



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 2015

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 (the “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\$111.2 million for the year ended 30 June 2015 (the “Year”), compared with approximately HK\$199.7 million for the previous fiscal year. A loss of approximately HK\$96.6 million was recorded (2014: approximately HK\$15.7 million). The loss is mainly due to impairment loss on film rights, advertising expenses and administrative expenses for the year ended 30 June 2015.

An analysis of the Group’s revenues and results by reportable segment are set out in note 4 to the consolidated financial statements.

Artiste Management Services and Music Production

The revenue of this business segment for the Year was approximately HK\$84.5 million in 2015 and HK\$36.5 million in 2014.

Production of Films and Television Programmes

The revenue of this business segment for the Year was approximately HK\$12.4 million in 2015 and HK\$159 million in 2014.

Distribution of Films and Television Programmes

The revenue of this business segment for the Year was approximately HK\$0.72 million in 2015 and HK\$0.06 million in 2014.

Money Lending

The revenue of this business segment for the Year was approximately HK\$4.2 million in 2015 and HK\$2.7 million in 2014.

Operation of Cinemas

The revenue of this business segment for the Year was approximately HK\$9.3 million in 2015 and HK\$1.5 million in 2014.

Property Investment

The revenue of this business segment for the Year was HK\$Nil in 2015 and approximately HK\$0.02 million in 2014.

PROSPECTS

The Group is operating the cinemas in Xiamen and Guangzhou, the PRC, which has started generating income to the Group. The Group expects to start the operation of cinema in Chongqing located at Shop 13, Level 1, Guotai Plaza, Chongqing, PRC at the end of 2015. The gross floor area of the Chongqing cinema is around 3,564 square meters. The Chongqing cinema was handover from the landlord in August 2015. The Group is commencing the decoration of the cinema, which is expected to take about two to three months to complete. The relevant design and construction documents have been submitted to the landlord and the relevant departments of the PRC for approval. Hence, the operation of the cinema is expected to commence during the end of 2015.

In addition, the Company intends to continue expanding its cinemas operation by: (a) expanding its existing operation by renting more space and acquiring more advance equipment etc.; and (b) setting up or acquiring additional cinemas in different provinces in the PRC. The Company intends to set up or acquire additional cinema in Quanzhou in the PRC. The movie theatre in Quanzhou is expected to have six film houses inside with an aggregate of about 840 seats.

The Directors believe that, it will provide an opportunity for the Company to be successful in cinema's operation in the PRC.

According to the Mainland China's "12th Five-Year Plan", the State Council has resolved to support the PRC studio production and the tourism and culture development. This is in line with the Group's direction for development.

In August 2015, a famous artist Ms. Wu Hang Yee ("Ms. Wu") joined the Group. Ms. Wu is a Hong Kong actress and singer. Before joining the Group, Ms. Wu is signed under for the Television Broadcasts Limited ("TVB"). Ms. Wu has twice won "My Favorite TV Actress" at the Astro Favorites Awards Ceremony. Ms. Wu has also won "Best Actress" for her role in Curse of the Royal Harem, a TVB grand production, "Most Favourite TV Female Character" for her role in Ghetto Justice and also won "Extraordinary Elegant Actress" at the TVB Anniversary Awards 2011, making her the first ever Triple TV Queen of the year.

It is expected that recruiting new talented artists will broaden the Group's income stream, create synergies for its overall entertainment business and enhance the Group's image and profitability.

The Group has also planned to produce a movie which is expected to be starred by Mr. Wong Chung Yiu, Gregory, Mr. Cheung Chi Lam and Ms. Chrissie Chau. The storyline is based on a popular television program launched at Hong Kong Television Network Limited previously. The Group is forming its production team and recruit for suitable actors in and around September 2015. The estimated commencement date will be started around the fourth quarter of 2015.

Besides the above movie, the Group has also planned to produce two more movies and/or acquire more distribution rights of movies from overseas. One of the movies as mentioned above is a romance/drama movie. The Group has engaged a famous movie director Mr. Cheng Tan Shui to produce the movie and the movie script is under creating and writing. The Group expects to form its production team and recruit for suitable actors in and around the fourth quarter of 2015 and the commencement of production of such movie will be around the first quarter of 2016. The expected time for launching the movie will be around the fourth quarter of 2016.

The other movie is suspense movie. The Group has acquired the film right and engaged a screenwriter. The Group expects to form its production team and recruit for suitable actors in and around the fourth quarter of 2015 and the commencement of production of such movie will be in around the first quarter of 2016. The expected time for launching the movie will be around the third quarter of 2016.

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 4 May 2015, the Group and GME Innotainment, Inc. (formerly known as Great China Mania Holdings Inc.) entered a share exchange agreement in relation to the acquisition of 55% of the issued share capital of GME Holdings Limited (“GME”) (“Acquisition”) which satisfied by the allotment and issue of 20% of the issued share capital of GME China Entertainment Limited (formerly known as Direct Success Group Limited), one of the subsidiaries of the Group, as the consideration of the Acquisition. GME is principally engaged in the business of artist management in the entertainment sector and related businesses. GME also has several famous artists. The Company believes the Acquisition will allow both GME and the Group to leverage on each other’s expertise to further develop their respective business activities and therefore be beneficial to both parties.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2015, total borrowing of the Group (excluding payables) amounted to approximately HK\$68.1 million (2014: HK\$73.1 million). The Group’s gearing ratio (expressed as a percentage of total borrowing over total assets) decreased from 17.6% in 2014 to 16.20% in 2015.

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, promissory note payable and finance lease payables), 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 2015, except for the pledged bank deposits of approximately HK\$6 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 (2014: HK\$5.9 million).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2015, the Group had 93 (2014: 77) full-time and part-time employees. The total employee remuneration, including that of the Directors, for the year ended 30 June 2015 amounted to approximately HK\$19.9 million (2014: approximately HK\$11 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 on 9 July 2014. No option was outstanding as at the Year.

