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

(Incorporated in Bermuda with limited liability)

(Stock Code: 8078)

ANNUAL RESULTS ANNOUNCEMENT
For the year ended 30 June 2020

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 "**Directors**") 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 2020, together with the audited comparative figures for the year ended 30 June 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Notes	**2020** **HK$'000**	2019 HK$'000
CONTINUING OPERATIONS			
Revenue	*4*	**37,162**	64,565
Other income and gains	*5*	**6,574**	47,749
Cost of distribution and production of films, television episodes and music production		**(190,554)**	(214,087)
Selling and distribution costs		**(7,877)**	(8,776)
Administrative expenses		**(48,653)**	(95,642)
Net allowance for expected credit loss ("**ECL**") on trade receivables		**14,445**	(87,225)
Net allowance for ECL on loan receivables		**25,583**	(65,435)
Net allowance for ECL on other receivables		**11,251**	(135,228)
Written-off of other receivables		**–**	(25,245)
Written-off of prepayments		**(31,665)**	–
Written-off of goodwill on acquisition of a subsidiary		**–**	(7,693)
Impairment loss on films production in progress		**(77,904)**	–
Impairment loss on property, plant and equipment		**(571)**	–
Impairment loss on intangible assets		**(1,199)**	(7,840)
Impairment loss on goodwill		**(13,148)**	(10,789)
Impairment loss on interests in associates		**(9,878)**	(10,188)
Change in fair value of an investment property		**–**	(118,028)
Change in fair value of financial assets at fair value through profit or loss		**(253,853)**	4,828
Loss on deemed disposal of an associate		**–**	(14,966)
Loss on disposal of an associate		**(23,483)**	–
Share of results of associates		**(6,577)**	(11,571)
Finance costs	*6*	**(129,437)**	(122,112)
Loss before income tax from continuing operations	*7*	**(699,784)**	(817,683)
Income tax credit	*8*	**708**	34
Loss for the year from continuing operations		**(699,076)**	(817,649)
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	*9*	**–**	(1,289,461)
Loss for the year		**(699,076)**	(2,107,110)

	Note	2020 HK$'000	2019 HK$'000
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**165**	2,062
Exchange difference arising from release on disposal of an associate		**890**	–
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 loss of associates		**–**	(1,713)
Fair value change on financial assets at fair value through other comprehensive income		**(83,166)**	(167,189)
Total other comprehensive loss for the year, net of tax		**(82,111)**	(166,068)
Total comprehensive loss for the year		**(781,187)**	(2,273,178)
Loss for the year attributable to:			
Owners of the Company			
– Continuing operations		**(685,385)**	(807,018)
– Discontinued operations		**–**	(1,289,461)
Non-controlling interests			
– Continuing operations		**(13,691)**	(10,631)
		(699,076)	(2,107,110)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(767,496)**	(2,262,547)
Non-controlling interests		**(13,691)**	(10,631)
		(781,187)	(2,273,178)
Loss per share attributable to owners of the Company	*11*		
From continuing and discontinued operations			
– Basic and diluted		**HK$(2.53)**	HK$(7.74)
From continuing operations			
– Basic and diluted		**HK$(2.53)**	HK$(2.98)
From discontinued operations			
– Basic and diluted		**–**	HK$(4.76)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**3,901**	7,312
Right-of-use assets		**518**	–
Intangible assets		**2,930**	4,279
Goodwill		**–**	13,148
Interests in associates		**–**	55,175
Interest in a joint venture		**107**	107
Financial assets at fair value through other comprehensive income	*12*	**27,633**	116,252
Financial assets at fair value through profit or loss	*13*	**5,176**	277,692
Prepayments, deposits and other receivables		**59,642**	27,201
Film rights and films production in progress	*14*	**214,685**	303,902
Deferred tax assets		**–**	1,535
		314,592	806,603
Current assets			
Financial assets at fair value through profit or loss	*13*	**21,898**	21,392
Prepayments, deposits and other receivables		**41,101**	165,113
Loan receivables	*15*	**42,729**	209,687
Inventories		**7,773**	9,201
Trade receivables	*16*	**2,584**	6,949
Bank and cash balances		**4,844**	28,399
		120,929	440,741
Assets of disposed group classified as held for sale		**–**	180,025
		120,929	620,766

