



**HMV Digital China Group Limited**  
**H M V 數碼中國集團有限公司**  
(formerly known as China 3D Digital Entertainment Limited  
前稱中國 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 2016**

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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**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 HMV Digital China Group Limited (formerly known as 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.*

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **OPERATION REVIEW**

The Company and its subsidiaries (collectively the “Group”) reported total revenue of approximately HK\$228.2 million for the year ended 30 June 2016 (the “Year”), compared with approximately HK\$111.2 million for the previous fiscal year. A loss of approximately HK\$181.1 million was recorded (2015: approximately HK\$96.6 million). The loss is mainly due to impairment loss on film rights and administrative expenses for the year ended 30 June 2016.

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\$93.6 million in 2016 and HK\$84.5 million in 2015.

#### **Distribution and Production of Films and Television Programmes**

The revenue of this business segment for the Year was approximately HK\$95.6 million in 2016 and HK\$13.1 million in 2015.

#### **Money Lending**

The revenue of this business segment for the Year was approximately HK\$8.9 million in 2016 and HK\$4.2 million in 2015.

#### **Operation of Cinemas**

The revenue of this business segment for the Year was approximately HK\$30.1 million in 2016 and HK\$9.3 million in 2015.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2016, total borrowing of the Group (excluding payables) amounted to approximately HK\$153.6 million (2015: HK\$68.1 million). The Group’s gearing ratio (expressed as a percentage of total borrowing over total assets) was 27.84% in 2016 and 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 other borrowings, convertible bonds, 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 2016, except for the pledged bank deposits of approximately HK\$8.1 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 (2015: HK\$6 million).

### **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2016, the Group had 188 (2015: 93) full-time and part-time employees. The total employee remuneration, including that of the Directors, for the year ended 30 June 2016 amounted to approximately HK\$27.2 million (2015: approximately HK\$19.9 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 during 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 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 by increasing the amount of loans and advances to customers; (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 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 and were applied as approximately (i) HK\$99 million were used for the expansion of the money lending business of the Company; (ii) HK\$35 million for expansion and/or possible investment plan on cinemas and/or operation rights of cinemas in the PRC; and (iii) HK\$52 million for investment and/or production of new movies and/or acquire the distribution rights of movies; and (iv) HK\$9 million for general working capital and for development of the Group's business.

### **Bonus issue of shares announced on 15 September 2015**

On 20 October 2015, the ordinary resolutions were passed by the shareholders to approve the Company to implement bonus issue (the "Bonus Issue"). The Company was approved to issue three (3) bonus shares for every one (1) share held by the Qualifying Shareholders whose names appear on the register of members of the Company on the record date. The bonus shares credited as fully paid at par by way of capitalisation of share premium.

The Bonus Issue was completed on 13 November 2015 and a total of 2,874,568,668 bonus shares were issued on 13 November 2015. After the completion of the Bonus Issue, the number of shares in issue has increased to 3,832,758,224 shares.

### **The acquisition of 40% of the issued share capital of Starz Holdings Limited and involving the issued of convertible bonds under specific mandate announced on 14 December 2015**

On 14 December 2015 and 6 January 2016, the Company entered into a sale and purchase agreement and a supplemental agreement with Mr. Stephen Chau ("Mr. Chau"), the shareholder of the Starz Holdings Limited respectively ("Starz Holdings"), pursuant to the Company acquired and Mr. Chau disposed its shares, representing 40% of the issued share capital of Starz Holdings. The payment methods of the consideration were (i) HK\$6,600,000 payable in cash plus the adjustment amount; and (ii) HK\$7,000,000 payable in the form of convertible bond.

Starz Holdings has numerous famous subsidiaries such as Starz People (HK) Limited and Starz Entertainment Company Limited (Starz Holdings together with its subsidiaries, collectively called “Starz”). Starz is one of Asia’s most progressive full service modeling and talent agencies. It specializes in promoting fresh faces and outstanding new talent within the fashion and entertainment sectors in Asia and overseas, positioned at the forefront of international model and artiste management. It boasts a highly experienced and dedicated team and also excellent relationships with a vast array of prominent international and local models, artistes, celebrities and professional athletes. Starz credited with diversified ages, types, and nationalities of prominent models and artistes, including Pakho Chau, Shiga Lin and Jeannie Chan and arranged them local and overseas jobs including advertisements, publications, television commercials, fashion exhibits, music videos, image consultations, promotional activities and casting services. Details of the acquisition were disclosed in the circular dated 18 January 2016.

The shareholders approved the acquisition on special general meeting on 2 February 2016 and the convertible bonds was issued to Mr. Chau on 21 April 2016.

#### **The acquisition of interests in HMV M&E Limited announced on 14 March 2016**

On 14 March 2016, the Company entered into a sale and purchase agreement with Action Key Investments Limited (“Action Key”), one of the shareholders of HMV M&E Limited (“HMV M&E”), pursuant to which the Company acquired and Action Key disposed its shares, representing approximately 81.63% of the issued share capital of the HMV M&E at a consideration of HK\$408,150,000 which were satisfied by allotment and issue of 1,118,219,178 consideration shares to Action Key or its nominee at an issue price of HK\$0.365 per consideration share at completion (the “Acquisition I”).

On 1 April 2016, the Company entered into a sale and purchase agreement with WiL Fund I, L.P. (“WiL Fund”), the other shareholder of HMV M&E, pursuant to the Company acquired and WiL Fund disposed its shares, representing approximately 18.37% of the issued share capital of HMV M&E at a consideration of HK\$91,850,000 which were satisfied by allotment and issue of 251,643,835 consideration shares to WiL Fund at an issue price of HK\$0.365 per consideration share at completion (the “Acquisition II”).

HMV M&E is the sole beneficial owner of the issued share capital of each of its subsidiaries, namely, HMV Marketing Limited (“HMV Marketing”), Simply Sino Limited (“Simply Sino”), Smiley Bee Limited (“Smiley Bee”) and Linkenway Limited (“Linkenway”) (the “Target Subsidiaries”). HMV M&E has no business activity other than being an investment holding company of its subsidiaries and injection of shareholder’s loans to the target group (“including HMV M&E and Target Subsidiaries”) (the “Target Group”) for its business.

The Target Group is principally engaged in the entertainment and media business and other ancillary business including the operation of the retail stores under the brand “HMV”.

HMV Marketing is the owner of the retailing business of “HMV” through physical retail stores in Hong Kong and has an exclusive, irrevocable, royalty-free and perpetual licence to use the name “HMV”, the various HMV trade marks and the trade mark applications and HMV domain names for the purpose of conducting businesses in the PRC, Hong Kong and Singapore.

Each of Simply Sino and Smiley Bee is an investment holding company and has no business activity save and except (i) Simply Sino has advanced a loan in the amount of HK\$25,000,000 to a subsidiary of the Company; and (ii) Smiley Bee has advanced a loan in the amount of HK\$3,000,000 to a third party independent from Action Key and its connected persons. Linkenway is an investment holding company and the holder of certain rights of an intellectual property. Details of the Acquisition I and II were disclosed in the announcements dated 14 March 2016, 1 April 2016 and the circular dated 24 June 2016 respectively.

The Acquisition I and Acquisition II were completed on 3 August 2016. 1,118,219,178 consideration shares were issued to the nominee of Action Key and 251,643,835 consideration shares were issued to WiL Fund on 3 August 2016 respectively.

**The acquisition of approximately 4% of the issued share capital of Prime Focus World N.V. announced on 24 March 2016**

On 24 March 2016, the Company entered into a sale and purchase agreement with AID Partners Visual Entertainment, L.P. (“AID”), the shareholder of Prime Focus World N.V. (“Prime Focus”), pursuant to which the Company acquired and AID disposed its shares, representing 4% of the issued share capital of Prime Focus at a consideration of US\$13,619,726, which were settled and discharged by the allotment and issue of 259,106,982 ordinary shares of the Company at the issue price of HK\$0.410 per ordinary share of the Company at completion.

