China Creative Digital Entertainment Limited
中國創意數碼娛樂有限公司

(formerly known as HMV Digital China Group Limited)

(Incorporated in Bermuda with limited liability)

(Stock Code: 8078)

ANNUAL RESULTS ANNOUNCEMENT
For the year ended 30 June 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given the emerging nature of companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the "**Director(s)**") of China Creative 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 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 enquires, 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.*

ANNUAL RESULTS

The board of Directors (the "**Board**") of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 30 June 2019, which have been audited and agreed by the auditor of the Company, together with the audited comparative figures for the year ended 30 June 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Notes	**2019** ***HK$'000***	2018 *HK$'000* (Restated)
CONTINUING OPERATIONS			
Revenue	*5*	**64,565**	352,298
Other income and gain	*6*	**47,749**	32,858
Cost of distribution and production of films, television programmes and music production		**(214,087)**	(131,184)
Cost of artiste management services		**–**	(122,766)
Selling and distribution costs		**(8,776)**	(14,368)
Administrative expenses		**(95,642)**	(68,305)
Net provision for expected credit loss on trade receivables		**(87,225)**	–
Net provision for expected credit loss on loan receivables		**(65,435)**	–
Provision for expected credit loss on other receivables		**(135,228)**	–
Written off of loan receivables		**–**	(611)
Written off of trade receivables		**–**	(1,423)
Written off of prepayment and other receivables		**(25,245)**	(17,030)
Written off of goodwill on acquisition of a subsidiary		**(7,693)**	–
Impairment loss on investment in an associate		**(10,188)**	–
Impairment loss on goodwill		**(10,789)**	–
Impairment loss on intangible assets		**(7,840)**	–
Finance costs	*7*	**(122,112)**	(35,670)
Change in fair value of an investment property		**(118,028)**	25,029
Loss on disposal of subsidiaries		**–**	(6,705)
Loss on deemed disposal of an associate		**(14,966)**	–
Change in fair value of financial assets at fair value through profit or loss		**4,828**	(9,085)
Share of results of associates		**(11,571)**	(22,996)
Share of results of a joint venture		**–**	(2)
Loss before income tax from continuing operations	*8*	**(817,683)**	(19,960)
Income tax credit	*9*	**34**	908
Loss for the year from continuing operations		**(817,649)**	(19,052)
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	*10*	**(1,289,461)**	(46,690)
Loss for the year		**(2,107,110)**	(65,742)

	Note	2019 HK$'000	2018 HK$'000 (Restated)
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**2,062**	(632)
Exchange difference arising from release on disposal of a subsidiary		**772**	–
Items that will not be reclassified subsequently to profit or loss:			
Share of other comprehensive income of an associate		**(1,713)**	823
Changes in fair value of financial assets at fair value through other comprehensive income		**(167,189)**	(113,787)
Total other comprehensive loss for the year, net of tax		**(166,068)**	(113,596)
Total comprehensive loss for the year		**(2,273,178)**	(179,338)
Loss for the year attributable to:			
Owners of the Company			
– Continuing operations		**(813,283)**	(18,743)
– Discontinuing operations		**(1,289,461)**	(46,690)
Non-controlling interests			
– Continuing operations		**(4,366)**	(309)
		(2,107,110)	(65,742)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(2,268,812)**	(179,029)
Non-controlling interests		**(4,366)**	(309)
		(2,273,178)	(179,338)
Loss per share attributable to owners of the Company	*12*		
From continuing and discontinued operation			
– Basic and diluted		**HK$(7.76)**	HK$(0.24)
From continuing operations			
– Basic and diluted		**HK$(3.00)**	HK$(0.07)
From discontinued operations			
– Basic and diluted		**HK$(4.76)**	HK$(0.17)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

	Note	**30 June 2019 HK$'000**	30 June 2018 HK$'000 (Restated)	1 July 2017 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment		**7,312**	97,916	91,076
Investment property		**–**	298,000	–
Intangible assets		**4,279**	247,473	263,969
Goodwill		**13,148**	1,050,455	1,072,986
Interests in associates		**55,175**	89,282	16,255
Interest in a joint venture		**107**	107	109
Financial assets at fair value through other comprehensive income		**116,252**	51,971	358,497
Financial assets at fair value through profit or loss		**277,692**	187,817	–
Prepayments, deposits and other receivables		**27,201**	172,869	265,368
Film rights and films production in progress		**303,902**	386,954	209,434
Loans receivables		**–**	70,633	51,489
Deferred tax assets		**1,535**	7,218	16,650
		806,603	2,660,695	2,345,833
Current assets				
Financial assets at fair value through other comprehensive income		**–**	167,789	–
Prepayments, deposits and other receivables		**165,113**	205,154	314,063
Loan receivables		**209,687**	297,018	59,906
Inventories		**9,201**	21,709	28,629
Trade receivables	*13*	**6,949**	206,983	123,557
Financial assets at fair value through profit or loss		**21,392**	23,444	21,184
Pledged bank deposits		**–**	3,674	15,070
Bank and cash balances		**28,399**	125,927	147,078
		440,741	1,051,698	709,487
Assets of disposed group classified as held for sale		**180,025**	–	–
		620,766	1,051,698	709,487

	Note	**30 June 2019 HK$'000**	30 June 2018 HK$'000 (Restated)	1 July 2017 HK$'000 (Restated)
Current liabilities				
Trade payables	*15*	**31,543**	70,223	62,589
Accruals, deposits received and other payables		**292,202**	237,633	170,286
Other borrowings		**110,793**	314,169	84,251
Convertible bonds		**226,913**	156,817	5,311
Promissory note payables		**421,827**	187,753	14,160
Finance lease payables		**–**	133	104
Provision for asset retirement		**–**	–	983
		1,083,278	966,728	337,684
Liabilities of disposed group classified as held for sale		**180,025**	–	–
		1,263,303	966,728	337,684
Net current (liabilities)/assets		**(642,537)**	84,970	371,803
Total assets less current liabilities		**164,066**	2,745,665	2,717,636
Non-current liabilities				
Deferred tax liabilities		**2,243**	27,251	29,677
Accruals, deposits received and other payables		**–**	22,106	17,568
Promissory note payables		**–**	191,347	–
Convertible bonds		**–**	44,825	40,408
Finance lease payables		**–**	1,740	1,825
Provision for asset retirement		**–**	16,960	12,613
		2,243	304,229	102,091
NET ASSETS		**161,823**	2,441,436	2,615,545
Capital and reserves				
Share capital		**2,714**	134,951	134,758
Reserves		**166,790**	2,306,867	2,480,860
Equity attributable to owners of the Company		**169,504**	2,441,818	2,615,618
Non-controlling interests		**(7,681)**	(382)	(73)
TOTAL EQUITY		**161,823**	2,441,436	2,615,545

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. GENERAL INFORMATION, BASIS OF PREPARATION AND GOING CONCERN

General information

China Creative Digital Entertainment Limited (the "**Company**"), which changed its name from HMV Digital China Group Limited to China Creative Digital Entertainment on 29 May 2019, was incorporated as an exempted company with limited liability in Bermuda under the Bermuda Companies Act. The Company's shares are listed on 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 is Unit C, 8/F., D2 Place Two, 15 Cheung Shun Street, Cheung Sha Wan, Kowloon, Hong Kong.

The consolidated financial statements have been presented in Hong Kong Dollar ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

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 the note below and the consolidated financial statements.

Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable Hong Kong Accounting Standards ("**HKASs**"), HKFRSs and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). In addition, the consolidated financial statements include applicable disclosures required by The Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for investment property, financial assets at fair value through profit or loss ("**FVTPL**") and financial assets at fair value through other comprehensive income ("**FVTOCI**"), which are measured at fair value.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the consolidated financial statements for the year ended 30 June 2018 except for the adoption of certain new and revised HKFRSs that are relevant to the Group and effective from the current period as set out below.