CAPITAL STRUCTURE

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

Placing of New Shares under Specific Mandate announced on 5 June 2014

On 31 July 2014, the Company completed the placing of 1,500,000,000 new shares of the Company at the placing price of HK\$0.07 per placing share.

The reasons of the placing are for (i) expansion of the money lending business of the Company; (ii) the initial set up cost of a new cinema leased by the Group located in Guangzhou, the PRC; (iii) production of new TV series movie; (iv) production of new movie; and (v) investing in Mr. Cheung Chi Lam's concert in July 2014.

The closing price per share as quoted on the Stock Exchange on 5 June 2014 was HK\$0.123. The net proceeds from the placing amount to approximately HK\$102 million and were applied as approximately (i) HK\$55 million was used for expansion of the money lending business of the Group; (ii) HK\$17 million was used for the initial set up cost of a new cinema leased by the Group located in Guangzhou, the PRC and for possible future investments in other cinema; (iii) HK\$15 million was used for production of new TV series movie; and (iv) HK\$15 million was used for investing in Mr. Cheung Chi Lam's concert in July 2014.

Share Consolidation, Increase of Authorized Share Capital and Bonus Issue announced on 18 July 2014 and 7 August 2014

On 1 September 2014, the ordinary resolutions were passed by the shareholders to approve the Company to implement a share consolidation (“Share Consolidation”), increased in authorized share capital (“Increased in Authorized Share Capital”) and bonus issue (“Bonus Issue”). The Share Consolidation and the Increase in Authorised Share Capital became effective on 2 September 2014.

The Share Consolidation involved the consolidation of every five (5) issued and unissued shares of HK\$0.005 each in the share capital of the Company into one (1) consolidated share such that the par value of HK\$0.025 each (“Consolidated Shares”).

The authorised share capital of the Company be 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.

The Company was approved to issue ten (10) bonus shares for every one (1) Consolidated Share held. The issued share capital of the Company therefore increased from 461,045,257 Consolidated Shares of HK\$0.025 each to 5,071,497,827 Consolidated Shares of HK\$0.025 each in issue as enlarged by the Bonus Issue.

Placing of New Shares under General Mandate announced on 1 December 2014

On 12 December 2014, the Company completed the placing of 1,013,100,000 new shares of the Company at the placing price of HK\$0.027 per placing share. The reasons of the placing are for (i) production of movie(s); and (ii) recruiting new talented artists.

The closing price per share as quoted on the Stock Exchange on 1 December 2014 was HK\$0.031. The net proceeds from the placing amount to approximately HK\$26.5 million and were applied as approximately (i) HK\$24 million were used for production of movie(s); and (ii) HK\$2.5 million was remained in the bank and will be reserved for recruiting new talented artists.

Exercise of share options

On 29 December 2014, the Company issued and allotted 304,128,000 new shares to the allottees at a subscription price of HK\$0.025 per share option under the new share option scheme.

Capital Reorganisation announced on 1 December 2014

On 13 January 2015, the special resolution was passed by the shareholders to approve the Company to implement the Capital Reorganisation, which involved the share consolidation, the capital reduction and the share sub-division (“Capital Reorganisation”). The share consolidation involved the consolidation of every ten (10) issued and unissued shares of HK\$0.025 each in the share capital of the Company into one (1) consolidated share of HK\$0.25 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\$0.24 on each of the issued Consolidated Shares such that the par value of each issued Consolidated Share reduced from HK\$0.25 to HK\$0.01. The share sub-division involved the subdivision of each authorized but unissued Consolidated Share of HK\$0.25 each be sub-divided into 25 adjusted shares of HK\$0.01 each. The Capital Reorganisation became effective on 14 January 2015.

Exercise of share options

On 2 February 2015, the Company issued and allotted 20,275,200 new shares (after the Capital Reorganisation effective on 14 January 2015) to the allottees at a subscription price of HK\$0.25 per share option under the new share option scheme.

Placing of New Shares under General Mandate announced on 1 April 2015

On 17 April 2015, the Company completed the placing of 131,800,000 new shares of the Company at the placing price of HK\$0.11 per placing share. The reasons of the placing are for (i) repayment of loan; and (ii) recruiting new talented artists.

The closing price per share as quoted on the Stock Exchange on 1 April 2015 was HK\$0.134. The net proceeds from the placing amount to approximately HK\$14.08 million was remained in the bank and will be reserved for the intended use.

Capital Reorganisation announced on 30 April 2015

On 17 June 2015, the special resolution was passed by the shareholders to approve the Company to implement the Capital Reorganisation, which involved the share consolidation, the capital reduction and the share sub-division (“Capital Reorganisation”). The share consolidation involved the consolidation of every five (5) issued and unissued shares of HK\$0.01 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\$0.04 on each of the issued Consolidated Shares such that the par value of each issued Consolidated Share reduced from HK\$0.05 to HK\$0.01. The share sub-division involved the subdivision of each authorized but unissued Consolidated Share of HK\$0.05 each be sub-divided into 5 adjusted shares of HK\$0.01 each. The Capital Reorganisation became effective on 18 June 2015.

COMMITMENTS

Total commitments of the Group as at 30 June 2015 was approximately HK\$399.1 million (2014: approximately HK\$388.9 million).

CONTINGENT LIABILITIES

As at 30 June 2015, the Group and the Company did not have any significant contingent liabilities (2014: Nil).

LITIGATION

A writ of summons (the “Writ”) was issued against the Company by Green Giant Investments Limited (“Green Giant”) on 12 February 2015. It was alleged in the Writ that the Company refused and/or unreasonably withheld to register a transfer of the Note or issue a new promissory note as requested upon transfer of the Promissory Note by Dragonlott Holdings Limited to Green Giant.