	Notes	2020 HK$'000	2019 HK$'000
Current liabilities			
Trade payables	*17*	**37,912**	31,543
Accruals, deposits received and other payables		**156,602**	288,415
Lease liabilities		**401**	–
Other borrowings	*18*	**111,547**	114,580
Convertible bonds	*19*	**260,913**	226,913
Promissory note payables	*20*	**487,419**	421,827
		1,054,794	1,083,278
Liabilities of disposed group classified as held for sale		**–**	180,025
		1,054,794	1,263,303
Net current liabilities		**(933,865)**	(642,537)
Total assets less current liabilities		**(619,273)**	164,066
Non-current liabilities			
Deferred tax liabilities		**–**	2,243
Lease liabilities		**91**	–
		91	2,243
NET (LIABILITIES)/ASSETS		**(619,364)**	161,823
Capital and reserves			
Share capital		**2,714**	2,714
Reserves		**(594,441)**	173,055
Equity attributable to owners of the Company		**(591,727)**	175,769
Non-controlling interests		**(27,637)**	(13,946)
TOTAL (CAPITAL DEFICITS)/EQUITY		**(619,364)**	161,823

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

1. GENERAL INFORMATION

China Creative Digital Entertainment Limited (the "**Company**") 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 GEM of the Stock Exchange (the "**GEM Listing Rules**") and 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 2019 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 in Note 2(a).

Going concern

The Group incurred a net loss of approximately HK$699,076,000 (2019: HK$2,107,110,000) for the year ended 30 June 2020 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$933,865,000 (2019: HK$642,537,000) and capital deficits of approximately HK$619,364,000 (2019: Equity of approximately HK$161,823,000). As at 30 June 2020, the Group had other borrowings, convertible bonds and promissory note payables amounted to approximately HK$111,547,000 (2019: HK$114,580,000), HK$260,913,000 (2019: HK$226,913,000) and HK$487,419,000 (2019: HK$421,827,000), respectively, out of which approximately HK$80,166,000 (2019: HK$36,687,000), HK$260,913,000 (2019: HK$164,913,000) and HK$487,419,000 (2019: HK$163,474,000) had been overdue and had not been settled by the Group. No waiver was granted by the respective lenders of other borrowings, convertible bonds and promissory note payables during the year and up to the date when these consolidated financial statements were authorised for issue. Up to the date when these consolidated financial statements were authorised for issue, approximately HK$712,000, Nil and HK$1,000,000 out of the overdue other borrowings, convertible bonds and promissory note payables as of 30 June 2020 have been settled, respectively.

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 approximately HK$80,166,000 (2019: HK$36,687,000) and HK$258,913,000 (2019: HK$224,913,000) and HK$487,419,000 (2019: HK$380,605,000) as at 30 June 2020.

During the year, the operations of the Group have deteriorated due to the COVID-19 pandemic as the effects of COVID-19 pandemic are hitting China's box office hard and led to temporary suspension of filming process or delays in the planned film release schedule. Due to the significant delay in filming process and uncertainty of the consequential impact of COVID-19 pandemic on consumers' behaviour, a fair value loss on those projects invested by the Group which are classified as financial assets at fair value through profit or loss of approximately HK$253,853,000 was recognised in the consolidated profit or loss for the year. Furthermore, the management of the Group foresees the outbreak of COVID-19 would also have a prolong adverse impact on the Group's other investments which are classified as financial assets at fair value through other comprehensive income and a fair value loss of approximately HK$83,166,000 was recognised in the consolidated statement of changes in equity during the year. The COVID-19 pandemic has brought additional uncertainties to the renewal of the aforesaid other borrowings, convertible bonds and promissory note payables; and the Group's ability to generate sufficient cash flows to meet its liquidity needs.

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 other borrowings;

(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 trade receivables, other receivables, loan receivables and loans classified as financial assets at fair value through profit or loss;

(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 assets of the Group, including non-core assets or investments classified as financial assets at fair value through profit or loss and other comprehensive income.