Going concern

The Group incurred a net loss of approximately HK$2,107,110,000 for the year ended 30 June 2019 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$642,537,000. As at 30 June 2019, the Group had other borrowings, convertible bonds and promissory note payables amounted to approximately HK$110,793,000, HK$226,913,000 and HK$421,827,000, respectively, out of which approximately HK$33,665,000, HK$164,913,000 and HK$163,474,000 had been overdue and had not been settled by the Group. In addition, as disclosed in the consolidated financial statements, the Group could not fulfil certain covenants and/or breached its specific obligation which constituted as event of default relating to certain other borrowings, convertible bonds and promissory note payables amounted to HK$33,665,000 and HK$224,913,000 and HK$380,605,000 as at 30 June 2019. The facts and circumstances described above indicate the existence of material uncertainties which may cast significant doubts about the Group's ability to continue as a going concern.

Certain measures have been and are being undertaken to manage the Group's liquidity needs and to improve its financial position, which include, but are not limited to, the followings;

(i) Actively negotiating with finance providers for the waiver of the repayable on demand clause and breach of the undertaking and restrictive covenant requirements of certain bank loans;

(ii) Actively negotiating with banks or other financial institutions to obtain additional new financing and other source of funding as and when required;

(iii) Actively executing active measures to expedite collections of outstanding receivables;

(iv) Actively speeding up the launch of certain films that will contribute significant cash flows through film distribution;

(v) Implementing comprehensive policies to monitor cash flows through cutting costs and capital expenditure; and

(vi) Exploring the possibility of disposing certain non-core assets.

Based on the Group's cash flow projections, taking account of effectiveness and feasibility of the above measures covering a period of twelve months from the end of the reporting period prepared by the management, the directors of the Company consider the Group would be able to finance its operations and to meet its financial obligations as and when they fall due within the forecast period. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any future liabilities that may arise and to re-classify non-current assets and liabilities as current assets and liabilities. The effect of these adjustments have not been reflected in the consolidated financial statements.

2. ADOPTION OF NEW AND REVISED HKFRSs

(a) Adoption of new and revised HKFRSs

HKFRS 9 (2014)	HKFRS 9 (2014) Financial Instruments and the related amendment
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions
Amendments to HKFRS 15	Clarification to HKFRS 15 Revenue Contracts with customers
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC) – Interpretation 22	Foreign Currency Transactions and Advance Consideration

The adoption of the above new and revised standards has had no significant effect on the consolidated financial statements of the Group except for the adoption of HKFRS 9 (2014) and HKFRS 15 as discussed below.

(i) HKFRS 9 (2014) Financial Instruments and the related amendment

HKFRS 9 (2014) and the amendments to HKFRS 9 have replaced HKFRS 9 (2009) Financial instruments: recognition and measurement. For the classification of financial instruments, there are no material changes between HKFRS 9 (2009) and HKFRS (2014). For the measurement of financial instruments about impairment of financial assets, HKFRS 9 (2009) adopted incurred loss model and HKFRS 9 (2014) applies expected credit loss ("**ECL**") model. As a result, in accordance with the specific transitional provisions set out in HKFRS 9 (2014), the Group has applied the measurement requirements (including requirements relating to impairment under ECL model) to items that existed as of the date of initial adoption (i.e. 1 July 2018) on a retrospective basis based on the facts and circumstances that existed as at 1 July 2018. However, the Group has decided not to restate the comparative figures. Accordingly, the comparative information continues to be presented based on the requirements of HKFRS 9 (2009) and hence may not be comparable with the current year information. The cumulative effect of initial adoption of HKFRS 9 (2014) has been recognised as adjustments to the opening equity as at 1 July 2018.

(a) Classification and measurement of financial assets

In general, HKFRS 9 (2014) categorises financial assets into the following three classification categories:

- measured at amortised cost;
- FVTOCI; and
- FVTPL.

These classification categories are same as those set out in HKFRS 9 (2009).

The adoption of HKFRS 9 (2014) has no material impact on the Group's accounting policies related to classification of its financial assets and financial liabilities.

(b) Impairment under ECL model

HKFRS 9 (2014) replaces the "incurred loss" model in HKFRS 9 (2009) with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the incurred loss model in HKFRS 9 (2009). The Group apply the new ECL model to financial assets measured at amortised cost (including pledged bank deposits, bank and cash balances, loan receivables, trade receivables and deposits and other receivables).

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expect to receive). In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions. ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group always recognises lifetimes ECL for trade receivables.

For other instruments, the Group measures the loss allowance equal to 12-month ECLs, unless when there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount for all financial instruments is recognised in profit or loss.

As at 1 July 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9 (2014). The results of the assessment and the impact thereof are detailed below.

(c) Summary of effects arising from initial adoption of HKFRS 9 (2014)

The following table reconciles the impairment allowance measured in accordance with HKFRS 9 (2009) (under incurred loss model) as at 30 June 2018 to the ECL allowance measured in accordance with HKFRS 9 (2014) as at 1 July 2018:

	Loan receivables *HK$'000*	**Trade receivables** *HK$'000* *(Note 13)*	**Other receivables** *HK$'000*	**Accumulated losses** *HK$'000* (Restated)
Closing balances* at 30 June 2018 – HKFRS 9 (2009)	367,651	206,983	168,686	79,457
Effects arising from initial application of HKFRS 9 (2014):				
Re-measurement impairment under ECL model *(Note)*	(10,789)	(1,533)	(2,326)	14,648
Opening balances at 1 July 2018 – HKFRS 9 (2014)	356,862	205,450	166,360	94,105

* After prior year adjustments

Note: The adoption of the ECL model of HKFRS 9 (2014) resulted in earlier provision of credit losses which are not yet incurred in relation to the Group's loan receivables, trade and other receivables. Such additional impairment recognised under ECL model increased the ECL allowances on loan receivables, trade receivables and other receivables by approximately HK$10,789,000, HK$1,533,000 and HK$2,326,000 respectively as at 1 July 2018. As a result, as at 1 July 2018, corresponding adjustments are recognised to increase the opening accumulated losses by approximately HK$14,648,000.

(ii) HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue ("**HKAS 18**"), HKAS 11 Construction Contracts ("**HKAS 11**") and the related interpretations.

The Group has adopted HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial adoption, 1 July 2018. In addition, the Group has elected to apply HKFRS 15 retrospectively only to contracts that are not completed at 1 July 2018.Any difference at the date of initial adoption is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the Contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance Obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a goods or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs;
- or the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 (2014). In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

With regards to "artiste management fee income", the Group, after assessing the specific facts and circumstances and the terms of the related contracts, concluded that the performance obligations of the Group to the customers under the contractual arrangements entered into by the Group, the relevant artistes and the advertising clients were to arrange for, and ensure that the relevant artistes are made available were to be the spokesperson for the product/services of the clients during the contract periods and hence the Group concluded that the Group is acting as an agent of the artistes during the contract period and hence revenue should be recognised on a net basis (i.e. the stipulated portion of the gross amount received or receivable from the clients that the artistes agreed the Group would be entitled to retain when they entered into the master agreements with the Group for the Group to procure advertising clients for them). Before the adoption of HKFRS 15, revenue was recognised on a gross basis and the amounts of fees earned by the artistes were recognised as "cost of artiste management services". Such a change does not affect the net profit recognised by the Group.

The Group distributes the new film right to cinemas for the period from the start date of the show to the end date of the show and entitles the sharing of box office income as consideration.

From the Group's point of view, it did not transfer any film rights to the customers but just licensed to the cinema for the exhibition. The service of the film exhibition was actually provided by the cinema. According to HKFRS 15, the Group is not a principal under this arrangement. Income from the distribution of new films should be recognised when the film has been released and distributed to the cinema circuit and the amount can be measured reliably, which is generally when the cinema circuit confirms to the Group its share of box office receipts. Prior to the adoption of HKFRS 15, revenue was recognised on a gross basis. Such a change does not affect the net profit recognised by the Group.

Except as described above, the adoption of other amendments to HKFRSs in the current year has had no material effect on the amounts reported and/or disclosures set out in the consolidated financial statements.