Green Giant claims the principal amount of the Note of HK\$14,160,000, interest thereon from the time of presentment for payment until payment in full at the rate of 10% per annum pursuant to the terms of the Note, incurred expenses and costs. The court hearing will be fixed on 21 January 2016.

In the opinion of the Directors, promissory note payable of HK\$14,160,000 is properly recognized as at 30 June 2015, as such, the Directors did not consider that the litigation to have any significant impact on the Group’s financial position and operations.

EVENTS AFTER THE REPORTING PERIOD

Placing of New Shares under Specific Mandate announced on 20 July 2015

On 8 September 2015 and 18 September 2015, the Company completed the first tranche placing of 403,000,000 new shares of the Company and the second tranche placing of 397,000,000 new shares of the Company at the placing price of HK\$0.25 per placing share respectively.

The reasons of the placing are for (i) the expansion of the money lending business of the Company; (ii) expansion and/or possible investment plan on cinemas and/or operation rights of cinemas in the PRC; (iii) for investment and/or production of new movies and/or acquire the distribution rights of movies; and (iv) general working capital and for development of the Group’s business.

The closing price per share as quoted on the Stock Exchange on 20 July 2015 was HK\$0.63. The aggregate net proceeds from the placing amount to approximately HK\$195 million.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue	4	111,176	199,717
Other income	5	696	1,600
Cost of film production and distribution		(47,190)	(138,896)
Cost of artiste management services and music production		(74,282)	(30,689)
Cost of cinema operation		(4,231)	(588)
Selling and distribution costs		(17,481)	(12,308)
Administrative expenses		(64,008)	(31,775)
Finance costs	6	(4,989)	(1,563)
Change in fair value of investments at fair value through profit or loss mandatorily measured at fair value		3,116	(1,137)
Share of results of associates		577	–
Share of results of a joint venture		22	(33)
Loss before taxation	7	(96,594)	(15,672)
Taxation	8	(36)	–
Loss for the year		(96,630)	(15,672)
Other comprehensive (loss)/income:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(54)	55
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Changes in fair value of investments at fair value through other comprehensive income		(54,842)	(168)
Total other comprehensive loss for the year, net of tax		(54,896)	(113)
Total comprehensive loss for the year		(151,526)	(15,785)
(Loss)/profit for the year attributable to:			
Owners of the Company		(97,094)	(15,664)
Non-controlling interests		464	(8)
		(96,630)	(15,672)
Total comprehensive (loss)/profit for the year attributable to:			
Owners of the Company		(151,990)	(15,777)
Non-controlling interests		464	(8)
		(151,526)	(15,785)
(Restated)			
Loss per share			
Basic and diluted	9	HK(82.77) cents	HK(54.16) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

		30 June 2015	30 June 2014	1 July 2013
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Restated)	(Restated)
Non-current assets				
Property, plant and equipment		15,663	6,040	6,035
Investment property		–	–	6,380
Interest in associates	10	5,467	–	–
Interest in a joint venture		107	85	118
Investments at fair value through other comprehensive income	11	21,976	54,516	50,203
Prepayments, deposits and other receivables	12	83,636	52,040	7,040
Film rights and films production in progress	13	196,009	165,466	87,402
Loans receivables	14	7,626	4,380	–
		330,484	282,527	157,178
Current assets				
Inventories		60	141	174
Loans receivables	14	43,505	9,657	13,041
Trade receivables	15	3,971	12,623	6,598
Prepayments, deposits and other receivables	12	16,228	85,309	76,814
Amount due from a joint venture		–	20	–
Investments at fair value through profit or loss		–	5,079	–
Pledged bank deposits		6,032	5,860	–
Bank and cash balances		20,722	13,886	29,565
		90,518	132,575	126,192

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2015

		30 June 2015	30 June 2014	1 July 2013
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Restated)	(Restated)
Current liabilities				
Trade payables	16	9,621	11,991	3,927
Accruals, deposits received and other payables	17	63,952	61,788	12,360
Amount due to a joint venture		–	–	40
Other borrowings	18	49,728	57,434	9,000
Convertible bond		2,000	1,947	–
Promissory note payable		14,160	13,753	–
Finance lease payables		365	–	–
Tax payables		9	13	13
		<hr/> 139,835	<hr/> 146,926	<hr/> 25,340
Net current (liabilities)/assets		<hr/> (49,317)	<hr/> (14,351)	<hr/> 100,852
Total assets less current liabilities		<hr/> 281,167	<hr/> 268,176	<hr/> 258,030
Non-current liabilities				
Finance lease payables		1,823	–	–
Provision for asset retirement		1,941	–	–
Convertible bond		–	–	1,790
Promissory note payable		–	–	13,036
		<hr/> 3,764	<hr/> –	<hr/> 14,826
NET ASSETS		<hr/> 277,403	<hr/> 268,176	<hr/> 243,204
Capital and reserves				
Share capital	19	1,582	4,026	4,660
Reserves		276,435	263,665	235,204
Equity attributable to owners of the Company		<hr/> 278,017	<hr/> 267,691	<hr/> 239,864
Non-controlling interests		(614)	485	3,340
TOTAL EQUITY		<hr/> 277,403	<hr/> 268,176	<hr/> 243,204