Prime Focus is a subsidiary of Prime Focus Limited, a company incorporated in India and listed on the National Stock Exchange and Bombay Stock Exchange under the symbol PFOCUS and 532748. Prime Focus and its subsidiaries are the world’s largest provider of value-added creative and technical services for 2D to 3D content conversion, visual effects (“VFX”) and animation services to studios and production houses across the world. In addition to the highly successful 3D conversion business, Prime Focus also provides world-class VFX services to major studios. Details of the acquisition were disclosed in the announcement dated 24 March 2016 and the circular dated 29 June 2016.

The acquisition was completed on 29 July 2016 and 259,106,982 ordinary shares were issued to the nominee of AID on 29 July 2016.

## **MEMORANDUM OF UNDERSTANDING**

### **Memorandum of Understanding in respect of possible disposal announced on 19 October 2015**

On 19 October 2015, the Company entered into a non-legally binding memorandum of understanding (the “MOU”) with an independent third party (the “Investor”), pursuant to which the Company intends to dispose 51% of the issued share capital of CineUnited Circuits Company Limited (“CineUnited”), an indirect wholly-owned subsidiary of the Company (CineUnited together with its subsidiaries, collectively the “Target Group”) for a total consideration of HK\$62,220,000 payable in cash (the “Possible Disposal”).

As at the date of this Annual Report, the MOU has been expired and will not be proceed.

### **Joint Investment Agreement announced on 23 October 2015 and 9 May 2016**

On 23 October 2015, the Company announced to build a long-term strategic co-operation with iQIYI Motion Pictures (“iQIYI”). Both parties agreed to co-invest, produce and distribution of movies.

On 9 May 2016, the Company entered into a legally binding joint investment agreement (the “Joint Investment Agreement”) with iQIYI pursuant to which the Group and iQIYI agreed to co-invest, produce and distribute the first movie tentatively named 《Death Notify “暗黑者”》 (the “Movie”) in the PRC and internationally. Pursuant to the Joint Investment Agreement, the investment amount of the Movie is approximately RMB80 million, the Group will contribute 60% and the iQIYI will contribute 40% to the production and distribution of the Movie.

By entering into the Joint Investment Agreement, the Company and iQIYI established a strategic cooperative relationship by starting of the cooperation of this Movie, other movies project will be followed onwards. According to the Joint Investment Agreement, iQIYI will be responsible for the promotion and distribution of the Movie in PRC; while the Company will be responsible for obtaining the copyright of the script for the Movie, obtaining the necessary approvals from respective authorities, production and distribution of the Movie in worldwide.

According to the Joint Investment Agreement, each of the Company and iQIYI is entitled to the intellectual property rights of various components of the Movie in accordance with their respective contribution to the total investment of the production and distribution of the Movie. In addition, the Company and iQIYI is entitled to a distribution agent fee in an amount representing 60% or 40% of the total net income derived from distribution of the Movie in regions outside the PRC and in the PRC respectively.

iQIYI is the largest video platform in the PRC. In addition to its online movie library which boasts the largest storage of movies in the PRC, according to iResearch mUserTracker's latest data, as at July 2015, the monthly user coverage of iQIYI has reached 219 million, ranking at fourth in China's mobile internet market in terms of amount of users per month, behind only to WeChat, QQ and Taobao. In terms of length of usage, the monthly total effective usage time of iQIYI has reached 1,816 million hours, behind only to WeChat and QQ. In the area of video viewing, iQIYI is first in almost every statistical category including average users per day, monthly users, average length of usage per day and monthly length of usage. Details of the Joint Investment Agreement was disclosed in the announcement dated 9 May 2016.

### **Memorandum of Understanding in respect of possible subscription and possible acquisition announced on 27 October 2015**

On 27 October 2015, the Company entered into a non-legally binding memorandum of understanding (the "MOU") with (i) vfxNova Digital Productions Limited (the "Target Company"), pursuant to the Company intends to subscribe 10% ordinary shares as enlarged by subscription of the Target Company for a consideration of HK\$10,000,000 payable in cash (the "Possible Subscription") and (ii) Mr. Victor Wong ("Mr. Wong"), the shareholder of the Target Company, pursuant to the Company intends to acquire and Mr. Wong intends to dispose its shares, representing 20% of the then issued share capital as enlarged by subscription of the Target Company for a consideration of HK\$20,000,000 payable in cash (the "Possible Acquisition"). After completion of the Possible Subscription and Possible Acquisition, the Company will hold an aggregate 30% of the issued share capital of the Target Company.

The Target Company is one of Asia's most advanced digital visual creation companies which provides full production services from consultancy, filming, animation, visual-effects, 2/3D conversion, post-production and etc. for feature films and TV commercials. The Target Company participated in a number of movies including *Rise of the Legend*, *Cold War*, *Let the Bullets Fly*, *From Vegas to Macau*, and Hollywood blockbuster films such as *Ironman* and *Diehard 4*. The Target Company won numerous industry accolades in the visual effects and digital filming categories in many local and international prestigious film festivals, including the Best Visual Effects in the 34th Hong Kong Film Awards, and major awards in Taiwan Golden Horse Awards and New York Film Festival.

As at the date of this Annual Report, there is no definitive agreement that has been signed and finalized.

### **Framework Agreement announced on 26 January 2016**

On 26 January 2016, the Company entered into a framework agreement (the “Framework Agreement”) with China 33 Media Group Limited, a company whose shares are listed on the GEM of the Stock Exchange (stock code: 8087) (the “Investor”), setting out the major terms of cooperation between the parties for the proposed joint investment in the production of a total of 12 movies (collectively, “Movies” and each a “Movie”) which are expected to be distributed in Hong Kong and the PRC with a total investment amount of about RMB485 million.

The Framework Agreement has been terminated and will not be proceed.

### **Memorandum of Understanding in respect of possible acquisition announced on 7 September 2016**

On 7 September 2016, the Company entered into a non-legally binding memorandum of understanding (the “MOU”) with Mr. Lam Wing Kwan Ringo, Mr. Chan Kin Pong, Mr. Luo Jianguang, Mr. Martin Wong, Mr. Chu Kar Cheong, Mr. Duncan Chiu and Sunny Way Limited (collectively, the “Vendors”), being the shareholders of Anyplex Holding Limited (the “Target Company” and/or “Anyplex”), pursuant to which the Company intends to acquire and the Vendors intends to sell 100% of the issued share capital of the Target Company (the “Possible Acquisition”). The consideration will be (i) HK\$5,500,000 payable in cash; and (ii) HK\$41,000,000 payable by way of consideration shares to be allotted and issued by the Company, which shall be subject to the formal agreement to be entered into between the Company and the Vendors in respect of the Possible Acquisition.

The Target Company is one of the pioneer OTT (over-the-top) VOD operators in Greater China providing legitimate content as early as 2009 and is based in Hong Kong. The Target Company is serving the global Chinese community through partnership with leading Telco and mobile carriers in Hong Kong and Taiwan. It licensed up-to-date and all-time-hits movies from leading studios in Hollywood. Customers can register an Anyplex account and enjoy their personal theater anytime anywhere via multiple devices including smart phones, tablets, personal computers, smart TVs.

As at the date of this Annual Report, there is no definitive agreement that has been signed and finalized.

### **COMMITMENTS**

Total commitments of the Group as at 30 June 2016 was approximately HK\$424.5 million (2015: approximately HK\$399.1 million).