(b) New and revised HKFRSs not yet adopted

		Effective for annual reporting periods beginning on or after
HKAS 19 Amendments	Plan Amendment, Curtailment or Settlement	1 January 2019
HKAS 28 Amendments	Long-term Interests in Associates and joint Ventures	1 January 2019
HKAS 28 and HKFRS 10 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint venture	To be determined*
HKFRS 9 Amendments	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK (IFRIC) – Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017	1 January 2019
HKFRS 3 (Revised) Amendments	Definition of a Business	1 January 2020
HKAS 1 (Revised) and HKAS 28 Amendments	Definition of Material	1 January 2020
Conceptual Framework For Financial Reporting 2018	Revised Conceptual Framework For Financial Reporting	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021

* The amendments were original intended to be effective for annual period beginning on or after 1 January 2018. The effective date has now been deferred. Early application of the amendments continues to be permitted.

The Group has already commenced an assessment of the related impact of adopting the above new and revised HKFRSs. So far, it has concluded that the above new and revised HKFRSs will be adopted at the respective effective dates and the adoption of them is unlikely to have a significant impact on the consolidated financial statements of the Group except for HKFRS 16 as detailed in the consolidated financial statements.

3. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATION/SIGNIFICANT ACCOUNTING POLICIES

Prior year adjustments and reclassification

In preparing the consolidated financial statements of the Group for the year ended 30 June 2019, the directors had noted that the accounting treatments adopted by the Group in its previously issued consolidated financial statements were incorrect. The amounts presented in the consolidated financial statements in respect of the year ended 30 June 2018 have been restated to correct those errors identified. The effects of the restatements to the amounts presented in the consolidated statement of financial position and the consolidated statement of profit or loss and other comprehensive income are summarised as below:

i) Adjustments on loan receivables, prepayments and financial assets at FVTPL

Certain loan receivables and prepayments which were previously classified as financial assets at amortised cost contain variable returns for the contracted parties. Accordingly, these loan receivables and prepayments do not satisfy the contractual cash flow characteristics test for financial assets at amortised cost specified in HKFRS 9 (2009). Such loan receivables and prepayments should have been classified as financial assets at FVTPL under HKFRS 9 (2009) as at 30 June 2018.

ii) Adjustments relating to classification and measurement of convertible bonds and promissory note

The conversion options embedded in certain convertible bonds were wrongly concluded to be derivative financial instruments instead of equity instrument in prior years. Besides, after reconsidering the terms and conditions in relation to the early redemption option in one of the convertible bond and the facts and circumstances available at the date of issue of this convertible bond, the management believed the possibility of exercising such early redemption option by the Group was remote, and therefore the fair value of the early redemption option of this convertible bond at the date of issue should be minimal.

The fair values of these convertible bonds at initial recognition should have been allocated between host debt component and equity component instead of between host debt component and derivative component. In addition, one of the convertible bond was issued for cash proceeds at its principal amount to an independent third party, of which the management considered its fair value at initial recognition should be the principal amount, after revisiting the facts and circumstances, instead of the fair value of convertible bond calculated under valuation model.

In addition, one of the convertible bond and one of the promissory note were issued to the same independent third party on the same date with same securities during the year ended 30 June 2018. As a result, their fair values at initial recognition should have been derived by the same discount rate and the equity component of the convertible bond would be assigned the residual amount of total proceeds after deducting from the fair value of the debt component of the convertible bond and the fair value of the promissory note.

iii) Adjustments on the interests in associates and financial assets at FVTOCI

The financial assets at FVTOCI as at 30 June 2018 included investments represented by, 27.41% equity interest in HMVOD Limited, a company whose shares are listed on the GEM of the Stock Exchange. As the Group's shareholding in HMVOD Limited amounted to greater than 20%, the Group is presumed to have acquired significant influence over HMVOD Limited on 14 July 2017. Accordingly, the Group's investments in HMVOD Limited should be equity accounted for with effect from 14 July 2017 instead of being recognised as financial assets at FVTOCI as at 30 June 2018.

iv) Adjustments on amortisation of film rights

The management revisited the useful lives of film rights and considered that revenue and the consumption of the economic benefits film right are highly correlated. Therefore, the presumption prescribed in HKAS 38, Intangible Assets, that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate should be rebutted. The film rights should have been amortised over the basis that the amortisation of film rights can match with the economic benefits generated from it, instead of over straight line basis for previous years.

The effects of the restatements to the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position on notes (i) to (iv) are set out in the table below.

In addition, certain amounts presented in the consolidated statement of profit or loss and other comprehensive income have been rested to re-present the result of discontinued operations.

v) The effects on the consolidated statement of financial position as at 1 July 2017 are set out below:

	As previously report	**Adjustments relating to classification and measurement of convertible bonds**	**As restated**
	HK$'000	*HK$'000*	*HK$'000*
		(Note)	
Derivative financial instruments – current	(2,319)	2,319	–
Derivative financial instruments – non-current	(32,057)	32,057	–
Share premium	(2,518,619)	1,008	(2,517,611)
Convertible bonds equity reserve	–	(39,953)	(39,953)
Accumulated losses	9,455	4,569	14,024

Note:

Adjustments was made to:

(i) to reclassify the conversion option of the convertible bonds from derivative financial instruments to equity component of convertible bonds, i.e. convertible bonds equity reserve;

(ii) to correct the wrong classification and measurement of the derivative financial instruments and restate the amount to Nil;

vi) ***The effects on the consolidated statement of financial position as at 30 June 2018 are set out below:***

	As previously report *HK$'000*	**Adjustments on loan receivables, prepayments and financial assets at FVTPL** *HK$'000* *(Note (a))*	**Adjustments relating to classification and measurement of convertible bonds and promissory note** *HK$'000* *(Note (b))*	**Adjustments on the interests in associates and financial assets at FVTOCI** *HK$'000* *(Note (c))*	**As restated** *HK$'000*
Interests in associates	33,801	–	–	55,481	89,282
Financial assets at FVTOCI	131,130	–	–	(79,159)	51,971
Prepayments, deposits and other receivables – non-current	237,081	(64,212)	–	–	172,869
Loan receivables (at amortised cost) – current	445,321	(148,303)	–	–	297,018
Financial assets at FVTPL – non-current	–	187,817	–	–	187,817
Convertible bonds – current	(151,185)	–	(5,632)	–	(156,817)
Derivative financial instruments – current	(8,624)	–	8,624	–	–
Derivative financial instruments – non-current	(8,114)	–	8,114	–	–
Promissory note payables – current	(188,214)	–	461	–	(187,753)
Share premium	(2,523,239)	–	(3,571)	–	(2,526,810)
Investment revaluation reserve	173,836	–	–	619	174,455
Convertible bonds equity reserve	–	–	(35,790)	–	(35,790)
Foreign currency translation reserve	2,644	–	–	(823)	1,821
Accumulated losses	3,083	24,698	27,794	23,882	79,457

Notes:

a) Adjustments was made to reclassify loan receivables and prepayments to financial assets at FVTPL and restate the balance at fair value;

b) Adjustments was made to:

(i) to reclassify the conversion option of the convertible bonds from derivative financial instruments to equity component of convertible bonds, i.e. convertible bonds equity reserve;

(ii) to correct the wrong classification and measurement of the derivative financial instruments and restate the amount to Nil;

(iii) to restate the fair value of one of the convertible bonds; and

(iv) to restate the values of promissory note.

c) Adjustment was made to account for the interests in associates.

vii) The effects on the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2018 are set out below:

	As previously reported	Adjustments on the loan receivables, prepayments and financial assets at FVTPL	Adjustments relating to classification and measurement of convertible bonds and a promissory note	Adjustments on interests in associates and financial assets at FVTOCI	Reclassify to discontinued operation	Adjustments on amortisation of film rights	As restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note (a))	*(Note(b))*	*(Note (c))*	*(Note (d))*	*(Note (e))*	
Change in fair value of financial assets at FVTPL	15,613	(24,698)	–	–	–	–	(9,085)
Revenue	608,251	–	–	–	(255,953)	–	352,298
Other income and gain	40,213	–	–	–	(7,355)	–	32,858
Cost of cinema operation	(19,634)	–	–	–	19,634	–	–
Cost of retail business	(140,417)	–	–	–	140,417	–	–
Selling and distribution costs	(101,299)	–	–	–	86,931	–	(14,368)
Administrative expenses	(168,363)	–	16,186	–	64,808	–	(87,639)#
Finance costs	(41,809)	–	4,523	–	1,616	–	(35,670)
Loss for the year from discontinued operations	–	–	–	–	(46,690)	–	(46,690)
Amortisation of film rights	(34,360)	–	–	–	–	(19,607)	(53,967)
Impairment of film rights	(19,607)	–	–	–	–	19,607	–
Change in fair value of derivative financial instruments	43,934	–	(43,934)	–	–	–	–
Share of results of associates	886	–	–	(23,882)	–	–	(22,996)
Income tax credit	4,316	–	–	–	(3,408)	–	908

It includes written off of loan receivables, written off of trade receivables and written off of prepayment and other receivables.