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

	Notes	Attributable to owners of the Company									Non-controlling interests	Total
		Share capital	Share premium*	Investment revaluation reserve*	Contributed surplus*	Foreign currency translation reserve*	Convertible bond equity reserve*	Share-based payment reserve*	Retained earnings/ (accumulated losses)*	Sub-total		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 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 and 1 July 2014		4,026	181,881	(14,591)	102,180	109	766	-	(6,680)	267,691	485	268,176
Total comprehensive loss for the year		-	-	(54,842)	-	(54)	-	-	(97,094)	(151,990)	464	(151,526)
Issue of shares upon placing	19	34,146	112,706	-	-	-	-	-	-	146,852	-	146,852
Transaction cost attributable to issue of shares		-	(3,967)	-	-	-	-	-	-	(3,967)	-	(3,967)
Bonus issue	19	115,261	(115,261)	-	-	-	-	-	-	-	-	-
Capital reorganisation	19	(159,657)	-	-	159,657	-	-	-	-	-	-	-
Share-based payments		-	-	-	-	-	-	3,984	-	3,984	-	3,984
Issue of shares upon exercise of share options	19	7,806	8,850	-	-	-	-	(3,984)	-	12,672	-	12,672
Lapse of convertible bond		-	-	-	-	-	(766)	-	766	-	-	-
Acquisition of partial interest in a subsidiary		-	-	-	-	-	-	-	37	37	(484)	(447)
Capital injection by a non-controlling shareholder of a subsidiary		-	-	-	-	-	-	-	-	-	19	19
Disposal of partial interest in a subsidiary	10	-	-	-	-	-	-	-	2,738	2,738	(1,098)	1,640
At 30 June 2015		1,582	184,209	(69,433)	261,837	55	-	-	(100,233)	278,017	(614)	277,403

Note:

* These reserve accounts comprise the consolidated reserve of approximately HK\$276,435,000 (2014: approximately HK\$263,665,000) in the consolidated statement of financial position.

Notes to the Consolidated Financial Statements:

1. GENERAL INFORMATION

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 its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business of the Company is 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 4 to the consolidated financial statements.

2. GOING CONCERN

As at 30 June 2015, the Group has net current liability of approximately HK\$49,317,000. As at 30 June 2015, the Group’s cash and bank balances were approximately HK\$20,722,000. In addition, as at 30 June 2015, the Group has total operating lease and capital commitments of approximately HK\$399,084,000, out of which approximately HK\$31,246,000 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 of the Company (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 that are relevant to its operations and effective for its accounting year beginning on 1 July 2014. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; 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.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective except as stated below. 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)

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

(a) HKFRS 9 (2009) “Financial Instruments”

The Group has early adopted HKFRS 9 (2009). Available-for-sale investments are now classified as investments at fair value through other comprehensive income.

HKFRS 9 (2009) have been applied retrospectively and resulted in changes in the consolidated amounts reported in the financial statements as follows:

	30 June 2014 <i>HK\$'000</i>	1 July 2013 <i>HK\$'000</i>
At 30 June 2014:		
Decrease in available-for-sale investments	(54,516)	(50,203)
Increase in investments at fair value through other comprehensive income	<u>54,516</u>	<u>50,203</u>

4. 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.

Notes to the Consolidated Financial Statements: (Continued)

4. SEGMENT INFORMATION (CONTINUED)

Information regarding the above segment is reported below.

(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	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	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
REVENUE:																
Revenue from external customers	84,536	36,509	12,384	158,956	718	60	4,200	2,667	9,338	1,504	-	-	-	21	111,176	199,717
RESULTS:																
Segment (loss)/profit	3,893	936	(56,680)	15,305	(3,445)	(17)	3,066	1,871	(18,713)	(2,025)	3,116	(2,092)	-	(29)	(68,763)	13,949
Bank interest income															19	150
Interest income from pledged bank deposits															172	-
Unallocated corporate expenses															(23,632)	(28,175)
Finance costs															(4,989)	(1,563)
Share of results of associates															577	-
Share of results of a joint venture															22	(33)
Loss before taxation															(96,594)	(15,672)
Taxation															(36)	-
Loss for the year															(96,630)	(15,672)

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, interest income from pledged bank deposits, finance costs, share of results of associates and 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)

4. 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		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	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	<u>10,197</u>	<u>12,467</u>	<u>266,020</u>	<u>275,952</u>	<u>3,467</u>	<u>5,228</u>	<u>51,964</u>	<u>14,551</u>	<u>38,817</u>	<u>27,839</u>	<u>21,976</u>	<u>12,921</u>	<u>-</u>	<u>-</u>	<u>392,441</u>	<u>348,958</u>
Other non-current financial assets															-	46,674
Interest in a joint venture															107	85
Interest in associates															5,467	-
Unallocated corporate assets															22,987	19,385
Total assets															<u>421,002</u>	<u>415,102</u>
LIABILITIES:																
Segment liabilities	<u>11,507</u>	<u>12,135</u>	<u>51,612</u>	<u>56,385</u>	<u>15</u>	<u>76</u>	<u>6,117</u>	<u>50</u>	<u>8,371</u>	<u>2,584</u>	<u>12,441</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,063</u>	<u>71,230</u>
Unallocated corporate liabilities															53,536	75,696
Total liabilities															<u>143,599</u>	<u>146,926</u>

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)

4. 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		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	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	604	444	602	-	264	-	-	-	11,721	3,392	-	-	-	-	13,191	3,836
Depreciation of property, plant and equipment	287	418	477	-	62	-	-	-	2,045	168	-	-	-	-	2,871	586
Amortisation of film rights	-	-	24,231	27,657	-	-	-	-	-	-	-	-	-	-	24,231	27,657
Impairment loss recognised in respect of film rights	-	-	16,472	6,633	-	-	-	-	-	-	-	-	-	-	16,472	6,633

(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 unlisted equity securities recognised as investments at fair value through other comprehensive income 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	
	2015	2014	2015	2014
	HK'000	HK'000	HK'000	HK'000
Hong Kong (place of domicile)	41,769	35,043	280,434	241,860
The PRC	58,734	144,520	12,895	146
Taiwan	-	1,160	-	-
Japan	410	70	-	-
Other Asian countries (note (a))	6,370	10,974	-	-
Oceania (note (b))	-	183	-	-
North America (note (c))	3,834	215	-	-
European countries (note (d))	46	6,229	-	-
Other areas	13	1,323	-	-
	111,176	199,717	293,329	242,006

Notes to the Consolidated Financial Statements: (Continued)

4. 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 customers under artiste management services and music production segment (2014: production of films and television programmes segment) contributing over 10% of the total revenue of the Group for the year ended 30 June 2015 which amounted to approximately HK\$23,531,000 and HK\$13,335,000 (2014: approximately HK\$94,488,000 and HK\$33,388,000) respectively.