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

HKAS 19 Amendments	Plan Amendment, Curtailment or Settlement
HKAS 28 Amendments	Long-term Interests in Associates and Joint Ventures
HKFRS 9 Amendments	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK(IFRIC) – Interpretation 23	Uncertainty over Income Tax Treatments
Annual Improvements to HKFRSs 2015–2017	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

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 16 as discussed below.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 *Leases*, and the related interpretations, HK(IFRIC) Interpretation 4 *Determining whether an Arrangement contains a Lease*, HK(SIC) Interpretation 15 *Operating Leases – Incentives*, and HK(SIC) Interpretation 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**Short-term leases**") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged. HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the consolidated financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 from 1 July 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance at 1 July 2019. Comparative information has not been restated and continues to be reported under HKAS 17. Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(i) *New definition of a lease*

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 July 2019. For contracts entered into before 1 July 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be outside the scope of HKFRS 16.

(ii) *Lessee accounting and transitional impact*

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those Short-term leases and leases of low-value assets.

At the date of initial application of HKFRS 16 (i.e. 1 July 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 July 2019. The weighted average of the incremental borrowing rates used for determination of the lease liability was 17.25% per annum.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(A) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 30 June 2020;

(B) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(C) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment of whether leases are onerous by apply HKAS 37 as at 30 June 2019 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as at 30 June 2019 to the opening balance for lease liabilities recognised as at 1 July 2019:

	HK$'000
Operating lease commitments at 30 June 2019	2,570
Less: commitments relating to leases exempt from capitalisation:	
− Short-term leases and other leases with remaining lease term ending on or before 30 June 2020	(770)
	1,800
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 July 2019	(152)
Total lease liabilities recognised at 1 July 2019	1,648

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the lease liabilities recognised as at 1 July 2019, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 30 June 2019.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 30 June 2019	**Adjustments**	**Carrying amount at 1 July 2019 (As restated)**
	HK$'000	*HK$'000*	*HK$'000*
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Right-of-use assets	–	1,648	1,648
Total non-current assets	806,603	1,648	808,251
Lease liabilities (current)	–	(1,452)	(1,452)
Current liabilities	(1,263,303)	(1,452)	(1,264,755)
Net current liabilities	(642,537)	(1,452)	(643,989)
Total assets less current liabilities	164,066	196	164,262
Lease liabilities (non-current)	–	(196)	(196)
Total non-current liabilities	(2,243)	(196)	(2,439)

(iii) Impact on the financial result and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 July 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported loss from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated statement of cash flows.

(iv) The Group's leasing activities and how these are accounted for

The Group has lease contracts for office premises and staff quarter used for its operation. Those leases generally run for an initial period of one to two years. There are no lease contracts that include variable lease payments.

Leases

Policies applicable from 1 July 2019

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Such determination is made on an evaluation of the substance of the arrangement, regardless of whether the arrangements take the legal form of a lease.

Assets leased to the Group

Leases are initially recognised as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

Assets leased to the Group and the corresponding liabilities are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate; and
- payments of penalties for terminating the lease, if the lease term reflects the Group, as a lessee, exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the incremental borrowing rate of respective entities. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentive received;
- any initial direct costs; and
- restoration costs.

Payments associated with Short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of profit or loss and other comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

Policies prior to 1 July 2019

(i) Operating leases

The Group as lessee

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated over the shorter of the lease term and their estimated useful lives.

(b) New and revised HKFRSs not yet adopted

HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 3	Definition of a Business[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]
Amendments to HKFRS 16	COVID-19-Related Rent Concessions[5]
Amendments to HKAS 16	Property, Plant and Equipment-Proceeds before Intended Use[6]
Amendments to HKAS 37	Onerous Contracts-Cost of Fulfilling a Contract[6]
Amendments to HKFRS 3 (Revised)	Reference to the Conceptual Framework[6]
Conceptual Framework for Financial Reporting 2018	Restated Conceptual Framework for Financial Reporting[4]
HKAS 1 Amendments	Classification of Liabilities as Current or Non-current[7]

[1] Effective for annual periods beginning on or after a date to be determined
[2] Effective for annual periods beginning on or after 1 January 2021
[3] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
[4] Effective for annual periods beginning on or after 1 January 2020
[5] Effective for annual periods beginning on or after 1 June 2020
[6] Effective for annual periods beginning on or after 1 January 2022
[7] Effective for annual periods beginning on or after 1 January 2023

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.