Notes:

a) Adjustment was made as described in note (vi)(a) above.

b) Adjustment was made as described in note (vi)(b) above.

c) Adjustment was made to described in note (vi)(c) above.

d) Adjustment was made to re-present the result of discontinued operation.

e) Adjustment were made to account for amortisation of film rights that match with the economic benefits generated from it.

* Included in "cost of distribution and production of films, television programmes and music production" of the consolidated statement of profit or loss.

4. SEGMENT INFORMATION

The Group has four reportable and operating segments in its continuing operations as follows:

– Artiste management services

– Distribution and production of films, television programmes and music production and other film related production ("**Entertainment business**")

– Money lending

– Securities and bonds investment

The Group discontinued the two following reportable and operating segments during the year ended 30 June 2019:

– Sales of goods, food and beverage under the brand name of HMV ("**HMV business**")

– Operation of cinemas

The Group's reportable and operating 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.

The segment information reported does not include any amount for the discontinued operation, details of which are set out in Note 10.

(a) Segment revenue and results

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

	Artiste management services		Entertainment business		Money lending		Securities and bonds investment		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)
REVENUE:										
Revenue from external customers	**6,071**	142,900	**28,934**	179,942	**29,560**	29,456	**–**	–	**64,565**	352,298
RESULTS:										
Segment (loss)/profit	**(18,762)**	319	**(233,133)**	(11,201)	**29,127**	45,430	**4,828**	15,626	**(217,940)**	50,174
Bank interest income									**9**	32
Loan interest income									**12,059**	764
Unallocated corporate expenses									**(319)**	(4,471)
Finance costs									**(122,112)**	(35,670)
Change in fair value of an investment property									**(118,028)**	25,029
Loss on disposal of subsidiaries									**–**	(6,705)
Share of results of associates									**(11,571)**	(22,996)
Share of results of a joint venture									**–**	(2)
Impairment loss on investment in an associate									**(10,188)**	–
Impairment loss on goodwill									**(10,789)**	–
Written off of goodwill on acquisition of a subsidiary									**(7,693)**	–
Net provision for expected credit loss on loan receivables									**(65,435)**	–
Loss on deemed disposal of an associate									**(14,966)**	–
Impairment loss on intangible assets									**(7,840)**	–
Net provision for expected credit loss on trade receivables									**(87,225)**	–
Provision for expected credit loss on other receivables									**(135,228)**	–
Written off of prepayment and other receivables									**(25,245)**	(17,030)
Change in fair value of financial assets at fair value through profit or loss									**4,828**	(9,085)
Loss before taxation									**(817,683)**	(19,960)
Income tax credit									**34**	908
Loss for the year from continuing operations									**(817,649)**	(19,052)
discontinued operations									**(1,289,461)**	(46,690)
Segment results relataions									**(2,107,110)**	(65,742)

(b) Geographical information

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

The Group's revenue from external customers in continuing operations classified in accordance with geographical location of customers during the reporting period and information about the non-current assets, except deferred tax assets, financial assets at FVTOCI and FVTPL, 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**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)
Hong Kong (place of domicile)	**51,021**	162,301	**411,124**	2,347,057
The PRC	**9,546**	187,383	**–**	66,633
Taiwan	**368**	252	**–**	–
Japan	**335**	58	**–**	–
Other Asian countries	**2,879**	2,124	**–**	–
North America	**200**	25	**–**	–
European countries	**49**	–	**–**	–
Other areas	**167**	155	**–**	–
	64,565	352,298	**411,124**	2,413,689

(c) Information about major customers

No customer (2018: one) under distribution and production of films, television programmes and music production contributing over 10% of the total revenue of the Group for the year ended 30 June 2019 (2018: approximately HK$73,000,000).

5. REVENUE

	2019	2018
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Revenue from contracts with customers within the scope of HKFRS 15		
Recognised on point in time basis:		
Distribution and production of films, television programmes and music production	**16,425**	57,182
Sales of goods	**10,482**	3,454
	26,907	60,636
Recognised on over time basis:		
Artiste management services fee income	**6,071**	142,900
Distribution of new films	**2,027**	119,306
	8,098	262,206
Revenue from other sources		
Interest income and handling charge income from money lending	**29,560**	29,456
	64,565	352,298

6. OTHER INCOME AND GAIN

	2019	2018
	HK$'000	*HK$'000*
		(Restated)
Continuing operation		
Dividend income	**18,631**	–
Bank interest income	**9**	32
Loan interest income from an associate	**646**	764
Other loan interest income	**11,413**	–
Event and commission income	**295**	62
Gain on settlement of promissory note	**–**	1,360
Waiver of other payable	**–**	4,749
Waiver of deposit received *(note 22(c))*	**10,764**	–
Gain on disposal of film right	**–**	24,493
Gain on disposal of property, plant and equipment	**74**	–
Others	**5,917**	1,398
	47,749	32,858

7. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Interest on other borrowings	**18,060**	14,322
Interest on bank overdrafts	**4,931**	3,913
Interest on convertible bonds	**41,858**	11,547
Interest on promissory notes	**61,263**	7,975
Total finance costs	**126,112**	37,757
Amount capitalised	**(4,000)**	(2,087)
	122,112	35,670

Borrowing costs on funds borrowed generally are capitalised at a rate of 6.05% (2018: 5.0%) per annum.

8. LOSS BEFORE INCOME TAX FROM CONTINUING OPERATIONS

The Group's loss before income tax from continuing operation is stated after charging/(crediting):

	2019	2018
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Staff costs (including Directors' remuneration):		
Salaries, allowances and other benefits in kind	**33,648**	47,328
Retirement benefits scheme contributions	**1,177**	2,417
Total staff costs	**34,825**	49,745
Auditors' remuneration	**1,800**	1,450
Amortisation of film rights*	**198,070**	53,967
Amortisation of intangible assets	**353**	2,694
Cost of inventories recognised as expenses*	**7,587**	–
Depreciation of property, plant and equipment	**11,744**	2,250
Written off of loan receivables	**–**	611
Written off of trade receivables	**–**	1,423
Written off of prepayments and other receivables	**–**	17,030
Minimum lease payments under operating leases:		
– Land and building	**5,459**	6,100
Exchange loss	**5,833**	1,532
Gain on disposal of film right	**–**	(24,493)
Gain on settlement of promissory note	**–**	(1,360)
Loss on settlement of loan receivables	**700**	–
Wavier of other payable	**–**	(4,749)
Gain on disposal of film rights	**–**	(24,493)

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

9. INCOME TAX CREDIT

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year ended 30 June 2019 (2018: Nil). Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the year ended 30 June 2019 (2018: 25%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2019	2018
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Deferred tax	**34**	908

10. DISCONTINUED OPERATIONS

i) Winding-up of HMV Marketing Limited ("HMV Marketing") during the year ended 30 June 2019

HMV Marketing is a company incorporated in Hong Kong with limited liabilities which provided was engaged in HMV business. On 18 December 2018, the directors of the Company resolved to voluntarily wind up HMV Marketing as its ultimate shareholder because of, amongst others, its insolvency and the various defaults in payments of the lawsuits previously awarded of against by HMV Marketing. The directors of the Company are of the view that the voluntary winding up of HMV Marketing would limit the Company's exposures over matters relating to the HMV Marketing. On 9 January 2019, the sole shareholder, a wholly owned subsidiary of the Group, of HMV Marketing resolved to voluntarily wind up HMV Marketing. The appointment of Mr. Wong Sun Keung and Ms. Tsui Mei Yuk Janice as the Joint and Several Provisional Liquidators for the voluntary winding-up was confirmed at the creditors' meeting held on 10 January 2019.