5. OTHER INCOME

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	19	150
Interest income from pledged bank deposits	172	–
Gain on disposal of property, plant and equipment	–	82
Others	505	1,368
	<u>696</u>	<u>1,600</u>

6. FINANCE COSTS

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on other borrowings wholly repayable within one year	3,550	495
Interest on bank overdraft	844	143
Interest on convertible bond	65	208
Imputed interest on promissory note payable	407	717
Finance cost on asset retirement obligations	53	–
Finance cost on finance lease liabilities	70	–
	<u>4,989</u>	<u>1,563</u>

Notes to the Consolidated Financial Statements: (Continued)

7. LOSS BEFORE TAXATION

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

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff costs (including Directors' remuneration):		
Salaries, allowances and other benefits in kind	15,262	10,639
Retirement benefits scheme contributions	692	337
Equity-settled share-based payments	3,984	–
	<hr/>	<hr/>
Total staff costs	19,938	10,976
	<hr/>	<hr/>
Gross rental income from an investment property	–	(21)
Less: direct operating expenses from an investment property that generated rental income during the year	–	8
	<hr/>	<hr/>
	–	(13)
	<hr/>	<hr/>
Auditors' remuneration	580	500
Amortisation of film rights*	24,231	27,657
Cost of inventories recognised as expenses**	540	30
Depreciation of property, plant and equipment	3,479	2,245
Impairment loss recognised in respect of film rights*	16,472	6,633
Impairment loss recognised in respect of trade receivables	133	–
Written off of trade receivables	253	–
Written off of other receivables	686	–
Minimum lease payments under operating leases:		
– Land and building	8,352	2,126
Loss arising on written off of property, plant and equipment	83	–
Exchange loss	245	1,612
Fair value (gain)/loss on investments at fair value through profit or loss	(3,116)	2,092
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 cinema operation" of the consolidated statement of profit or loss.

Notes to the Consolidated Financial Statements: (Continued)

8. TAXATION

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current tax:		
Hong Kong		
– Charge for the year	<u>36</u>	<u>–</u>

Hong Kong Profits Tax is calculated at 16.5% (2014: 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 2015, the Group had unused tax losses of approximately HK\$253,348,000 (2014: approximately HK\$211,075,000) available for offset against future profits. Included in unrecognised tax losses are losses of approximately HK\$7,075,000 (2014: nil) that will expire in 2019. Other tax losses may be carried forward indefinitely. No deferred tax asset has been recognised due to the unpredictability of future profit streams. 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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loss before taxation	<u>(96,594)</u>	<u>(15,672)</u>
Tax credit of Hong Kong Profits Tax at 16.5% (2014: 16.5%)	(15,938)	(2,586)
Tax effect of share of results of a joint venture	(4)	5
Tax effect of share of results of associates	(95)	–
Tax effect of expenses non-deductible for tax purpose	8,853	6,470
Tax effect of income not taxable for tax purpose	(60)	(2,860)
Tax effect of tax losses not recognised	7,799	4,916
Tax effective of utilisation of tax losses previously not recognised	(222)	(5,756)
Effect of different tax rate of subsidiaries operating in other jurisdictions	(1,000)	(189)
Tax effect of other temporary differences not recognised	706	–
Over-provision in prior years	(3)	–
Tax charge for the year	<u>36</u>	<u>–</u>

Notes to the Consolidated Financial Statements: (Continued)

9. 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\$97,094,000 (2014: approximately HK\$15,664,000) and the weighted average number of 117,301,337 (2014: 28,924,373 (restated)) ordinary shares of the Company in issue during the year.

The weighted average number of shares for the purposes of calculating basic and diluted loss per share for the year ended 30 June 2014 has been adjusted and restated to reflect the capital reorganisation occurred during the year.

As the exercise of the Group's outstanding share options for the year ended 30 June 2015 would be anti-dilutive, no diluted loss per share was presented.

As the exercise of the Group's outstanding convertible bonds for the year ended 30 June 2014 would be anti-dilutive, no diluted loss per share was presented.

10. INTEREST IN ASSOCIATES

	2015 HK\$'000
Unlisted investments:	
Share of net assets	2,217
Goodwill	3,250
	<hr/>
	5,467
	<hr/> <hr/>

Notes to the Consolidated Financial Statements: (Continued)

10. INTEREST IN ASSOCIATES (CONTINUED)

The following table shows information of associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associates.

	Vision Lion Limited	GME Holdings
Principal place of business	Hong Kong	Hong Kong
Principal activities	Holding of a cruiser	Artiste management
% of ownership interests	25%	55%
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 30 June 2015:		
Non-current assets	13,000	–
Current assets	2	9,487
Current liabilities	(9)	(11,361)
Net assets/(liabilities)	<u>12,993</u>	<u>(1,874)</u>
Group's share of net assets/(liabilities)	3,248	(1,031)
Goodwill	<u>2</u>	<u>3,248</u>
Group's share of carrying amount of interests	<u>3,250</u>	<u>2,217</u>
	Vision Lion Limited	GME Holdings
	Period from 16 June 2015 to 30 June 2015	Period from 6 May 2015 to 30 June 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 30 June 2015:		
Revenue	–	3,079
Profit from operations	–	1,048
Profit and total comprehensive income for the period	<u>–</u>	<u>1,048</u>

Notes to the Consolidated Financial Statements: (Continued)

10. INTEREST IN ASSOCIATES (CONTINUED)

Note:

Disposal of 20% interest in a subsidiary as a consideration for acquisition of an associate

On 4 May 2015, GME Innotainment, Inc. (formerly known as Great China Mania Holdings Inc.), an independent third party of the Group, and GME China Entertainment Limited (“GME”), a wholly-owned subsidiary of the Company, entered into an agreement in relation to the acquisition of 55% of the issued share capital of GME Holdings by GME, which was satisfied by the allotment and issue of 2,500 new shares of GME at a consideration of approximately HK\$19,000, representing 20% of the enlarged issued share capital of GME, as the consideration of the acquisition.