3. 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 episodes 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 expertise and marketing strategies. The operating segments are identified by senior management who is designated as 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 9.

(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	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	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	**1,925**	6,071	**28,539**	28,934	**6,698**	29,560	**–**	–	**37,162**	64,565
RESULTS:										
Segment (loss)/profit	**(4,710)**	(24,447)	**(480,791)**	(479,482)	**29,859**	(32,384)	**(6,664)**	9,656	**(462,306)**	(526,657)
Bank interest income									**3**	9
Loan interest income									**197**	12,059
Unallocated corporate expenses									**(68,303)**	(26,229)
Finance costs									**(129,437)**	(122,112)
Change in fair value of an investment property									**–**	(118,028)
Share of results of associates									**(6,577)**	(11,571)
Impairment loss on investment in an associate									**(9,878)**	(10,188)
Loss on deemed disposal of an associate									**–**	(14,966)
Loss on disposal of an associate									**(23,483)**	–
Loss before income tax									**(699,784)**	(817,683)
Income tax credit									**708**	34
Loss for the year from										
– continuing operations									**(699,076)**	(817,649)
– discontinued operations									**–**	(1,289,461)
Segment results relations									**(699,076)**	(2,107,110)

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 loan interest income, finance costs, impairment loss on investment in an associate, share of results of associates, loss on deemed disposals of an associate and loss on disposal of associates, share of results of associates and income tax. 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		Entertainment business		Money lending		Securities and bonds investment		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
ASSETS:										
Segment assets	**10,068**	23,554	**312,023**	713,877	**43,144**	206,844	**31,832**	128,584	**397,067**	1,072,859
Interest in a joint venture									**107**	107
Interests in associates									**–**	55,175
Unallocated corporate assets									**38,347**	119,203
									435,521	1,247,344
Assets of disposal group classified as held for sale									**–**	180,025
Total assets									**435,521**	1,427,369
LIABILITIES:										
Segment liabilities	**14,079**	19,868	**100,725**	255,816	**24**	146	**31,380**	37,576	**146,208**	313,406
Unallocated corporate liabilities									**908,677**	772,115
									1,054,885	1,085,521
liabilities of disposed group classified as held for sale									**–**	180,025
Total liabilities									**1,054,885**	1,265,546

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, 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 notes, 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 included in arriving at segment results and segment assets for the current and prior year:

	Continuing operations						Discontinued operations							
	Artiste management services		Entertainment business		Money lending		HMV business		Operation of cinemas		Unallocated		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Capital expenditure	**–**	–	**736**	603	**–**	–	**–**	15	**–**	329	**–**	–	**736**	947
Depreciation of property, plant and equipment	**15**	133	**1,993**	2,758	**–**	–	**–**	3,061	**–**	4,782	**1,028**	1,010	**3,036**	11,744
Amortisation of film rights	**–**	–	**118,642**	198,070	**–**	–	**–**	–	**–**	–	**–**	–	**118,642**	198,070
Amortisation of intangible assets	**–**	203	**150**	150	**–**	–	**–**	–	**–**	–	**–**	–	**150**	353
Amortisation of right-of-use assets	**–**	–	**123**	–	**–**	–	**–**	–	**–**	–	**1,412**	–	**1,535**	–
Impairment loss on property, plant and equipment	**–**	–	**571**	–	**–**	–	**–**	–	**–**	–	**–**	–	**571**	–
Impairment loss of intangible assets	**–**	–	**1,199**	–	**–**	–	**–**	–	**–**	–	**–**	7,840	**1,199**	7,840
Impairment loss on goodwill	**–**	–	**13,148**	10,789	**–**	–	**–**	–	**–**	–	–	–	**13,148**	10,789
Write off of other receivables	**–**	–	**–**	25,245	**–**	–	**–**	–	**–**	–	–	–	**–**	25,245
Written-off of prepayments	**1,511**	–	**30,154**	–	**–**	–	**–**	–	**–**	–	**–**	–	**31,665**	–
Write off of goodwill on acquisition of a subsidiary	**–**	–	**–**	7,693	**–**	–	**–**	–	**–**	–	**–**	–	**–**	7,693
Net allowance for ECL on trade receivables	**1,371**	1,785	**(15,816)**	85,500	**–**	–	**–**	–	**–**	–	**–**	(60)	**(14,445)**	87,225
Net allowance for ECL on loan receivables	**–**	–	**–**	3,199	**(25,583)**	62,236	**–**	–	**–**	–	**–**	**–**	**(25,583)**	65,435
Net allowance for ECL on other receivables	**(206)**	3,900	**(11,045)**	131,328	**–**	–	**–**	–	**–**	–	**–**	–	**(11,251)**	135,228