As a result of the voluntary winding-up under the Hong Kong Companies Ordinance, the Group lost control over HMV Marketing because the joint and several provisional liquidator has taken over control of the operations of HMV Marketing under the statutory power. HMV Marketing was then ceased to be a subsidiary of the Company with effect from 9 January 2019 and the Group ceased engaging in HMV business since then.

A loss on voluntary winding up of a subsidiary of approximately HK$1,208,326,000 was recognised in the consolidated profit or loss for the year ended 30 June 2019. Set out below are the net carrying amounts of the assets and liabilities of HMV Marketing at the date of derecognition:

	2019
	HK$'000
Property, plant and equipment	**38,709**
Intangible assets	**236,500**
Goodwill	**1,050,455**
Inventories	**2,223**
Trade receivables	**157**
Prepayments, deposits and other receivables	**3,928**
Bank and cash balances	**6,214**
Trade payables	**(25,044)**
Accruals, deposits received and other payables	**(64,280)**
Deferred tax liabilities	**(26,830)**
Provision for asset retirement	**(13,706)**
Net assets at the date of derecognition and loss on winding-up of a subsidiary	**1,208,326**

ii) Disposal of Cineunited Circuits Company Limited ("Cineunited Circuits") during the year ended 30 June 2019

Cineunited Circuits was a wholly-owned subsidiary of the Group which was engaged in operation of cinemas. On 15 February 2019, the Company completed the disposal of the entire issued share capital of Cineunited Circuits together with its subsidiaries ("**Cineunited Circuits Group**") as detailed in the consolidated financial statements. Upon the completion of the disposal of the Cineunited Circuits Group, the Group ceased its operation of cinemas accordingly.

iii) The results of HMV Marketing and Cineunited Circuits for the year are presented as discontinued operations in the consolidated statement of profit or loss and other comprehensive income. Comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the results of these businesses as discontinued operation. The results of these business are presented below:

		2019	
	Operation of cinema	**HMV business**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Revenue	**20,362**	**50,705**	**71,067**
Other income	**1,313**	**2,353**	**3,666**
Cost of retail business	**–**	**(36,707)**	**(36,707)**
Cost of cinema operation	**(9,750)**	**–**	**(9,750)**
Selling and distribution costs	**(401)**	**(78,182)**	**(78,583)**
Administrative expenses	**(57,862)**	**(6,691)**	**(64,553)**
Finance costs	**(153)**	**–**	**(153)**
Loss before tax from the discontinued operation	**(46,491)**	**(68,522)**	**(115,013)**
Income tax credit	**–**	**388**	**388**
Loss after income tax for the year from the discontinued operation	**(46,491)**	**(68,134)**	**(114,625)**
Loss on winding-up of a subsidiary	**–**	**(1,208,326)**	**(1,208,326)**
Gain on disposal of Cineunited Circuits	**33,490**	**–**	**33,490**
Loss for the year from discontinued operations	**(13,001)**	**(1,276,460)**	**(1,289,461)**

		2018	
	Operation of cinema	HMV business	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue	40,170	215,783	255,953
Other income	1,734	5,621	7,355
Cost of retail business	–	(140,417)	(140,417)
Cost of cinema operation	(19,634)	–	(19,634)
Selling and distribution costs	(1,139)	(85,792)	(86,931)
Administrative expenses	(51,567)	(13,241)	64,808
Finance costs	(710)	(906)	(1,616)
Loss before tax from the discontinued operation	(31,146)	(18,952)	(50,098)
Income tax credit	1,020	2,388	3,408
Loss after income tax for the year from the discontinued operations	(30,126)	(16,564)	(46,690)

11. DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the year ended 30 June 2019 (2018: Nil).

12. LOSS PER SHARE

The calculations of basic loss per share from (i) continuing and discontinued operations; (ii) continuing operations; and (iii) discontinued operations are based on the loss for the year attributable to the owners of the Company and the weighted average number of respective ordinary shares in issue during the year.

The calculations of diluted loss per share from (i) continuing and discontinued operations; (ii) continuing operations; and (iii) discontinued operations are based on the respective adjusted loss for the year attributable to the owners of the Company and the adjusted weighted average number of ordinary shares outstanding both of which are adjusted to assume exercise or conversion of all dilutive potential ordinary shares.

As at 30 June 2019 and 2018, the Company has outstanding convertible bonds, which were assumed to have been converted into ordinary shares, and the net loss is adjusted to eliminate the interest expense less the tax effect.

As the Company's outstanding convertible bonds for both years ended 30 June 2019 and 2018 had an anti-dilutive effect to the basic loss per share from continuing operations calculation, the conversion of these potential ordinary shares is not assumed in the computation of diluted loss per share.

(i) From continuing and discontinued operations

The calculations of the basic and diluted loss per share attributable to owners of the Company for the years are based on the following data:

	2019	2018 (Restated)
Loss for the year attributable to owners of the Company *(HK$'000)*	**(2,102,744)**	(65,433)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**270,853,380**	269,698,958

(ii) From continuing operations

The calculations of the basic and diluted loss per share attributable to owners of the Company for the years are based on the following data:

	2019	2018 (Restated)
Loss for the year from continuing operations attributable to owners of the Company *(HK$'000)*	**(813,283)**	(18,743)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**270,853,380**	269,698,958

(iii) From discontinued operations

The calculations of the basic and diluted loss per share attributable to owners of the Company for the years are based on the following data:

	2019	2018 (Restated)
Loss for the year from discontinued operations attributable to owners of the Company *(HK$'000)*	**(1,289,461,000)**	(46,690,000)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**270,853,380**	269,698,958

13. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**96,230**	207,506
Less: Credit loss allowance/impairment loss	**(89,281)**	(523)
	6,949	206,983

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:

	2019	2018
	HK$'000	*HK$'000*
0 to 90 days	**4,337**	122,646
91 to 180 days	**2,612**	4,919
181 days to 365 days	**–**	771
Over 365 days	**–**	78,647
	6,949	206,983

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

	2019	2018
	HK$'000	*HK$'000*
		(Restated)
Neither past due nor impaired	**4,337**	124,858
0 to 90 days past due	**2,612**	2,925
91 to 180 days past due	**–**	110
181 to 365 days past due	**–**	1,839
Over 365 days past due	**–**	77,251
	2,612	82,125
	6,949	206,983

14. TRADE PAYABLES

At the end of the reporting period, the aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	2019	2018
	HK$'000	*HK$'000*
0 to 90 days	**12,522**	43,959
91 to 180 days	**1,510**	5,937
181 to 365 days	**147**	2,677
Over 365 days	**17,364**	17,650
	31,543	70,223

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

The Group reported the total revenue of approximately HK$64.6 million for the year ended 30 June 2019 (the "**Year**"), compared with approximately HK$352.3 million (restated) for the year ended 30 June 2018. For the year ended 30 June 2019, a loss attributable to owners of the Company of approximately HK$2.1 billion was recorded whilst in the last year, a loss attributable to owners of the Company of approximately HK$65 million (restated) was recorded.

For the continuing operation during the Year, artiste management services contributed a revenue of approximately HK$6.1 million (2018: HK$142.9 million). The revenue from entertainment business was approximately HK$28.9 million (2018: HK$179.9 million). The revenue from the money lending business was approximately HK$29.6 million (2018: HK$29.5 million). The revenue from the discontinued operations was approximately HK$71.1 million (2018: HK$256 million).