The effect of change in the ownership interests of GME on the equity attributable to owners of the Company during the year is summarised as follows:

	<i>HK\$'000</i>
Disposal of 20% interest in a subsidiary	1,098
Fair value of 20% interest in a subsidiary for acquiring 55% interest in GME Holdings	1,640
	<hr/>
Movement in parent equity	<u><u>2,738</u></u>

Notes to the Consolidated Financial Statements: (Continued)

11. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

		30 June 2015	30 June 2014	1 July 2013
		HK\$'000	HK\$'000	HK\$'000
	<i>Notes</i>		(Restated)	(Restated)
Listed securities				
– Equity securities listed in Hong Kong, at fair value	(b)	21,976	7,842	3,529
Unlisted equity securities, at cost and fair value	(c)	–	46,674	46,674
		<u>21,976</u>	<u>54,516</u>	<u>50,203</u>

Notes:

- (a) These investments are designated as at fair value through other comprehensive income in order to avoid volatility to the profit or loss arising from the changes in fair values of the investments.
- (b) The fair values of listed securities are based on current bid prices.
- (c) The amount represents 13.28% equity interests in the issued ordinary shares of 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.

The amount is measured at cost at the end of the reporting period. The cost 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 the fair value of the investment in DHL at 30 June 2015 and therefore the cost is used to approximate its fair value.

DHL was dissolved during the year.

Notes to the Consolidated Financial Statements: (Continued)

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Prepayments	(a)	81,721	70,415
Deposits and other receivables		18,143	66,934
		99,864	137,349

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

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current portion			
Prepayments	(a)	76,083	45,913
Deposits	(b)	7,553	6,127
		83,636	52,040
Current portion			
Prepayments	(a)	5,638	24,502
Deposits		4,364	4,154
Other receivables	(c)	6,226	56,653
		16,228	85,309
		99,864	137,349

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 2015 and 2014, 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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Prepayments for:		
Acquisition of film distribution rights	33,764	14,800
Film and television programmes production costs	32,524	27,134
Film promotion costs	2,360	2,701
Artiste fee	9,657	11,475
Song productions	–	402
Equipment	–	95
Opening of cinemas	1,186	10,254
Others	2,230	3,554
	81,721	70,415
Less: Non-current portion	(76,083)	(45,913)
Current portion	5,638	24,502

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 HK\$nil (2014: approximately HK\$52,161,000) receivable from an independent third party for the joint film production.

Other receivables of approximately HK\$1,000 (2014: approximately HK\$52,161,000) 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 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 and 1 July 2014	147,252	94,226	241,478
Additions	7,508	63,738	71,246
Transfer to film rights	13,200	(13,200)	–
	<hr/>	<hr/>	<hr/>
At 30 June 2015	167,960	144,764	312,724
	<hr/>	<hr/>	<hr/>
Accumulated amortisation and impairment:			
At 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 and 1 July 2014	76,012	–	76,012
Charge for the year	24,231	–	24,231
Impairment loss recognised	16,472	–	16,472
	<hr/>	<hr/>	<hr/>
At 30 June 2015	116,715	–	116,715
	<hr/>	<hr/>	<hr/>
Carrying values:			
At 30 June 2015	51,245	144,764	196,009
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 June 2014	71,240	94,226	165,466
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

- (a) The Group carried out reviews of the recoverable amount of its film rights with average useful life of three to five years in 2015 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\$16,472,000 (2014: approximately HK\$6,633,000) 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 15.8% (2014: 16.33%).
- (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 2015 and 2014. 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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loans receivables	51,131	14,037
Analysed as:		
Non-current assets	7,626	4,380
Current assets	43,505	9,657
	51,131	14,037

As at 30 June 2015, certain term loans with principal amount of approximately HK\$12,297,000 (2014: approximately HK\$12,628,000) are secured by customers' pledged properties at fair value of approximately HK\$21,050,000 (2014: approximately HK\$28,600,000).

All loans receivables are denominated in HK\$ and carried at fixed effective interest ranging from 10% to 36% (2014: 3% to 24%) per annum and with the terms ranging from 30 days to 20 years (2014: 240 days to 20 years).

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0 to 30 days	10,012	209
31 to 90 days	–	–
91 to 180 days	–	13,828
181 to 365 days	38,640	–
Over 365 days	2,479	–
	51,131	14,037

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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Neither past due nor impaired	51,129	13,983
Less than 60 days past due	2	54
	51,131	14,037

Notes to the Consolidated Financial Statements: (Continued)

15. TRADE RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables	<u>3,971</u>	<u>12,623</u>

- (a) The Group allows credit periods of up to 60 days to its trade debtors. 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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0 to 90 days	2,147	12,623
91 to 180 days	10	–
181 days to 365 days	345	–
Over 365 days	1,469	–
	<u>3,971</u>	<u>12,623</u>