(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, 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**	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**22,101**	51,021	**281,783**	411,124
The PRC	**12,072**	9,546	**–**	–
Taiwan	**314**	368	**–**	–
Japan	**–**	335	**–**	–
Other Asian countries	**1,954**	2,879	**–**	–
North America	**599**	200	**–**	–
European countries	**5**	49	**–**	–
Other areas	**117**	167	**–**	–
	37,162	64,565	**281,783**	411,124

(e) Information about major customers

During the years ended 30 June 2020 and 2019, no customer under distribution and production of films, television episodes and music production contributing over 10% of the total revenue of the Group.

4. REVENUE

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Recognised at point in time basis:		
Distribution and production of films, television episodes and music production	**15,127**	16,425
Sales of goods	**11,147**	10,482
	26,274	26,907
Recognised on over time basis:		
Artiste management services fee income	**1,925**	6,071
Distribution of new films	**2,265**	2,027
	4,190	8,098
Revenue from other sources		
Interest income and handling charge income from money lending	**6,698**	29,560
	37,162	64,565

5. OTHER INCOME AND GAINS

	2020	2019
	HK$'000	*HK$'000*
Dividend income	**–**	18,631
Bank interest income	**3**	9
Loan interest income from an associate	**–**	646
Other loan interest income	**197**	11,413
Event and commission income	**1,812**	295
Waiver of deposit received	**–**	10,764
Gain on disposal of property, plant and equipment	**–**	74
Wages subsidies of the Employment Support Scheme	**512**	–
Others	**4,050**	5,917
	6,574	47,749

6. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest on other borrowings	**12,776**	18,060
Interest on margin account overdrafts	**3,941**	4,931
Interest on lease liabilities	**183**	–
Interest on convertible bonds	**34,000**	41,858
Interest on promissory notes	**80,156**	61,263
Total finance costs	**131,056**	126,112
Amount capitalised	**(1,619)**	(4,000)
	129,437	122,112

The table sets out below the analysis of the Group's interests and defaulted interests for the year:

	Interests	**Default interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
For the year ended 30 June 2020			
Interest on other borrowings	**1,647**	**11,129**	**12,776**
Interest on margin account overdrafts	**3,941**	**–**	**3,941**
Interest on lease liabilities	**183**	**–**	**183**
Interest on convertible bonds	**–**	**34,000**	**34,000**
Interest on promissory notes	**18,699**	**61,457**	**80,156**
For the year ended 30 June 2019			
Interest on other borrowings	15,406	2,654	18,060
Interest on margin account overdrafts	4,931	–	4,931
Interest on lease liabilities	–	–	–
Interest on convertible bonds	12,001	29,857	41,858
Interest on promissory notes	19,965	41,298	61,263

7. LOSS BEFORE INCOME TAX

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

	2020 **HK$'000**	2019 HK$'000
Staff costs (including directors' remuneration):		
Salaries, allowances and other benefits in kind	**21,517**	33,648
Retirement benefits scheme contributions	**732**	1,177
Total staff costs	**22,249**	34,825
Auditor's remuneration	**1,200**	1,800
Amortisation of film rights*	**118,642**	198,070
Amortisation of intangible assets	**150**	353
Cost of inventories recognised as expenses*	**9,848**	7,587
Depreciation of property, plant and equipment	**3,036**	2,891
Amortisation of right-of-use assets	**1,535**	–
Minimum lease payments under operating leases:		
– Land and building	**770**	5,459
Other lease expenses#	**814**	–
Exchange loss	**9,994**	5,833
Allowance for ECL on loan receivables	**9,805**	65,975
Write back of allowance for ECL on loan receivables	**(35,388)**	(540)
Allowance for ECL on other receivables	**8,933**	135,228
Write back of allowance for ECL on other receivables	**(20,184)**	–
Allowance for ECL on trade receivables	**13,730**	87,464
Write back of allowance for ECL on trade receivables	**(28,175)**	(239)
Impairment loss on goodwill	**13,148**	10,789
Impairment loss on interest in associate	**9,878**	10,188
Impairment loss on films production in progress	**77,904**	–
Impairment loss on intangible assets	**1,199**	–
Impairment loss on property, plant and equipment	**571**	–
Written-off of other receivables	**–**	25,245
Written-off of prepayments^	**31,665**	–
Loss on disposal of an associate	**23,483**	–
Loss/(gain) on disposal of property, plant and equipment	**330**	(74)