BUSINESS REVIEW

During the Year, Sino-US trade frictions intensified significantly, the mainland Chinese film industry emerged from a "cold winter" production freeze, and the retail market in Hong Kong was dampened. The wrestling between the world's two major economies and the rise in geopolitical risks are creating uncertainties in the outlook for global trade. The global economic outlook is also dragged down by factors such as slowing investment, declining business confidence and PMI figures which even emerging economies in Southeast Asia are no exception. The World Bank had earlier predicted that the growth momentum of emerging markets and developing economies also showed signs of slowing down. It is expected that the global economic growth will fall to a-weaker-than-expected 2.6% in 2019. With the recent pressure from economic slowdown in the Greater China and rising trade tensions, the economic downside risks have become more apparent. During the Year, the Group's revenue by segment was HK$135.7 million (2018: HK$608.3 million (restated)), decreased by 77.7%.

Distribution and production of films, television programmes and music production

Mainland China's total box office revenue barely grew 9% in 2018 calendar year to RMB60.98 billion. The rate of expansion was slower than the year before, when it hit 13.5%, the government reports said. Mainland China is the world's second-largest theatrical movie market, and is widely expected to surpass North America in coming years. However, the cultural and entertainment market in mainland China was affected by artist taxation issues and the changes of movie regulatory approval policies in the Year. During the Year, the entertainment business recorded a turnover of HK$28.9 million (2018: HK$179.9 million) because the numbers of films on screen in the Year decreased due to the reasons mentioned above. However, the Group prudently invested in film rights and produced films, television programmes in order to cope with the increasing demand for quality media contents in the Greater China market. Our in-house online television programme production "Hong Kong West Side Stories" was distributed on Netflix, an American media-services provider and whose primary business is its subscription-based streaming service which offers online streaming of a library of films and television programs, during the Year. The Group continues to create quality media contents and distribute the contents on new media platforms.

Artiste management services

Artiste management business was also another segment adversely affected by the taxation issues in mainland China during the Year. The artiste management services recorded a turnover of HK$6.1 million (2018: HK$142.9 million). The Group put relentless efforts on our talented artists by tailor-made job arrangements and career path planning. Our artists will be entitled in our film and online television programme production as a synergy among our business segments.

Discontinuity of business

The Group disposed the operation of cinemas due to longer-than-expected return periods of cinema houses. And the disposal helped to reduce the liabilities assumed by the Group. Moreover, the Group placed into creditors' voluntary winding up of HMV retail business in Hong Kong due to the irresistible digital tide of music industry and high operating expenses.

Disposal of Fore Head Limited

The Fore Head Disposal

Reference is made to the announcements of the Company dated 13 July 2018 and 11 September 2018 in relation to the signing of the agreement between First Digital Group Limited (the "**First Digital**") and Fortune Access International Investment Limited ("**Previous Purchaser**") pursuant to which First Digital agreed to dispose and the Previous Purchaser agreed to acquire the entire issued share capital of Fore Head Limited (the "**Target Company**") at consideration of US$34,820,000, which comprises of the cash portion of US$13,800,000 and the non-cash portion of US$21,020,000 (being 81% of the IP Right upon completion of the assignment of the IP right pursuant to the assignment deed and transfer documents)("**Previous Agreement**").

Due to (i) certain conditions precedent to the Previous Agreement had not been fulfilled as at 25 March 2019; and (ii) the consideration yet to be received from the Previous Purchaser as of 25 March 2019, the disposal has not yet been completed. As the Previous Purchaser failed to complete the transactions by make payments on time and therefore the Previous Agreement is officially lapsed. The Company has kept chasing the Previous Purchaser to complete the transactions by different communications such as emails, legal letters and phone calls. The Company have already paid relentless efforts to the Previous Purchaser for the completion, but in vain. The Company decided to lapse the Previous Agreement and resell the Target Company to a new purchaser without any condition.

On 25 March 2019, the Company entered into the Sale and Purchase Agreement ("**Fore Head Agreement**") with Hero Talent Group Limited (the "**New Purchaser**") in relation to the disposal the entire issued share capital of the Target Company at a consideration of HK$33,000,000 which shall be paid in cash by the New Purchaser to the Company.

The Consideration of HK$33,000,000 shall be paid by cash by the New Purchaser to First Digital or its nominee as following manners:

(a) at Completion, the sum of Hong Kong Dollars Twenty One Million Five Hundred Thousand (HK$21,500,000); and

(b) on the Second Payment Date (the day falling six months after the Completion Date), the sum of Hong Kong Dollars Eleven Million Five Hundred Thousand (HK$11,500,000) provided that the New Purchaser shall have an option at its absolute discretion to procure the transfer of Settlement Shares (being 37,500 Class B convertible redeemable shares in Prime Focus World N.V. with a par value of EUR0.01 per share (or ordinary shares of PFW issued upon conversion of such shares) or such number of ordinary shares of Horizon Coast Limited, representing 20% of the issued share capital of Horizon Coast Limited to First Digital (or as First Digital may direct) in full and final settlement of the sum payable on the Second Payment Date.

The arrangement can provide extra security to the Company if the New Purchaser does not make the payment on the Second Payment Date, the Company can still get back the Settlement Shares. The Directors believe that the arrangement is in the best interest of the Company and to avoid the transaction lapsed in future.

Upon completion, the Target Company and its subsidiary will cease to be subsidiaries of the Company.

Details of the disposal was disclosed in the announcements dated 25 March 2019 and 20 May 2019. The disposal was completed on 4 April 2019 ("**Completion Date**").

Completion of Acquisitions of Panorama Corporation Limited and Parkway Licensing Company Limited

The Panorama Acquisition

On 9 January 2017, the Company entered into the Sale and Purchase Agreement ("**Panorama Agreement**") with Mr. Fung Yu Hing Allan (the "**Panorama Vendor**") in relation to the acquisition of 70% of the issued share capital of Panorama Corporation Limited at a consideration of HK$31,500,000, which shall be satisfied by the issue and allotment of 86,896,551 shares at the issue price of HK$0.3625 by the Company to the Panorama Vendor.

The Parkway Acquisition

On 9 January 2017, the Company entered into the Sale and Purchase Agreement ("**Parkway Agreement**") with Mr. Fung Yu Hing Allan, Mr. Wong Wing Kwong Kelvin and Ingate International Company Limited (the "**Parkway Vendors**") in relation to the acquisition of 70% of the issued share capital of Parkway Licensing Company Limited at a consideration of HK$7,000,000 which shall be satisfied by cash and issue and allotment of aggregate 16,551,723 shares by the Company to the Parkway Vendors.

Details of the acquisitions were disclosed in the announcements dated 9 January 2017, 4 August 2017 and 18 September 2018 and the circular dated 3 September 2018 respectively. Both acquisitions were completed on 15 November 2018.

Voluntary Winding-Up of HMV Marketing Limited

On 18 December 2018, the Company in the capacity of ultimate shareholder resolved to voluntarily wind up HMV Marketing Limited ("**HMV Retail**"), a wholly-owned subsidiary of the Company.

On 9 January 2019, the sole shareholder of HMV Retail resolved to voluntarily wind up HMV Retail and it was ceased to be a subsidiary of the Company with effect from 9 January 2019.

Mr. Wong Sun Keung and Ms. Tsui Mei Yuk Janice, of Vision A. S. Limited were appointed as the joint and several liquidators of HMV Retail. The appointment of the liquidators was confirmed at the meeting of creditors of HMV Retail held on 10 January 2019.

Details of the winding up are set out in note 10(i).

Disposal of Cineunited Circuits Company Limited

The Cineunited Circuits Disposal

On 4 January 2019, the Company entered into the Sale and Purchase Agreement ("**Cineunited Circuits Agreement**") with Crown King Corporation Limited (the "**Cineunited Circuits Purchaser**") in relation to the disposal of the entire issued share capital of Cineunited Circuits Company Limited and the Group's loans at a consideration of RMB17,300,000 less the aggregate liability of Cineunited Circuits Company Limited and its subsidiaries as at cut-off date, which shall be paid by Cineunited Circuits Purchaser to the Company upon completion. Upon completion, Cineunited Circuits Company Limited and its subsidiaries have been ceased to be subsidiaries of the Company.