## **CONTINGENT LIABILITIES**

On 20 October 2015, a new tenancy agreement was jointly entered into by Mark Glory International Enterprise Limited (“Mark Glory”), an indirectly wholly-owned subsidiary of the Company and Top Euro Limited (“Top Euro”), an indirect wholly-owned subsidiary of Easy Repay Finance & Investment Limited (stock code: 8079) with Wit Way Enterprises Limited in relation to the lease of the premises. The duration of the tenancy agreements is for two years commencing from 1 November 2015 to 31 October 2017 with a monthly rental of HK\$325,000 inclusive of management charges (equivalent to HK\$3,900,000 per annum), but exclusive of government rates and all other outgoings. The rent, government rates and all outgoings of the premises shall be paid by Mark Glory and Top Euro in equal shares.

If either party fails to fulfill their leasing obligations under the agreement, the other party will obligate to pay the other party’s outstanding contingent rental liability amounting to HK\$1,950,000 per annum. The taking up of the contingent rental liability constitutes a provision of financial assistance under the GEM Listing Rules.

## **LITIGATION**

The Group has three pending litigations as below and in the opinion of the Board, it is premature to predict the outcome.

### **A writ of summons was issued against the Company by Green Giant Investments Limited on 12 February 2015**

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 promissory note (the “Note”) or issue a new promissory note as requested upon transfer of the 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 has made an order in terms of the plaintiff’s application is granted and final judgement is granted to the plaintiff as per its summons on 21 January 2016. The Company submitted the documents to commence the appeal and won the appeal on 13 July 2016. Green Giant and the Company be arranged to re-fix the hearing in future.

In the opinion of the Directors, the Note payable of HK\$14,160,000 is properly recognized as at 30 June 2016 and 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.

**A writ of summons was issued against Champion Peak Corporation Limited, a wholly-owned subsidiary of the Company by Television Broadcasts Limited on 21 July 2016**

A writ of summons (the “Writ”) was issued against Champion Peak Corporation Limited (“Champion Peak”), a wholly-owned subsidiary of the Company by Television Broadcasts Limited (“TVB”) on 21 July 2016. It was alleged in the Writ that TVB claims against Champion Peak the sum of HK\$935,000, being the outstanding additional shooting fees from 16 March 2015 to 1 June 2015. Champion Peak will file and serve a Defence in October 2016.

**A writ of summons was issued against New Noble Corporation Limited, a wholly-owned subsidiary of the Company by Television Broadcasts Limited on 19 August 2016**

A writ of summons (the “Writ”) was issued against New Noble Corporation Limited (“New Noble”), a wholly-owned subsidiary of the Company by Television Broadcasts Limited (“TVB”) on 19 August 2016. It was alleged in the Writ that TVB claims against New Noble the sum of HK\$278,000, being the agreed fee for the subject shooting days, including the shooting of the main film, the “making-of” video and the roller feature from 14 July 2013 to 30 August 2013. New Noble will file and serve a Defence in October 2016.

**EVENTS AFTER THE REPORTING PERIOD**

**Share and Connected Transaction relating to acquisition of the Target Group announced on 29 July 2016**

On 29 July 2016, Creative Projects Company Limited, a wholly-owned subsidiary of the Company (the “Purchaser”), and Fugu Enterprises Inc. and Mr Kwong Kwan Yin, Roy (the “Vendors”) entered into the Stock Purchase Agreement. The consideration for the acquisition is the sum of HK\$18,000,000, which shall be settled by the Purchaser by cash payable to the Vendors of HK\$8,000,000 and by issue of 11,494,252 consideration shares at the issue price of HK\$0.87 per consideration share of the Company.

Pursuant to the Stock Purchase Agreement, the Purchaser agreed to purchase and the Vendors agreed to sell the sale shares, representing 51% of the entire issued share capital of Celestial Talent International Limited (the “Target Company”). Upon completion, Target Company and its subsidiaries (the “Target Group”) will become the subsidiaries of the Company.

The Target Company is an investment holding company incorporated in BVI with limited liability and has no business activity. The Target Company is the sole beneficial owner of the issued share capital of (i) Access Max International Limited, (ii) Unison Associates International Limited, (iii) GZ Mania Management Limited and (iv) GME Casting Studio Limited. GZ Mania Management Limited and GME Casting Studio Limited are principally engaged in artiste management services and music production. Each of Access Max International Limited and Unison Associates International Limited is an investment holding company incorporated in BVI and has no business activities.

Fugu Enterprises Inc. interested in approximately 12% of the issued share capital of a subsidiary of the Company and Mr Kwong Kwan Yin, Roy is a director of a subsidiary of the Company and has interested in approximately 8% of the issued share capital of a subsidiary of the Company.

The Vendors are regarded as connected persons of the Company under the GEM Listing Rules. The acquisition constitutes connected transaction of the Company.

Details of the Share and Connected Transaction relating to the acquisition of the Target Company were disclosed in the announcement dated 29 July 2016.

#### **The acquisition of Panorama Group and involving the issue of consideration shares under specific mandate announced on 10 August 2016**

On 10 August 2016, Bright Jumbo Limited, a wholly-owned subsidiary of the Company (the “Purchaser”) and the Company entered into the Sale and Purchase Agreement with Well Charm International Development Limited (the “Vendor I”) and Mr Fung Yu Hing Allan (the “Vendor II”) (collectively the “Vendors”), pursuant to which the Vendors have agreed to sell and the Purchaser has agreed to purchase 140 ordinary shares of Panorama Entertainment Group Limited (“PEGL”), representing 70% of the issued share capital in PEGL (the “Sale Shares I”), and 70 ordinary shares of each of Parkway Management Limited (“PW”) and Panorama Corporation Limited (“PCL”), representing 70% of the issued share capital in each of PW and PCL (the “Sales Shares II”), at an aggregate consideration of HK\$35,000,000, which shall be satisfied by the issue and allotment of aggregate 48,275,862 consideration shares at an issue price of HK\$0.725 per consideration share at completion in accordance with the terms and conditions of the Sale and Purchase Agreement. Upon completion, PEGL and its subsidiaries, PW and PCL, (the “Panorama Group”) is indirectly owned subsidiaries of the Company. Upon Completion of the acquisition of Sale Shares I by the Purchaser, Vendor I still owns 30% of the issued share capital of PEGL, and after the acquisition of Sale Shares II by the Purchaser, Vendor II still owns 30% of the issued share capital of each of PW and PCL.

Vendor I is an investment holding company incorporated in Hong Kong with a limited liability. Vendor II, is the founder of the Panorama Group, who set up the Panorama Group for an initial aim of distributing quality motion pictures in VHS and LD home video format in Hong Kong. Vendor II has been an experienced and famous film producer and businessman in Hong Kong and responsible for the Panorama Group's overall strategic planning, formulation of corporate policies, overall management and acquisition of film rights.

PEGL is a company incorporated in BVI with limited liability and is wholly-owned by Vendor I. PEGL is the sole beneficial owner of the issued share capital of each of its subsidiaries, namely Panorama Distributions Company Limited ("PDL") and Panorama Entertainment Company Limited ("PEC"). The principal activities of PDL is distribution of video products; and the principal activities of PEC is holding of film rights.

PW is a company incorporated in Hong Kong with limited liability and is wholly-owned by Vendor II. The principal activities of PW is holding of film rights. PCL is a company incorporated in Hong Kong with limited liability and is wholly owned by Vendor II. The principal activities of PCL is distribution of video products.

Details of the acquisition were disclosed in the announcement dated 10 August 2016.