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

\# These expenses relate to short-term leases. They are directly charged as expenses and are not included in the measurement of lease liabilities under HKFRS 16.

^ Certain prepayments for film and television episodes production costs were written-off during the year as a result of (i) the expiration of a license for a drama production not yet commenced of approximately HK$828,000 (2019: Nil); and (ii) the termination of film and drama production project of approximately HK$24,473,000 (2019: Nil) as the additional funding in respect of changing film director and main artists may not be achievable. Although the Group is still negotiating with the relevant counterparties on the extension of license or refund of prepaid investment fund, the directors of the Company consider that the recovery of such prepayment costs is remote and write-off the full amount to the consolidated profit or loss during the year. Prepaid artiste fees of approximately HK$3,596,000 (2019: Nil) were written-off due to the expiration of certain non-refundable artiste contracts during the year.

8. 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 (2019: Nil). Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2019: 25%) for the year. No overseas profits tax has been calculated for the group entities that are incorporated in the British Virgin Islands (the "**BVI**") or Bermuda as they are exempted from tax (2019: Nil).

	2020	2019
	HK$'000	*HK$'000*
Continuing operations		
Deferred tax	**(708)**	(34)
Discontinued operations		
Deferred tax *(Note 9(iii))*	**–**	(388)
	(708)	(422)

9. 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 off 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 appointments of Mr. Wong Sun Keung and Ms. Tsui Mei Yuk Janice as the joint and several provisional liquidators for the voluntary winding-up were 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 liquidators had 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.

A loss on voluntary winding up of a subsidiary of approximately HK$1,208,326,000 was recognised in the consolidated profit or loss and other comprehensive income for the year ended 30 June 2019. This deconsolidation of HMV Marketing including goodwill of approximately HK$1,050,455,000. Set out below are the net carrying amounts of the assets and liabilities of HMV Marketing at the date of derecognition:

		2019
	Note	*HK$'000*
Property, plant and equipment		38,709
Intangible assets		236,500
Goodwill	*(a)*	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

Note:

(a) In respect of the impairment assessment of HMV cash-generating unit ("**CGU**") as at 30 June 2018, the Group had considered an operation agreement entered 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 in 10 years starting from 2018. The Business Partner provided profit guarantee (the "**Profit Guarantee**") to the Group in the year ended 30 June 2018 and the next 9 years. The revenue generated from this arrangement for the year ended 30 June 2018 and the following 9 years then ended should be no less than HK$40,000,000 and approximately HK$3,909,000,000. The significant portion of discounted cash flows of HMV CGU was based on the aforementioned Profit Guarantee. The recoverable amount of HMV CGU was determined on the basis of fair value less costs of disposal using discounted cash flow method (Level 3 fair value measurements).

The key assumptions for the discounted cash flow method were those regarding the discount rates, growth rates and budgeted gross margin and revenue during the forecast period. The Group estimated discount rates using pre-tax rates that reflected current market assessments of the time value of money and the risk specific to HMV CGU. The growth rates were based on long-term average economic growth rate of the geographical area in which the businesses of the HMV CGU operate. Budgeted gross margin and revenue were based on past practices and expectations on market development.

The Group prepared cash flow forecast for HMV CGU derived from the most recent financial budgets approved by the directors for the next five years with the residual period using growth rate of 3%. The discount rate for the HMV CGU was 15.8%.

The voluntary winding-up of HMV Marketing is still under progress as at 30 June 2020.