Details of the disposal are set out in note 10(ii).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, total borrowing of the Group (excluding payables) amounted to approximately HK$759.5 million (2018: HK$896.8 million)(restated). The Group's gearing ratio (expressed as a percentage of total borrowing over total assets) was 60.89% in 2019 and 24.16% (restated) in 2018.

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 2019, the Group has no other asset pledged to bank to secure the bank borrowing granted to the Group (2018: HK$3.7 million).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2019, the Group had 76 (2018: 418) full-time and part-time employees. The total employee remuneration, including that of the Directors, for the year ended 30 June 2019 amounted to approximately HK$34.8 million (2018: approximately HK$49.7 million (restated)). 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:

On 15 November 2018, the Company issued the aggregate of 103,448,274 shares at an issue price of HK$0.3625 per share to Panorama Vendor and Parkway Vendors for the acquisition of Panorama Corporation Limited and Parkway Licensing Company Limited. The number of shares in issue had been increased from 13,495,120,697 shares to 13,598,568,971 shares.

Cancellation of Repurchased Share

The Company repurchased an aggregate of 28,180,000 shares through the Stock Exchange during the period from 16 November 2018 to 3 December 2018 and those shares were cancelled on 17 January 2019. The number of shares in issue had been decreased from 13,598,568,971 shares to 13,570,388,971 Shares.

Capital Reorganisation and Change in Board Lot Size

On 25 January 2019, the Board proposed to consolidate forty (40) issued Existing shares of a par value of HK$0.01 each in the issued share capital of the Company into one (1) consolidated share of a par value of HK$0.40 each in the issued share capital of the Company. Immediately upon the Share Consolidation becoming effective, the issued share capital of the Company be reduced by (i) cancelling any fraction of a Consolidated Share in the issued share capital of the Company; and (ii) cancelling the paid up capital of the Company to the extent of HK$0.39 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK$0.40 to HK$0.01. And the Board also proposed to change the board lot size for trading on the Stock Exchange from 20,000 Existing Shares to 10,000 Adjusted Shares ("**Original Capital Reorganisation**").

The Board has received opinions and recommendations from a Shareholder implementing a share consolidation with a higher ratio and reducing the board lot size. Therefore, the special general meeting for the Original Capital Reorganisation was approved to adjourn by the Shareholders of the Company on 27 March 2019.

On 24 April 2019, the Board has taken the comments into consideration and re-considered, amongst other things, the structure of the capital reorganisation of the Company and the change in board lot size. Subsequently, the Board has decided to revise the structure of the capital reorganization of the Company. The structure of new capital reorganisation ("**New Capital Reorganisation**") are as follows:

Share Consolidation

Every fifty (50) issued Existing Shares of a par value of HK$0.01 each in the issued share capital of the Company be consolidated into one (1) Consolidated Share of a par value of HK$0.50 each in the issued share capital of the Company.

Capital Reduction

Immediately upon the Share Consolidation becoming effective, the issued share capital of the Company be reduced by (i) rounding down the number of Consolidated Shares in the issued share capital of the Company to the nearest whole number by cancelling any fraction of a Consolidated Share in the issued share capital of the Company; and (ii) cancelling the paid up capital of the Company to the extent of HK$0.49 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK$0.50 to HK$0.01.

Change in Board Lot Size

After taking the comments of the Shareholder into consideration, the Board now proposes to change the board lot size for trading on the Stock Exchange from 20,000 Existing Shares to 8,000 Adjusted Shares ("**Change in Board Lot Size**").

The resolutions for approval of the New Capital Reorganisation and Change in board Lot Size were approved by the Shareholders of the Company on 22 May 2019. With effect from 23 May 2019, the number of shares in issue had been changed from 13,570,388,971 shares to 271,407,779 Shares.

Convertible Bonds and Notes issued to Wan Tai Investments Limited

On 17 November 2017, the Company and Wan Tai Investments Limited (the "**Subscriber**") entered into a subscription agreement, pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, (i) the convertible bonds in the aggregate principal amount of HK$150,000,000 ("**Convertible Bonds**") and (ii) the notes in the aggregate principal amount of HK$150,000,000 ("**Notes**").

The maturity date of Convertible Bonds and Notes were due on 2 January 2019 and the Company is still negotiating with the Subscriber for any further actions, including but not limited to repayment, re-financing and extension of Convertible Bonds and Notes.

COMMITMENTS

Total commitments of the Group as at 30 June 2019 was approximately HK$175.8 million (2018: approximately HK$782.9 million).

CONTINGENT LIABILITIES

HMV Marketing Limited, a wholly-owned subsidiary of the Group, had entered into operation agreements in 2017 with an independent third party (the "**Business Partner**"), a PRC company principally engaged in property and shopping mall management, to develop not less than 20 shopping malls with HMV brand. Following the winding up of HMV Marketing Limited, the operation agreements is subject to uncertainty of execution. The Business Partner and the Group have not entered into any new arrangement after the winding-up of HMV Marketing. During the year ended 30 June 2019, the Group received in aggregate HK$40,000,000 from the Business Partner according to the operation agreements, which was also subject to uncertainty.

DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the year ended 30 June 2019 (2018: nil).

LITIGATION

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 to 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 claim was settled by both parties at an agreed amount of HK$12,800,000 in July 2018.

A writ of summon was issued against the Company by Lei Shing Hong Credit Limited on 13 December 2018

The Company received an originating summons ("**Originating Summons**") on 13 December 2018 filed by Lei Shing Hong Credit Limited as the plaintiff ("**Plaintiff**") against (i) Ocean Bridge Investments Limited ("**Ocean Bridge**") (ii) King Universe Inc. Limited ("**Vendor**") and (iii) the Company (collectively, the "**Defendants**") under action number HCMP 2165/2018 ("**Legal Proceedings**") in the High Court of Hong Kong.

The Originating Summons filed by the Plaintiff concerned the default in payment by Ocean Bridge Investments Limited ("**Ocean Bridge**") of a loan facility advanced by the Plaintiff to Ocean Bridge in 2017 (the "**Loan Facility**"). The Vendor and the Company were guarantors to the concerned Loan Facility. A first legal charge was entered in respect of the property located at Town House No. 6 together with patio and fore court adjoining thereto No. 25 Black's Link, Hong Kong and car parking space nos. 9 and 10, nos. 1–35 Black's Link, Hong Kong ("**Property**") in favour of the Plaintiff.

On 25 June 2019, the Vendor and the Company entered into the Sale and Purchase Agreement (the "**Agreement**") with Hammer Capital Holdings Limited (the "**Purchaser**") in relation to the disposal of the entire issued share capital of Ocean Bridge at a consideration of HK$1.00 (the "**Consideration**"). The Consideration was determined after arm's length negotiation between the parties with reference to net position of Ocean Bridge ("**Disposal**").

Ocean Bridge is principally holding of the Property. Apart from the Property, Ocean Bridge does not own or hold any other significant asset. It was purchased by the Group on 14 December 2017 at a total consideration of HK$100,000,000 which was satisfied by cash of HK$15,000,000, issue of promissory note of HK$35,000,000 and offset with the loan receivable of HK$50,000,000. As of the date of acquisition, Ocean Bridge had a net borrowing of HK$173,000,000.

Ocean Bridge recorded unaudited net liabilities of approximately HK$200,112,560 as at 30 April 2019. Upon completion, Ocean Bridge will cease to be a subsidiary of the Company. The financial results of Ocean Bridge will no longer be consolidated into the Group's financial statements. The completion took place on 2 July 2019.

As the property does not currently generate any revenue and its attached mortgage loan remains substantial, the Board considers the Disposal represents a good opportunity to lower the gearing ratio of the Group while reducing interest payment. There is no net proceeds of the Disposal after deducting relevant transaction costs and expenses.

The Plaintiff subsequently entered into a loan sale and transfer agreement, whereby all rights and interest in and arising out of the Loan Facility (including all security thereto) were assigned to a third party.