### **The acquisition and involving the issue of consideration shares under specific mandate on 11 August 2016**

On 11 August 2016, Bright Jumbo Limited, a wholly-owned subsidiary of the Company (the "Purchaser") and the Company entered into the Sale and Purchase Agreement with Mr. Fung Yu Hing Allan (the "Vendor I"), Mr. Wong Wing Kwong Kelvin (the "Vendor II"), Ingate International Company Limited, (the "Vendor III"), (Vendor I, Vendor II and Vendor III, collectively the "Vendors"), pursuant to which the Vendors have agreed to sell and the Purchaser has agreed to purchase in aggregate of 70,000 ordinary shares of Parkway Licensing Company Limited ("PLC"), of the issued share capital in PLC, representing approximately 70% in aggregate of the issued share capital of PLC. The considerations for the Acquisition is in the sum of HK\$7,000,000, which will be settled by the Purchaser by cash payable to the Vendors of HK\$1,000,000 and remaining HK\$6,000,000 by issue of an aggregate 8,275,861 consideration shares at the issue price of HK\$0.725 per consideration share of the Company in accordance with the terms and conditions of the Sale and Purchase Agreement.

Upon completion, PLC will become indirectly owned subsidiary of the Company. After completion of the acquisition, Vendor I still owns 15% of the issued share capital of PLC; Vendor II still owns 3% of the issued share capital of PLC and Vendor III still owns 12% of the issued share capital of PLC.

Vendor I is the founder of the Panorama Group, who set up the Panorama Group for an initial aim of distributing quality motion pictures in VHS and LD home video format in Hong Kong. Vendor I has been an experienced and famous film producer and businessman in Hong Kong and responsible for the Panorama Group's overall strategic planning, formulation of corporate policies, overall management and acquisition of film rights.

Vendor II is the head of strategic development department and is responsible for overseeing the sales and marketing of the PLC. Vendor III is an investment holding company incorporated in Hong Kong with limited liability.

PLC is a company incorporated in Hong Kong with limited liability. The principal activities of PLC in general trading of movie and comics related toys and figures. Details of the acquisition were disclosed in the announcement dated 11 August 2016.

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

*For the year ended 30 June 2016*

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	5	228,228	111,176
Other income	6	1,800	696
Cost of film production and distribution		(140,705)	(47,190)
Cost of artiste management services and music production		(78,594)	(74,282)
Cost of cinema operation		(15,450)	(4,231)
Selling and distribution costs		(19,470)	(17,481)
Administrative expenses		(130,288)	(64,008)
Finance costs	7	(10,814)	(4,989)
Change in fair value of investments at fair value through profit or loss		(17,688)	3,116
Change in fair value of derivative financial instruments		(2,349)	–
Share of results of associates		1,057	577
Share of results of a joint venture		3	22
Loss before taxation	8	(184,270)	(96,594)
Income tax credit/(expense)	9	3,131	(36)
<b>Loss for the year</b>		<u>(181,139)</u>	<u>(96,630)</u>
<b>Other comprehensive loss:</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(1,888)	(54)
<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		(640)	(54,842)
<b>Total other comprehensive loss for the year, net of tax</b>		<u>(2,528)</u>	<u>(54,896)</u>
<b>Total comprehensive loss for the year</b>		<u><u>(183,667)</u></u>	<u><u>(151,526)</u></u>
<b>(Loss)/profit for the year attributable to:</b>			
Owners of the Company		(182,704)	(97,094)
Non-controlling interests		1,565	464
		<u>(181,139)</u>	<u>(96,630)</u>
<b>Total comprehensive (loss)/profit for the year attributable to:</b>			
Owners of the Company		(185,232)	(151,990)
Non-controlling interests		1,565	464
		<u>(183,667)</u>	<u>(151,526)</u>
			(Restated)
<b>Loss per share</b>			
Basic and diluted	10	<u><u>HK(5.73) cent</u></u>	<u><u>HK(20.69) cent</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2016*

		30 June 2016	30 June 2015
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		54,318	15,663
Intangible assets	11	3,621	–
Interest in associates	12	27,658	5,467
Interest in a joint venture		110	107
Investments at fair value through other comprehensive income	13	18,787	21,976
Prepayments, deposits and other receivables	14	60,549	83,636
Film rights and films production in progress	15	173,520	196,009
Loans receivables	16	214	7,626
Deferred tax assets		3,124	–
		341,901	330,484
<b>Current assets</b>			
Inventories		214	60
Loans receivables	16	38,199	43,505
Trade receivables	17	15,172	3,971
Prepayments, deposits and other receivables	14	74,451	16,228
Investments at fair value through profit or loss		27,728	–
Pledged bank deposits		8,070	6,032
Bank and cash balances		46,108	20,722
		209,942	90,518
<b>Current liabilities</b>			
Trade payables	18	21,391	9,621
Accruals, deposits received and other payables	19	70,739	63,952
Other borrowings	20	118,372	49,728
Convertible bonds		2,000	2,000
Promissory note payable		14,160	14,160
Finance lease payables		85	365
Tax payables		–	9
		226,747	139,835
<b>Net current liabilities</b>		<b>(16,805)</b>	<b>(49,317)</b>
<b>Total assets less current liabilities</b>		<b>325,096</b>	<b>281,167</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2016

		<b>30 June 2016 HK\$'000</b>	30 June 2015 HK\$'000
	<i>Notes</i>		
<b>Non-current liabilities</b>			
Accruals, deposits received and other payables	19	<b>12,497</b>	–
Finance lease payables		<b>1,980</b>	1,823
Provision for asset retirement		<b>2,887</b>	1,941
Convertible bonds		<b>5,919</b>	–
Derivative financial instruments		<b>11,099</b>	–
Deferred tax liabilities		<b>113</b>	–
		<hr/> <b>34,495</b>	<hr/> 3,764
<b>NET ASSETS</b>		<hr/> <b>290,601</b>	<hr/> 277,403
<b>Capital and reserves</b>			
Share capital	21	<b>38,328</b>	1,582
Reserves		<b>250,511</b>	276,435
		<hr/> <b>288,839</b>	<hr/> 278,017
Equity attributable to owners of the Company		<b>288,839</b>	278,017
Non-controlling interests		<b>1,762</b>	(614)
		<hr/> <b>290,601</b>	<hr/> 277,403
<b>TOTAL EQUITY</b>		<hr/> <b>290,601</b>	<hr/> 277,403

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 30 June 2016*

		Attributable to owners of the Company									
Notes	Share capital HK\$'000	Share premium* HK\$'000	Investment revaluation reserve* HK\$'000	Contributed surplus* HK\$'000	Foreign currency translation reserve* HK\$'000	Convertible bond equity reserve* HK\$'000	Share-based payment reserve* HK\$'000	Accumulated losses* HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
	At 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	21	34,146	112,706	-	-	-	-	146,852	-	146,852
	Transaction cost attributable to issue of shares		-	(3,967)	-	-	-	-	(3,967)	-	(3,967)
	Bonus issue		21	115,261	(115,261)	-	-	-	-	-	-
	Capital reorganisation		21	(159,657)	-	159,657	-	-	-	-	-
	Share-based payments			-	-	-	3,984	-	3,984	-	3,984
	Issue of shares upon exercise of share options		21	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		12	-	-	-	-	2,738	2,738	(1,098)	1,640
	At 30 June 2015 and 1 July 2015	1,582	184,209	(69,433)	261,837	55	-	(100,233)	278,017	(614)	277,403
	Total comprehensive loss for the year	-	-	(640)	-	(1,888)	-	(182,704)	(185,232)	1,565	(183,667)
	Issue of shares upon placing		21	8,000	192,000	-	-	-	200,000	-	200,000
	Transaction cost attributable to issue of shares			-	(5,158)	-	-	-	(5,158)	-	(5,158)
	Bonus issue		21	28,746	(28,746)	-	-	-	-	-	-
	Acquisition of a subsidiary			-	-	-	-	-	-	323	323
	Disposal of investments at fair value through other comprehensive income			-	-	10,210	-	(10,210)	-	-	-
	Disposal of partial interest in a subsidiary			-	-	-	-	1,212	1,212	488	1,700
	Contributed surplus reduction			-	-	(261,837)	-	261,837	-	-	-
	At 30 June 2016	<u>38,328</u>	<u>342,305</u>	<u>(59,863)</u>	<u>-</u>	<u>(1,833)</u>	<u>-</u>	<u>(30,098)</u>	<u>288,839</u>	<u>1,762</u>	<u>290,601</u>

*Note:*

\* These reserve accounts comprise the consolidated reserve of approximately HK\$250,511,000 (2015: approximately HK\$276,435,000) in the consolidated statement of financial position.