- (c) As of 30 June 2015, trade receivables of approximately HK\$2,449,000 (2014: HK\$nil) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Neither past due nor impaired	<u>1,522</u>	<u>12,623</u>
0 to 90 days past due	625	–
91 to 180 days past due	10	–
181 to 365 days past due	345	–
Over 365 days past due	1,469	–
	<u>2,449</u>	<u>–</u>
	<u>3,971</u>	<u>12,623</u>

Notes to the Consolidated Financial Statements: (Continued)

15. TRADE RECEIVABLES (CONTINUED)

- (d) The movements in the provision for impairment of trade receivables during the year are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At 1 July	–	–
Provision for the year	133	–
	<hr/>	<hr/>
At 30 June	133	–
	<hr/> <hr/>	<hr/> <hr/>

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
RMB	1,354	3,338
HK\$	2,617	3,669
US\$	–	5,616
	<hr/>	<hr/>
	3,971	12,623
	<hr/> <hr/>	<hr/> <hr/>

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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0 to 90 days	6,548	11,991
91 to 180 days	1,355	–
181 to 365 days	48	–
Over 365 days	1,670	–
	<u>9,621</u>	<u>11,991</u>

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
RMB	1,516	619
HK\$	8,105	11,372
	<u>9,621</u>	<u>11,991</u>

17. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Accruals	5,536	6,581
Deposits received (<i>note</i>)	48,150	43,554
Other payables	10,266	11,653
	<u>63,952</u>	<u>61,788</u>

Note:

The amount represents mainly the deposits received for film distribution. Deposits received of approximately HK\$3,750,000 (2014: approximately HK\$6,000,000) is guaranteed by a Director of the Company.

Notes to the Consolidated Financial Statements: (Continued)

18. OTHER BORROWINGS

The borrowings are repayable as follows:

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
On demand or within one year	<u>49,728</u>	<u>57,434</u>

At 30 June 2015 and 2014, the loans are denominated in Hong Kong dollars and are borrowed from independent third parties.

Other borrowings of HK\$30,000,000 (2014: HK\$50,000,000) are guaranteed by a Director, secured by post dated cheques of approximately HK\$31,504,000 (2014: approximately HK\$52,131,000), bearing interest rate of 10% per annum (2014: 10% per annum) and repayable within one year (2014: one year).

Other borrowings of approximately HK\$12,441,000 (2014: approximately HK\$6,147,000) are unsecured, bearing an interest rate of 11% p.a. (2014: 11%) and repayable on demand.

Other borrowings of approximately HK\$1,287,000 (2014: approximately HK\$1,287,000) are unsecured, non-interest bearing and repayable on demand.

Other borrowings of HK\$3,000,000 (2014: nil) are unsecured, interest bearing at 9% per annum and repayable on 3 February 2016.

Other borrowings of HK\$3,000,000 (2014: nil) are unsecured, interest bearing at 3% per month and repayable on 15 July 2015.

Notes to the Consolidated Financial Statements: (Continued)

19. SHARE CAPITAL

	Number of shares		Amount	
	2015 '000	2014 '000	2015 HK\$'000	2014 HK\$'000
Ordinary shares of HK\$0.01 each (2014: HK\$0.005 each)				
Authorised:				
At the beginning of the year	20,000,000	20,000,000	100,000	100,000
Share consolidation (note (f))	(16,000,000)	–	–	–
Increase (note (f))	4,000,000	–	100,000	–
Capital reorganisation (notes (h), (i))	12,000,000	–	–	–
	<u>20,000,000</u>	<u>20,000,000</u>	<u>200,000</u>	<u>100,000</u>
At the end of the year	<u>20,000,000</u>	<u>20,000,000</u>	<u>200,000</u>	<u>100,000</u>

Ordinary shares of HK\$0.01 each
(2014: HK\$0.005 each)

	Number of shares		Amount	
	2015 '000	2014 '000	2015 HK\$'000	2014 HK\$'000
Issued and fully paid:				
At the beginning of the year	805,226	932,124	4,026	4,660
Issue of shares upon placing (notes (b), (d), (e), (g), (i))	2,644,900	1,252,620	34,146	6,264
Bonus issue (notes (a), (f))	4,610,453	4,660,619	115,261	23,303
Share consolidation (note (f))	(1,844,181)	–	–	–
Capital reorganisation (notes (c), (h), (j))	(6,382,612)	(6,040,137)	(159,657)	(30,201)
Issue of share upon exercise of share options (note (k))	324,403	–	7,806	–
	<u>158,189</u>	<u>805,226</u>	<u>1,582</u>	<u>4,026</u>
At the end of the year	<u>158,189</u>	<u>805,226</u>	<u>1,582</u>	<u>4,026</u>

Notes to the Consolidated Financial Statements: (Continued)

19. SHARE CAPITAL (CONTINUED)

Notes:

For the year ended 30 June 2014

- (a) By an ordinary 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 of approximately HK\$23,303,000 was credited to share capital and the same amount was debited to the share premium account.

- (b) 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.

- (c) 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 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 (iv) the credit arising in the books of the Company from the capital reduction of approximately HK\$30,201,000 be credited to the contributed surplus account of the Company.
- (d) On 4 April 2014, the Company entered into a placing agreement to place a maximum number 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.

Notes to the Consolidated Financial Statements: (Continued)

19. SHARE CAPITAL (CONTINUED)

Notes: (Continued)

For the year ended 30 June 2015

- (e) On 5 June 2014, the Company entered into a placing agreement to place a maximum number of 1,500,000,000 shares in a maximum of 4 tranches (in which each tranche shall not be less than 375,000,000 placing shares) to not fewer than six independent placees at a price of HK\$0.07 per share.

On 31 July 2014, the Company completed the placing, in which 1,500,000,000 shares were placed to not fewer than six placees at HK\$0.07 per share by one single tranche. The net proceeds of approximately HK\$102,216,000 were raised from the placing.