A Judgement and Decision handed down by the Court of First Instance of the High Court and the District Court of Hong Kong respectively

Soliton (HK) Limited, a subsidiary of the Company ("**Soliton**") received (i) a judgement handed down by the Court of First Instance of the High Court of Hong Kong on 19 March 2019; and (ii) a decision handed down by the District Court of Hong Kong on 8 March 2019 respectively. According to the Judgement and Decision, it ordered Soliton to pay WEA International Inc an amount of HK$2,100,000 and pay Warner Music Hong Kong Limited an amount of HK$850,000 and shall destroy and/or return all licensed material of Warner.

Soliton is still seeking legal advice in relation to the Judgement and Decision for any further action, including but not limited to taking out an appeal, seeking for a compromise of the Judgement and the Decision and/or conducting restructuring of the Group.

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

During the Year, the Company repurchased its own shares through the Stock Exchange as follows:

Date of Repurchase	Number of Shares repurchased	Aggregate Consideration	Price per share repurchased
16 November 2018	9,260,000	HK$1,631,880	HK$0.174–HK$0.185
19 November 2018	3,900,000	HK$718,920	HK$0.179–HK$0.200
20 November 2018	1,320,000	HK$231,360	HK$0.171–HK$0.180
21 November 2018	820,000	HK$142,400	HK$0.172–HK$0.175
22 November 2018	1,580,000	HK$277,940	HK$0.175–HK$0.180
23 November 2018	1,040,000	HK$182,900	HK$0.173–HK$0.186
26 November 2018	680,000	HK$118,740	HK$0.173–HK$0.177
27 November 2018	1,480,000	HK$256,940	HK$0.171–HK$0.177
28 November 2018	3,120,000	HK$541,940	HK$0.167–HK$0.180
29 November 2018	3,120,000	HK$526,980	HK$0.166–HK$0.172
30 November 2018	1,580,000	HK$256,760	HK$0.159–HK$0.169
3 December 2018	280,000	HK$43,560	HK$0.153–HK$0.160
Total:	28,180,000	HK$4,930,320	

The above shares were cancelled on 17 January 2019.

CORPORATE GOVERNANCE

The Company has complied with most of the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules ("**Code**") throughout the Year.

Chairman and Chief Executive Officer

Mr. Shiu Stephen Junior is the Chairman and Chief Executive Officer of the Company. In view of the scale of operations of the Company and the fact that daily operations of the Group's business is delegated to the senior executives and department heads, the Board considers that vesting the roles of both 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. It is in the best interest of the Group to maintain the current practice for continuous efficient operations and development of the Group.

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. Lee King Fui, Mr. Lee Wing Lun and Ms. Yang Yusi.

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, Moore Stephens CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 30 June 2019. The work performed by Moore Stephens 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 Moore Stephens CPA Limited on the final results announcement.

INDEPENDENT AUDITOR'S REPORT

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The followings are extracted from the independent auditor's report on the consolidated financial statements of the Group for the year ended 30 June 2019.

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of China Creative Digital Entertainment Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 2 to 29, which comprise the consolidated statement of financial position as at 30 June 2019 and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we are unable to form an opinion as to whether the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 June 2019 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple uncertainties relating to going concern

As described in note 1 to the consolidated financial statements, the Group incurred net loss of approximately HK$2,107,110,000 for the year ended 30 June 2019 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$642,537,000. As at 30 June 2019, the Group had other borrowings, convertible bonds and promissory note payables amounted to approximately HK$110,793,000, HK$226,913,000 and HK$421,827,000, respectively, out of which approximately HK$33,665,000, HK$164,913,000 and HK$163,474,000 had been overdue and had not been settled by the Group. In addition, as disclosed in notes 33 to 35 to the consolidated financial statements, the Group could not fulfil certain covenants and/or beached its specific obligation which constituted on event of default relating to certain other borrowings, convertible bonds and promissory note payables amounted to HK$33,665,000, HK$224,913,000 and HK$380,605,000 as at 30 June 2019. These other borrowings, convertible bonds and promissory note payables were presented as the Group's current liabilities in the consolidated statement of financial position.

In addition, as a result of the commencement of winding-up proceedings of HMV Marketing Limited ("**HMV Marketing**"), a wholly owned subsidiary of the Group incorporated in Hong Kong, as detailed in note 13(i) to the consolidated financial statements, the operation agreements entered by the Group and an independent third party ("**Business Partner**") in the People's Republic of China ("**PRC**") for development of not less than 20 shopping malls with HMV brand as disclosed in the consolidated financial statements is subject to uncertainty of execution. The Business Partner and the Group have not entered into any new arrangement after the winding-up of HMV Marketing and this matter is disclosed in the consolidated financial statements.

These conditions indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

Notwithstanding the abovementioned, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to repay, renew or extend existing borrowings and other liabilities upon their maturities, through cash flows from operations and continuing support from the Group's finance providers and creditors. The directors of the Company have prepared the consolidated financial statements on a going concern basis, having taken into account the measures they have taken and plan to take to mitigate the liquidity pressures on the Group and to improve the Group's financial position, as disclosed in note 1 to the consolidated financial statements. Up to the date of this report, we were unable to obtain sufficient supporting bases from the management for their underlying assumptions on going concern as set out in note 1 to the consolidated financial statements to satisfy ourselves that they were reasonable and supportable. Hence we were unable to assess the appropriateness or reasonableness of the use of the going concern assumption in the preparation of the consolidated financial statements.

Because of the significance of the matters above, we are unable to form an opinion as to whether the use of going concern assumption in the preparation of the consolidated financial statements is appropriate. Should the Group fails to achieve the intended effects resulting from the plans and measures as mentioned in note 1 to the consolidated financial statements, it might not be able to operate as a going concern, and adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

Limitation of scope – Comparative figures and impairment loss on certain receivables recognised for the year ended 30 June 2019

The predecessor auditor was unable to obtain sufficient appropriate audit evidence to ascertain the recoverability of certain trade receivables, loans receivables and other receivables, whose carrying amounts were approximately HK$75,555,000, HK$10,205,000 and HK$63,545,000 respectively as at 30 June 2018 (the "**Receivables**"). There were no other satisfactory audit procedures that the predecessor auditor could perform to satisfy itself whether the carrying amounts were fairly stated as at 30 June 2018.

Any adjustments found to be necessary might have significant effects on the figures as at and for the year ended 30 June 2018 presented as comparative figures in these consolidated financial statements and hence affect the comparability of the current year's and year end's figures and the corresponding figures.

In addition, the closing balances as at 30 June 2018 of the assets and liabilities of the Group are brought forward as the opening balances as at 1 July 2018 and hence entered into the determination of the financial performance and cash flows of the Group for the current financial year ended 30 June 2019. Hence, any adjustments found to be necessary to the closing balances of the assets and liabilities as at 30 June 2018 in respect of the Receivables might have significant effects on the Group's results and cash flows for the year ended 30 June 2019 and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 30 June 2019. Accordingly, we were also unable to determine whether adjustments might have been necessary in respect of the performance and cash flows of the Group for the year ended 30 June 2019 reported in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

Limitation of scope – Nature of certain payments and receipts during the year ended 30 June 2019

The Group has recorded certain cash payments in September 2018 of approximately HK$63,600,000 and certain cash receipts in September 2018 of approximately HK$63,600,000 to and from several third parties. The predecessor auditor and us were unable to obtain sufficient appropriate audit evidence to satisfy itself or ourselves about the nature of these payments and receipts.

The matters which were the subject matters of the scope limitation referred to above no longer have possible effects on the figures presented in the consolidated statement of financial position of the Group as at 30 June 2019.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 30 June 2018 were audited by another auditor who issued qualified opinion on those statements on 28 September 2018.

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

Hong Kong, 26 September 2019

As at the date hereof, the Board comprises Mr. Shiu Stephen Junior (Chairman), Ms. Li Mau, Mr. Sun Lap Key, Christopher, Mr. Lee Wing Ho, Albert as Executive Directors; Mr. Lee Wing Lun, Ms. Yang Yusi and Mr. Lee King Fui as Independent Non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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.

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.