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 30 June 2016*

### 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 (the “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 7/F, Zung Fu Industrial Building, 1067 King’s Road, Quarry Bay, Hong Kong.

The Company is an investment holding company.

The principal activities of the Company and its subsidiaries (the “Group”) are set out in the segment information in note 4 to the consolidated financial statements.

### 2. BASIS OF PREPARATION-GOING CONCERN

The Companies incurred a loss of approximately HK\$181,139,000 for the year ended 30 June 2016. As at 30 June 2016, the Group has net current liabilities and cash and bank balances of approximately HK\$16,805,000 and HK\$46,108,000 respectively. In addition, as at 30 June 2016, the Group has total operating lease and capital commitments of approximately HK\$424,527,000, out of which approximately HK\$39,981,000 would require cash outflows in the coming year.

In order to improve the Group’s operating performance and alleviate its liquidity risk, the management is implementing measures to control costs and contain capital expenditures. With the anticipated positive cash flows from (i) HMV M&E Limited and its subsidiaries acquired on 3 August 2016, (ii) the films broadcasting and licensing of the corresponding rights (iii) placing of shares and (iv) 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.

Meanwhile, the consolidated financial statements do not account for a film distribution transaction which is explained in note 5 in details.

### 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 2015. 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 for the early adoption of HKFPSs 9 (2009) in the year ended 30 June 2015. 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.

#### **4. SEGMENT INFORMATION**

The Group has five reportable segments as follows:

- Artiste management services and music production
- Distribution and production of films and television programmes
- Money lending
- Operation of cinemas
- Securities and bonds 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 expertises 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.

(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		Distribution and Production of films and television programmes		Money lending		Operation of cinemas		Securities and bonds investment		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	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	<u>93,647</u>	<u>84,536</u>	<u>95,562</u>	<u>13,102</u>	<u>8,961</u>	<u>4,200</u>	<u>30,058</u>	<u>9,338</u>	<u>-</u>	<u>-</u>	<u>228,228</u>	<u>111,176</u>
RESULTS:												
Segment (loss)/profit	<u>(3,850)</u>	<u>3,893</u>	<u>(83,771)</u>	<u>(60,125)</u>	<u>1,814</u>	<u>3,066</u>	<u>(32,677)</u>	<u>(18,713)</u>	<u>(17,688)</u>	<u>3,116</u>	<u>(136,172)</u>	<u>(68,763)</u>
Bank interest income											18	19
Interest income from pledged bank deposits											171	172
Unallocated corporate expenses											(38,533)	(23,632)
Finance costs											(10,814)	(4,989)
Share of results of associates											1,057	577
Share of results of a joint venture											3	22
Loss before taxation											(184,270)	(96,594)
Income tax credit/(expense)											3,131	(36)
Loss for the year											<u>(181,139)</u>	<u>(96,630)</u>

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.

(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		Distribution and Production of films and television programmes		Money lending		Operation of cinemas		Securities and bonds investment		Total	
	2016 HK'000	2015 HK'000	2016 HK'000	2015 HK'000	2016 HK'000	2015 HK'000	2016 HK'000	2015 HK'000	2016 HK'000	2015 HK'000	2016 HK'000	2015 HK'000
ASSETS:												
Segment assets	<u>55,369</u>	<u>10,197</u>	<u>240,915</u>	<u>269,487</u>	<u>55,175</u>	<u>51,964</u>	<u>79,937</u>	<u>38,817</u>	<u>46,515</u>	<u>21,976</u>	<u>477,911</u>	<u>392,441</u>
Interest in a joint venture											110	107
Interest in associates											27,658	5,467
Unallocated corporate assets											46,164	22,987
Total assets											<u>551,843</u>	<u>421,002</u>
LIABILITIES:												
Segment liabilities	<u>48,487</u>	<u>11,507</u>	<u>53,940</u>	<u>51,627</u>	<u>35,716</u>	<u>6,117</u>	<u>31,427</u>	<u>8,371</u>	<u>10,372</u>	<u>12,441</u>	<u>179,942</u>	<u>90,063</u>
Unallocated corporate liabilities											81,300	53,536
Total liabilities											<u>261,242</u>	<u>143,599</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 bonds, promissory note, and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

(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		Distribution and Production of films and television programmes		Money lending		Operation of cinemas		Securities and bonds investment		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	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	33	604	906	866	-	-	53,616	11,721	-	-	54,555	13,191
Depreciation of property, plant and equipment	264	287	638	539	-	-	3,683	2,045	-	-	4,585	2,871
Amortisation of film rights	-	-	27,027	24,231	-	-	-	-	-	-	27,027	24,231
Amortisation of intangible assets	40	-	-	-	-	-	-	-	-	-	40	-
Impairment loss of film rights	-	-	47,565	16,472	-	-	-	-	-	-	47,565	16,472
Impairment loss of goodwill	3,664	-	-	-	-	-	-	-	-	-	3,664	-
Impairment loss of loan receivables	-	-	-	-	3,500	-	-	-	-	-	3,500	-
Impairment loss of trade receivables	-	-	390	133	-	-	-	-	-	-	390	133
Impairment loss of deposit and other receivables	-	-	100	-	-	-	-	-	-	-	100	-
Impairment loss of prepayment	-	-	25,101	-	-	-	-	-	-	-	25,101	-

(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, except deferred tax assets, 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	
	2016 HK'000	2015 HK'000	2016 HK'000	2015 HK'000
Hong Kong (place of domicile)	85,993	41,769	275,354	310,036
The PRC	135,248	58,734	63,423	20,448
Taiwan	216	–	–	–
Japan	–	410	–	–
Other Asian countries (note (a))	6,271	6,370	–	–
North America (note (b))	291	3,834	–	–
European countries (note (c))	209	46	–	–
Other areas	–	13	–	–
	<u>228,228</u>	<u>111,176</u>	<u>338,777</u>	<u>330,484</u>

Notes:

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

(e) **Information about major customers**

Revenue from two (2015: two) customers under artiste management services and music production segment and distribution and production of films and television programmes (2015: artiste management services and music production segment) contributing over 10% of the total revenue of the Group for the year ended 30 June 2016 which amounted to approximately HK\$23,400,000 and approximately HK\$32,956,000 (2015: HK\$23,531,000 and HK\$13,335,000) respectively.

## 5. REVENUE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Artiste management services fee income and music production	93,647	84,536
Films production and licensing of the corresponding rights (Note)	95,562	13,102
Interest income and handling charge income from money lending	8,961	4,200
Cinema operation income	30,058	9,338
	<u>228,228</u>	<u>111,176</u>

*Note:*

During the year, the Group signed cooperating distribution agreements (the “Agreements”) with independent third parties (the “Investors”) in relation to a distribution right of an overseas film (the “Film”) to be distributed in the People’s Republic of China (the “PRC”). According to the terms of the Agreements, (1) the Group and the Investors would share revenue and distribution costs of the Film on the basis of percentage of ownership on the film distribution right; and (2) one of the investor (the “Distributor”) has the obligation to manage the distribution of the Film in the PRC, including but not limited to collect and check the information about the box office takings and related distribution costs regularly.