- (f) By ordinary resolutions dated 1 September 2014, the Company implemented (i) share consolidation whereby every five issued and unissued share of par value of HK\$0.005 each be consolidated into one 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 shares to HK\$200,000,000 divided into 8,000,000,000 shares by the creation of an additional 4,000,000,000 shares; and (iii) bonus issue of new shares on the basis of ten bonus shares for every one share.

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, in which, the share premium reduction for the year ended 30 June 2015 of approximately HK\$115,261,000 was credited to share capital and the same amount was debited to the share premium account.

- (g) On 1 December 2014, the Company entered into a placing agreement to place a maximum number of 1,013,100,000 shares to not fewer than six placees who and whose ultimate beneficial owners are independent third parties of the Company and its connected persons at the placing price of HK\$0.027 per share.

On 12 December 2014, the Company completed the placing, in which 1,013,100,000 placing shares were issued at a placing price of HK\$0.027 each. The net proceeds of approximately HK\$26,592,000 were raised from the placing.

Notes to the Consolidated Financial Statements: (Continued)

19. SHARE CAPITAL (CONTINUED)

Notes: (Continued)

For the year ended 30 June 2015 (Continued)

- (h) By a special resolution dated 13 January 2015, the Company implemented capital reorganisation which involves (i) every ten issued and unissued shares of HK\$0.025 each be consolidated into one consolidated share of HK\$0.25; (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\$0.24 on each of the issued consolidated shares such that the nominal value of each issued consolidated share be reduced from HK\$0.25 to HK\$0.01 (the “Capital Reduction”); (iii) each of the authorised but unissued shares of HK\$0.25 each (including those arising from the Capital Reduction) be sub-divided into 25 shares of HK\$0.01 each; and (iv) the credit arising from the Capital Reduction of approximately HK\$153,329,000 be transferred to the contributed surplus account of the Company.
- (i) On 1 April 2015, the Company entered into a placing agreement to place a maximum number of 131,800,000 shares to not fewer than six placees who and whose ultimate beneficial owners are independent third parties of the Company and its connected persons at the placing price of HK\$0.11 per placing share.

On 17 April 2015, the Company completed the placing, in which 131,800,000 placing shares were issued at a placing price of HK\$0.11 each. The net proceeds of approximately HK\$14,077,000 were raised from the placing.

- (j) By a special resolution dated 17 June 2015, the Company implemented capital reorganisation which involves (i) every five issued and unissued shares of HK\$0.01 each be consolidated into one share of HK\$0.05 each; (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\$0.04 on each of the issued consolidated shares such that the nominal value of each issued share be reduced from HK\$0.05 to HK\$0.01 (the “Second Capital Reduction”); (iii) each of the authorised but unissued shares of HK\$0.05 each (including those arising from the Second Capital Reduction) be sub-divided into five shares of HK\$0.01 each; and (iv) the credit arising in the books of the Company from the Second Capital Reduction (being approximately HK\$6,328,000) be credited to the contributed surplus account of the Company and the Directors be authorised to apply any credit balance in the contributed surplus account of the Company in accordance with the bye-laws of the Company and all applicable laws (including the application of such credit balance to set off against the accumulated losses of the Company).

19. SHARE CAPITAL (CONTINUED)

Notes: (Continued)

For the year ended 30 June 2015 (Continued)

- (k) During the year, approximately 304,128,000 and 20,275,000 (adjusted for the effect of share consolidation on 17 June 2015) share options were exercised at the subscription price of HK\$0.025 and HK\$0.25 per share respectively, resulting in the issue of approximately 304,128,000 and 20,275,000 additional ordinary shares of HK\$0.025 and HK\$0.01 each respectively for a total cash consideration of approximately HK\$12,672,000, out of which approximately HK\$7,806,000 and HK\$8,850,000 were recorded in share capital and share premium respectively.

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

On 20 July 2015, the Company entered into a placing agreement to place a maximum number of 800,000,000 placing shares in a maximum of 2 tranches on a best effort basis, to currently expected to be not fewer than six independent placee at a price of HK\$0.25 per placing share.

On 8 September 2015, the Company completed the first tranche of placing, in which 403,000,000 placing shares were placed to not fewer than six placees at HK\$0.25 per share. The net proceeds of approximately HK\$98 million were raised from the placing.

On 18 September 2015, the Company completed the second tranche of placing, in which 397,000,000 placing shares were placed to not fewer than six placees at HK\$0.25 per share. The net proceeds of approximately HK\$97 million were raised from the placing.

DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the years ended 30 June 2015.

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. Kam Tik Lun, Mr. Chan Chi Ho 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 2015. 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

Included in the Group's investments at fair value through other comprehensive income as at 30 June 2014 was an investment in Dragonlott Holdings Limited ("DHL") of approximately HK\$46,674,000 in which the Group holds 13.28% equity interests. As stated 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 the fair value of the investment in DHL. The investment in DHL was fully written off during the year ended 30 June 2015. We have not been provided with sufficient audit evidence as to whether the other comprehensive loss arising from the written off of the investment in DHL should be recorded in the current year or prior years. However, we are satisfied that the investment in DHL is fairly stated as at 30 June 2015.

Any adjustment to the matter as described above might have a consequential effect on the Group's other comprehensive loss for the two years ended 30 June 2014 and 2015, and the consolidated financial position of the Group as at 30 June 2014, and the related disclosures thereof in the consolidated financial statements.

QUALIFIED OPINION

In our opinion, except for the possible effects on the matter described in the basis for qualified opinion paragraphs, the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 June 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance 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 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 Rules 5.48 to 5.67 (the "Required Standard of Dealings") of the GEM Listing Rules.

Upon the specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Required Standard of Dealings throughout the Year.

The Company also has established written guidelines on no less exacting terms than the Required Standard of Dealings (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of any unpublished inside information of the Company.

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, 30 September 2015

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.