") of approximately HK\$46,674,000 as at 30 June 2013. Details of the qualified audit opinion were set out in the independent auditor's report dated 26 September 2013 issued by the preceding auditor and included in the Company's annual report for the year ended 30 June 2013. We were not able to obtain sufficient appropriate audit evidence to enable us to assess the limitation of scope for the year ended 30 June 2013.

(b) *Available-for-sale investments*

Included in the Group's available-for-sale investments of approximately HK\$54,516,000 as at 30 June 2014 was an investment in DHL of an amount of approximately HK\$46,674,000 in which the Group holds 13.28% equity interests. As explained in note 11 to the consolidated financial statements, the Directors of the Company have not been provided with any financial or other relevant information of DHL from the management of DHL and therefore it was unable to determine whether any impairment loss in respect of the investment in DHL was necessary at the end of the reporting period. There were no satisfactory audit procedures that we could adopt to satisfy ourselves that the carrying amount of the investment in DHL was free from material misstatement as at 30 June 2014. Any adjustments found to be necessary would affect the state of the Group's affair as at 30 June 2014 and the loss for the year then ended.

Any adjustments to the matters as described in the basis for qualified opinion paragraphs (a) and (b) might have a consequential effect on the Group's results for the two years ended 30 June 2013 and 2014, and the financial position of the Group as at 30 June 2013 and 2014, and the related disclosures thereof in the consolidated financial statements.

(c) *Investment revaluation reserves*

As disclosed in note 11 to the consolidated financial statements, an equity security listed in Hong Kong of approximately HK\$7,842,000 (2013: approximately HK\$3,529,000) has been recognised as an available-for-sale investment. Changes in fair value of such available-for-sale investment have been recognised as investment revaluation reserve as included in the consolidated statement of changes in equity. No sufficient evidence has been provided to satisfy ourselves that the investment revaluation reserve of approximately HK\$14,423,000 and HK\$14,591,000 as at 30 June 2013 and 2014 respectively are properly accounted for and that no impairment of this available-for-sale investment is required to be recorded in consolidated profit or loss for the year ended 30 June 2013 in accordance with Hong Kong Accounting Standard 39 "Financial Instruments: Recognition and Measurement".

Any adjustments to the matter as described in the basis for qualified opinion paragraph (c) might have a consequential effect on the Group's result for the year ended 30 June 2013, and the proper classification of investment revaluation reserve and accumulated losses as at 30 June 2013 and 2014, and the related disclosures thereof in the consolidated financial statements.

QUALIFIED OPINION

In our opinion, except for the possible effects on the matters described in the basis for qualified opinion paragraphs, the consolidated financial statements give a true and fair view of the state of the Group's affairs as at 30 June 2014, and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CORPORATE GOVERNANCE

The Company has adopted various policies to ensure compliance with the code provisions ("Code Provisions") as set out in Appendix 15 of the GEM Listing Rules that are considered to be relevant to the Company and has complied with the Code Provisions save as disclosed below.

Mr. Shiu Stephen Junior currently holds the offices of Chairman and Chief Executive Officer of the Company. The Board considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company. The Board also believes that the current structure provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

MODEL CODE FOR SECURITIES DEALING BY DIRECTORS

The Company had adopted Rules 5.48 to Rules 5.67 of the GEM Listing Rules ("Model Code") as its own code of conduct regarding directors' securities transactions. Having made specific enquiry to all the Directors, all the Directors confirmed that they had throughout the Year complied with the required standard of dealings as set out in the Model Code.

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

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF ANNUAL REPORT ON THE GEM WEBSITE

The Annual Report of the Company containing all the information required by the GEM Listing Rules will be dispatched to the shareholders of the Company and be published on the GEM website of the Stock Exchange (www.hkgem.com) and the Company's website (www.china3d8078.com) in due course.

By order of the Board
China 3D Digital Entertainment Limited
Shiu Stephen Junior
Chairman

Hong Kong, 29 September 2014

As at the date hereof, the Board comprise:

Executive Directors:

Mr. Shiu Stephen Junior (*Chairman*)
Mr. Sun Lap Key, Christopher
Mr. Lee Wing Ho, Albert

Independent Non-executive Directors:

Mr. Chan Chi Ho
Mr. Kam Tik Lun
Mr. Tam Kwok Ming, Banny

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for seven days from the day of its posting and on the website of the Company at www.china3d8078.com.