The film was broadcast in April and May 2016 in the PRC. Up to the date of this report, the Distributor has yet to finalize and provide the box office takings and related distribution costs incurred for the year ended 30 June 2016. As such, the Group is unable to estimate reliably the box office takings and related distribution costs, trade receivables and other payables and to account for the transactions in the consolidated financial statements for the year ended 30 June 2016.

The Directors of the Company estimate the expected profit from the Film will be in the range of HK\$nil to approximately HK\$12,000,000. The Group is required to share loss if the Film incurred loss.

## 6. OTHER INCOME

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Bank interest income	18	19
Interest income from pledged bank deposits	171	172
Gain on disposal of property, plant and equipment	23	–
Others	1,588	505
	<u>1,800</u>	<u>696</u>

## 7. FINANCE COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest on other borrowings wholly repayable within one year	9,976	3,550
Interest on bank overdraft	–	844
Interest on convertible bonds	134	65
Imputed interest on promissory note payable	–	407
Finance cost on asset retirement obligations	104	53
Finance cost on finance lease liabilities	600	70
	<u>10,814</u>	<u>4,989</u>

## 8. LOSS BEFORE TAXATION

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Staff costs (including Directors' remuneration):		
Salaries, allowances and other benefits in kind	26,148	15,262
Retirement benefits scheme contributions	1,070	692
Equity-settled share-based payments	–	3,984
	<u>27,218</u>	<u>19,938</u>
Total staff costs		
Auditors' remuneration	710	580
Amortisation of film rights*	27,027	24,231
Amortization of intangible assets	40	–
Impairment loss of goodwill	3,664	–
Cost of inventories recognised as expenses**	872	540
Depreciation of property, plant and equipment	4,617	3,479
Impairment loss of film rights*	47,565	16,472
Impairment loss of trade receivables	390	133
Impairment loss of deposit and other receivables	100	–
Impairment loss of loan receivables	3,500	–
Impairment loss of prepayment	25,101	–
Written off of trade receivables	129	253
Written off of other receivables	111	686
Minimum lease payments under operating leases:		
– Land and building	17,410	8,352
Loss on written off of property, plant and equipment	–	83
Exchange (gain)/loss	(1)	245
Change in fair value of investments at fair value through profit or loss	17,688	(3,116)
Change in fair value of derivative financial instruments	2,349	–
Gain on disposal of property, plant and equipment	(23)	–
	<u>17,688</u>	<u>(3,116)</u>

\* 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.

## 9. INCOME TAX (CREDIT)/EXPENSE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current tax:		
Hong Kong		
– Charge for the year	–	36
Deferred tax	<u>(3,131)</u>	<u>–</u>
	<u><b>(3,131)</b></u>	<u><b>36</b></u>

Hong Kong Profits Tax is calculated at 16.5% (2015: 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.

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss before taxation	<u><b>(184,270)</b></u>	<u><b>(96,594)</b></u>
Hong Kong Profits Tax at 16.5% (2015: 16.5%)	<b>(30,405)</b>	(15,938)
Tax effect of share of results of a joint venture	<b>(1)</b>	(4)
Tax effect of share of results of associates	<b>(174)</b>	(95)
Tax effect of expenses non-deductible for tax purpose	<b>10,846</b>	8,853
Tax effect of income not taxable for tax purpose	<b>(54)</b>	(60)
Tax effect of tax losses not recognised	<b>19,139</b>	7,799
Tax effective of utilisation of tax losses previously not recognised	<b>(1,348)</b>	(222)
Effect of different tax rate of subsidiaries operating in other jurisdictions	<b>(1,408)</b>	(1,000)
Tax effect of other temporary differences not recognised	<b>274</b>	706
Over-provision in prior years	<u>–</u>	<u>(3)</u>
Tax (credit)/charge for the year	<u><b>(3,131)</b></u>	<u><b>36</b></u>

## 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\$182,704,000 (2015: approximately HK\$97,094,000) and the weighted average number of 3,186,091,557 (2015: 469,205,349 (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 the year ended 30 June 2015 has been adjusted and restated to reflect the bonus issue occurred during the year.

As the exercise of the Group's outstanding convertible bonds for the years ended 30 June 2016 and 2015 would be anti-dilutive, no diluted loss per share was presented.

## 11. INTANGIBLE ASSETS

	<b>Club membership HK\$'000</b>	<b>Management contract HK\$'000</b>	<b>Total HK\$'000</b>
Cost:			
At 1 July 2015	–	–	–
Additions	2,930	–	2,930
Acquisition of a subsidiary	–	731	731
	<hr/>	<hr/>	<hr/>
At 30 June 2016	2,930	731	3,661
	<hr/>	<hr/>	<hr/>
Accumulated amortization:			
At 1 July 2015	–	–	–
Charged for the year	–	40	40
	<hr/>	<hr/>	<hr/>
At 30 June 2016	–	40	40
	<hr/>	<hr/>	<hr/>
Carring amounts:			
At 30 June 2016	2,930	691	3,621
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 June 2015	–	–	–
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Group's club membership of HK\$2,930,000 (2015: HK\$nil) at 30 June 2016 is assessed as having indefinite useful life because there is no time limit that the Group can enjoy the services provided by that club.

The recoverable amounts of the club membership is determined on the basis of fair value less costs of disposal by reference to market price as at 30 June 2016 (level 3 fair value measurements).

## 12. INTEREST IN ASSOCIATES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Unlisted investments:		
Share of net assets	7,559	2,217
Goodwill	20,099	3,250
	<u>27,658</u>	<u>5,467</u>

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.

	<b>Starz Holdings Limited</b>	<b>Vision Lion Limited</b>	<b>GME Holdings Limited</b>
Principal place of business	Hong Kong	Hong Kong	Hong Kong
Country of incorporation	BVI	Hong Kong	Hong Kong
<b>Principal activities</b>	<b>Model management</b>	<b>Holding of a cruiser</b>	<b>Artiste management</b>
% of ownership interests	40%	25%	55%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 30 June 2016:			
Non-current assets	8,329	11,250	–
Current assets	9,614	1	6,949
Non-current liabilities	(1,294)	–	–
Current liabilities	(5,794)	(16)	(6,203)
Net assets	<u>10,855</u>	<u>11,235</u>	<u>746</u>
Group's share of net assets	4,341	2,808	410
Goodwill	16,849	2	3,248
Group's share of carrying amount of interests	<u>21,190</u>	<u>2,810</u>	<u>3,658</u>

	<b>Vision Lion Limited</b> <i>HK\$'000</i>	<b>GME Holdings Limited</b> <i>HK\$'000</i>
At 30 June 2015:		
Non-current assets	13,000	–
Current assets	2	9,487
Current liabilities	(9)	(11,361)
	<hr/>	<hr/>
Net assets/(liabilities)	12,993	(1,874)
	<hr/> <hr/>	<hr/> <hr/>
Group's share of net assets/(liabilities)	3,248	(1,031)
Goodwill	2	3,248
	<hr/>	<hr/>
Group's share of carrying amount of interests	3,250	2,217
	<hr/> <hr/>	<hr/> <hr/>
	<b>Starz Holdings Limited</b>	<b>GME Holdings Limited</b>
	Period from	Year ended
	21 April 2016 to	30 June 2016
	30 June 2016	Year ended
		30 June 2016
Year ended 30 June 2016:		
Revenue	6,877	–
Profit/(loss) from operations	139	(1,758)
Profit and total comprehensive income/(loss) for the period/year	139	(1,758)
	<hr/> <hr/>	<hr/> <hr/>

	<b>Vision Lion Limited</b>	<b>GME Holdings Limited</b>
	Period from 16 June 2015 to 30 June 2015 <i>HK\$'000</i>	Period from 6 May 2015 to 30 June 2015 <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>

*Note:*

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

On 4 May 2015, GME Innotainment, Inc. (formally 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 Limited 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	<u>1,640</u>
Movement in parent equity	<u><u>2,738</u></u>

**(b) Acquisition of Starz Holdings Limited (“Starz”)**

On 14 December 2015, Mr. Stephen Chau, an independent third party of the Group, and Double Spirit Development Limited, a wholly-owned subsidiary of the Company, entered into an agreement in relation to the acquisition of 40% of the issued share capital of Starz Holdings Limited, which was satisfied by cash consideration of HK\$6,600,000 and convertible bonds of HK\$7,000,000 issued by the Group.

### 13. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Listed securities		
– Equity securities listed in Hong Kong, at fair value	<u>18,787</u>	<u>21,976</u>

*Notes:*

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.

The fair values of listed securities are based on current bid prices.

### 14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Prepayments	(a)	113,374	81,721
Deposits and other receivables		46,827	18,143
Less: Impairment loss		<u>(25,201)</u>	<u>–</u>
		<u>135,000</u>	<u>99,864</u>

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

		2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Non-current portion</b>			
Prepayments	(a)	47,721	76,083
Deposits	(b)	<u>12,828</u>	<u>7,553</u>
		<u>60,549</u>	<u>83,636</u>
<b>Current portion</b>			
Prepayments	(a)	40,552	5,638
Deposits		181	4,364
Other receivables	(c)	<u>33,718</u>	<u>6,226</u>
		<u>74,451</u>	<u>16,228</u>
		<u>135,000</u>	<u>99,864</u>

Notes:

- (a) Prepayments mainly represent upfront payments for film productions, distribution rights and prepaid administrative expenses. As at 30 June 2016 and 2015, 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:

	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Prepayments, net of impairment loss for:		
Acquisition of film distribution rights	<b>5,981</b>	33,764
Film and television programmes production costs	<b>35,428</b>	32,524
Film promotion costs	<b>322</b>	2,360
Artiste fee	<b>40,380</b>	9,657
Opening of cinemas	–	1,186
Investment	<b>5,425</b>	–
Others	<b>737</b>	2,230
	<b>88,273</b>	81,721
Less: Non-current portion	<b>(47,721)</b>	(76,083)
Current portion	<b>40,552</b>	5,638

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.

The movements in the provision for impairment of prepayment, deposits and other receivables are as follows:

	<b>2016</b>
	<b>HK\$'000</b>
Provision for the year and at 30 June	<b>25,201</b>

Provision for impairment of prepayment, deposits and other receivables of approximately HK\$25,201,000, included impairment of prepayment of approximately HK\$22,147,000 (2015: nil) because the Group withdrew investments in certain films or decided not to proceed certain films production.

- (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) Current portion of other receivables included a payment of HK\$14,160,000 to High Court in respect of a legal proceeding.

Other receivables of approximately HK\$11,306,000 (2015: HK\$nil) are denominated in RMB.

## 15. FILM RIGHTS AND FILMS PRODUCTION IN PROGRESS

	<b>Film rights</b> <i>HK\$'000</i>	<b>Films production in progress</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Cost:</b>			
At 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 and 1 July 2015	167,960	144,764	312,724
Additions	9,675	42,428	52,103
Transfer to film rights	40,382	(40,382)	–
	<hr/>	<hr/>	<hr/>
At 30 June 2016	218,017	146,810	364,827
	<hr/>	<hr/>	<hr/>
<b>Accumulated amortisation and impairment:</b>			
At 30 June 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 and 1 July 2015	116,715	–	116,715
Charge for the year	27,027	–	27,027
Impairment loss recognised	47,565	–	47,565
	<hr/>	<hr/>	<hr/>
At 30 June 2016	191,307	–	191,307
	<hr/>	<hr/>	<hr/>
Carrying values:			
At 30 June 2016	26,710	146,810	173,520
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 June 2015	51,245	144,764	196,009
	<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 2016 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\$47,565,000 (2015: approximately HK\$16,472,000) 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 less cost of disposal using discounted cash flow method (Level 3 fair value measurement). The discount rate used was 17.9% (2015: 15.8%).
- (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 2016 and 2015. 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.

## 16. LOANS RECEIVABLES

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loans receivables	<b>41,913</b>	51,131
Less: Impairment loss	<b>(3,500)</b>	–
	<b>38,413</b>	51,131
Analysed as:		
Non-current assets	<b>214</b>	7,626
Current assets	<b>38,199</b>	43,505
	<b>38,413</b>	51,131

The movements in the provision for impairment of loans receivables during the year are as follows:

	<b>2016</b> <i>HK\$'000</i>
Provision for the year and at 30 June	<b>3,500</b>

As at 30 June 2016, loan with principal amount of approximately HK\$22,600,000 is guaranteed by an independent third party and secured by zero coupon convertible bonds (the "Zero Coupon CB") of HK\$58,000,000 which is due in December 2016 and issued by a Hong Kong listed company to the borrower. Zero Coupon CB of HK\$14,500,000 is used to secured a borrowing of HK\$8,000,000 of the Group as at 30 June 2016 (note 20).

As at 30 June 2016, certain term loans with principal amount of HK\$ nil (2015: approximately HK\$12,297,000) are secured by customers' pledged properties at fair value of HK\$ nil (2015: approximately HK\$21,050,000).

All loans receivables are denominated in HK\$ and carried at fixed effective interest ranging from 5% to 36% (2015: 10% to 36%) per annum and with the terms ranging from 30 days to 4 years (2015: 30 days to 20 years).

The following is an aging analysis for the loans receivables, based on loan drawn down date, at the end of the reporting period:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 to 30 days	3	10,012
31 to 90 days	–	–
91 to 180 days	<b>4,294</b>	–
181 to 365 days	<b>34,116</b>	38,640
Over 365 days	–	2,479
	<u>38,413</u>	<u>51,131</u>

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:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Neither past due nor impaired	<b>15,813</b>	51,129
Less than 60 days past due	–	2
61 to 90 days past due	–	–
91 to 180 days past due	<b>22,600</b>	–
	<u>38,413</u>	<u>51,131</u>

## 17. TRADE RECEIVABLES

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	<b>15,172</b>	3,971

- (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:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 to 90 days	<b>14,732</b>	2,147
91 to 180 days	<b>111</b>	10
181 days to 365 days	<b>143</b>	345
Over 365 days	<b>186</b>	1,469
	<u><b>15,172</b></u>	<u>3,971</u>

- (c) As of 30 June 2016, trade receivables of approximately HK\$613,000 (2015: HK\$2,449,000) 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:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Neither past due nor impaired	<b>14,559</b>	1,522
0 -90 days past due	<b>231</b>	625
91 – 120 days past due	<b>53</b>	10
181 -365 days past due	<b>143</b>	345
Over 365 days past due	<b>186</b>	1,469
	<u><b>613</b></u>	<u>2,449</u>
	<u><b>15,172</b></u>	<u>3,971</u>

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

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
At 1 July	<b>133</b>	–
Provision for the year	<b>390</b>	133
	<u><b>523</b></u>	<u>133</u>
At 30 June	<u><b>523</b></u>	<u>133</u>

- (e) As explained in note 5 to the consolidated financial statements, the Group is unable to estimate reliably the revenue from the box office takings of the Film and therefore the trade receivables at the end of reporting period. As such, this trade receivables balance of approximately HK\$15,172,000 does not include the receivable amount arising from the Film.

## 18. TRADE PAYABLES

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 – 90 days	18,797	6,548
91 – 180 days	2,410	1,355
181 -365 days	50	48
Over 365 days	134	1,670
	<u>21,391</u>	<u>9,621</u>

## 19. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Accruals		21,649	5,536
Deposits received	(b)	41,616	48,150
Other payables	(a)	19,971	10,266
		<u>83,236</u>	<u>63,952</u>

The amounts of accruals, deposits received and other payables are analysed for reporting purpose as follow:

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Non-current portion</b>			
Other payables	(a)	12,497	–
<b>Current portion</b>			
Accruals		21,649	4,589
Deposits received	(b)	41,616	49,097
Other payables	(c)	7,474	10,266
		<u>70,739</u>	<u>63,952</u>
		<u>83,236</u>	<u>63,952</u>

*Notes:*

- (a) The amount represents accrued effective rent payables.
- (b) The amount represents mainly the deposits received for film distribution and provision of artiste services. Deposits received of approximately HK\$4,500,000 (2015: approximately HK\$3,750,000) is guaranteed by a Director of the Company.

- (c) Other payables include amount due to an associate of approximately HK\$1,311,000.
- (d) As explained in note 5 to the consolidated financial statements, the Group is unable to estimate reliably the distribution costs of the Film and therefore the other payables at the end of reporting period. As such, this other payables balance of approximately HK\$19,971,000 does not include the payables amount arising from the Film.

## 20. OTHER BORROWINGS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Secured	63,000	30,000
Unsecured	55,372	19,728
	<u>118,372</u>	<u>49,728</u>

Other borrowings of HK\$63,000,000 (2015: HK\$30,000,000) are secured by the followings:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Personal guaranteed by a director	30,000	30,000
HK\$14,500,000 Zero Coupon CB ( <i>note 16</i> )	8,000	–
25% of equity interest in a subsidiary	25,000	–
	<u>63,000</u>	<u>30,000</u>

Interest rate of other borrowings are as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest free	–	1,287
3% per month	–	3,000
5% per annum	25,000	–
8% per annum	1,777	–
9% per annum	3,000	3,000
10% per annum	62,000	30,000
11% per annum	–	12,441
12% per annum	18,595	–
15% per annum	8,000	–
	<u>118,372</u>	<u>49,728</u>

## 21. SHARE CAPITAL

	Number of shares		Amount	
	2016 '000	2015 '000	2016 HK\$'000	2015 HK\$'000
Ordinary shares of HK\$0.01 each (2015: HK\$0.01 each)				
<b>Authorised:</b>				
At the beginning of the year	<b>20,000,000</b>	20,000,000	<b>200,000</b>	100,000
Share consolidation ( <i>note (b)</i> )	–	(16,000,000)	–	–
Increase ( <i>note (b)</i> )	–	4,000,000	–	100,000
Capital reorganisation ( <i>note (d), (f)</i> )	–	12,000,000	–	–
	<u>20,000,000</u>	<u>20,000,000</u>	<u>200,000</u>	<u>200,000</u>
At the end of the year	<b>20,000,000</b>	20,000,000	<b>200,000</b>	200,000

Ordinary shares of HK\$0.01 each  
(2015: HK\$0.01 each)

	Number of shares		Amount	
	2016 '000	2015 '000	2016 HK\$'000	2015 HK\$'000
<b>Issued and fully paid:</b>				
At the beginning of the year	<b>158,189</b>	805,226	<b>1,582</b>	4,026
Issue of shares upon placing ( <i>note (a), (c), (e), (h)</i> )	<b>800,000</b>	2,644,900	<b>8,000</b>	34,146
Bonus issue ( <i>note (b), (i)</i> )	<b>2,874,568</b>	4,610,453	<b>28,746</b>	115,261
Share consolidation ( <i>note (b)</i> )	–	(1,844,181)	–	–
Capital reorganisation ( <i>note (d), (f)</i> )	–	(6,382,612)	–	(159,657)
Issue of share upon exercise of share options ( <i>note (g)</i> )	–	324,403	–	7,806
	<u>3,832,757</u>	<u>158,189</u>	<u>38,328</u>	<u>1,582</u>
At the end of the year	<b>3,832,757</b>	158,189	<b>38,328</b>	1,582

*Notes:*

For the year ended 30 June 2015

- (a) 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 less than six independent placee 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 less 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.

- (b) 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.

- (c) On 1 December 2014, the Company entered into a placing agreement to place a maximum number of 1,013,100,000 shares to not less 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.

- (d) By a special resolution dated 13 January 2015, the Company implemented capital reorganisation which involves (i) every ten issued and unissued shares of HK\$0.25 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.

- (e) On 1 April 2015, the Company entered into a placing agreement to place a maximum number of 131,800,000 shares to not less 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.

- (f) 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 byelaws of the Company and all applicable laws (including the application of such credit balance to set off against the accumulated losses of the Company).
- (g) 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.

For the year ended 30 June 2016

- (h) On 20 July 2015, the Company entered into a placing agreement to place a maximum number of 800,000,000 shares in a maximum of 2 tranches (in which each tranche shall not be less than 400,000,000 placing shares) to not less than six independent placees at a price of HK\$0.25 per share.

On 8 September 2015, the Company completed the placing, in which 403,000,000 shares were placed to not less than six placees who and whose ultimate beneficial owners are independent third parties of the Company and its connected persons at HK\$0.25 per share by the first tranche. The net proceeds of approximately HK\$98,073,000 were raised from the placing.

On 18 September 2015, the Company completed the placing, in which 397,000,000 shares were placed to not less than six placees who and whose ultimate beneficial owners are independent third parties of the Company and its connected persons at HK\$0.25 per share by the second tranche. The net proceeds of approximately HK\$96,769,000 were raised from the placing.

- (i) By a special resolution date 20 October 2015, the Company issued three bonus shares for every one share held. The issued share capital of the Company was therefore increased from 958,189,556 shares of HK\$0.01 each to 3,832,758,224 shares of HK\$0.01 each accordingly.

On 13 November 2015, the Company completed the bonus issue, in which, the share premium reduction for the year ended 30 June 2016 of approximately HK\$28,746,000 was credited to share capital and the same amount was debited to the share premium account.

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.

## **DIVIDEND**

The directors of the Company did not recommend the payment of any dividend for the years ended 30 June 2016.

## **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 Kwok 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 2016. 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) Corresponding figures

Included in the Group's investment 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. 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 prior years. However, we are satisfied that the investment in DHL is fairly stated as at 30 June 2015. Any adjustment to this figure might have a consequential effect on the Group's other comprehensive loss for the year ended 30 June 2015.

(b) Revenue and distribution costs of a firm

As explained in note 5 to the consolidated financial statements, the directors of the Company had not been provided with sufficient information regarding the revenue from box office takings and the related distribution costs of a film. As such, we had not been provided with sufficient evidence in relation to the audit of the amounts of revenue and trade receivable from box office takings and the related distribution costs and other payables of the film. There are no other satisfactory audit procedures that we could adopt to determine the amounts of revenue from box office takings and the related distribution costs of the film for the year ended 30 June 2016 and the corresponding trade receivable and other payables as at 30 June 2016. Any adjustment to these figures might have a consequential effect on the results for the year and net assets as at 30 June 2016.

## **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 2016, 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.

## **MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS**

Without further qualifying our opinion, we draw attention to the consolidated financial statements which mentions that the Group incurred a loss of approximately HK\$181,139,000 for the year ended 30 June 2016 and as at 30 June 2016 the Group had net current liabilities of approximately HK\$16,805,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

## **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](http://www.hkgem.com)) and the Company's website ([www.china3d8078.com](http://www.china3d8078.com)) in due course.

Yours faithfully,  
By Order of the Board  
**HMV Digital China Group Limited**  
**Shiu Stephen Junior**  
*Chairman*

Hong Kong, 30 September 2016

*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  
Mr. Chau Sai Ho, Charles

*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](http://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](http://www.china3d8078.com).*