(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**"). 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 ended 30 June 2019 were 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 operations. The results of these business are presented below:

		2019		
	Notes	Operation of cinema *HK$'000*	HMV business *HK$'000*	Total *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 discontinued operations		(46,491)	(68,522)	(115,013)
Income tax credit	*8*	–	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	*9(i)*	–	(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)

The net cash flows incurred by HMV business and operation of cinemas are as follows:

	2019
	HK$'000
Operating activities	3,465
Investing activities	8
Net cash inflows	3,473
Loss per share:	
Basic and diluted, from discontinued operations	HK$(4.76)

10. DIVIDEND

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

11. 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 2020 and 2019, 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 2020 and 2019 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:

	2020	2019
Loss for the year attributable to owners of the Company *(HK$'000)*	**(685,385)**	(2,096,479)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**271,407,779**	270,853,380

(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:

	2020	2019
Loss for the year from continuing operations attributable to owners of the Company *(HK$'000)*	**(685,385)**	(807,018)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**271,407,779**	270,853,380

(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:

	2020	2019
Loss for the year from discontinued operations attributable to owners of the Company *(HK$'000)*	**–**	(1,289,461)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**–**	270,853,380

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020	2019
	HK$'000	*HK$'000*
Listed equity securities, at fair value		
– Listed in Hong Kong	**–**	6,262
– Listed in overseas *(Note a)*	**–**	25,721
Unlisted equity securities, at fair value *(Note b)*	**27,633**	84,269
	27,633	116,252

Notes:

(a) As at 30 June 2019, the Group's financial assets at FVTOCI listed in overseas represented the investment in Dongfang Modern Agriculture Holding Group Limited ("**Dongfang**") (Stock code: DFM) which is a public company incorporated and domiciled in Australia and its shares are listed on the Australian Securities Exchange ("**ASX**"). Dongfang is principally engaged in the cultivation and sales of various agricultural products including the citrus fruits tangerine, pomelo and navel oranges and also camellia fruit and related products in Ganzhou City District, Jiangxi Province of the PRC and the manufacture and sale of food supplement in Australia. ASX had suspended the trading of Dongfang's shares in August 2019 due to the failure to pay its annual listing fees. In August 2020, ASX announced that the listing of Dongfang's shares would be cancelled from the commencement of trading on 31 August 2020. As a result, the Group has been actively seeking buyers for Dongfang's shares through close communication with securities broker and other possible channels to recover its investment, however, there has been no significant progress up to the date when these consolidated financial statements were authorised for issue. Although the Group will be able to sell the shares of Dongfang, in the opinion of the directors of the Company, the likelihood of recovery of the investment is remote and hence considered that the market value of the Group's interest in Dongfang as Nil as at 30 June 2020. As a result, a fair value loss on FVTOCI of approximately HK$25,721,000 (2019: HK$8,159,000) was recognised in the consolidated statement of changes in equity during the year.

(b) Balance mainly represents investment in Bintan Mining Corporate ("**Bintan**"). The Group, entered to loan agreements with Party A and Party B on 5 January 2018 and 7 February 2018, respectively, in respect of loans to the respective parties. The loan to Party A with principal amount of HK$30,000,000 was secured by shares of Bintan, interest bearing at 25% per annum and repayable 4 January 2019. The loan to Party B with principal amount of HK$60,000,000 was secured by shares of Bintan, interest bearing at 10% per annum and repayable 7 August 2018. On 20 November 2018, the Group agreed with Party A and Party B to settle their loans totalling of HK$90,000,000 by 2,148 ordinary shares of Bintan which represents 10.57% of equity interest in Bintan.

Bintan is a limited company incorporated in the BVI and its principal activity is operating a bauxite mine in Rennell Island, Solomon Islands. As at 30 June 2020, 2,148 (2019: 2,148) ordinary shares of Bintan were held by the Group, representing 10.57% (2019: 10.57%) of the issued shares capital of Bintan. During the year, a fair value loss on FVTOCI of approximately HK$47,654,000 (2019: Nil) was recognised in the consolidated statement of changes in equity.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	HK$'000	*HK$'000*
Listed securities held for trading, at fair value:		
Equity securities listed in Hong Kong	**1,851**	9,992
Investments in film and television episodes production *(Note)*	**22,875**	286,752
Other debt investments	**2,348**	2,340
	27,074	299,084
Analysed as:		
Non-current assets	**5,176**	277,692
Current assets	**21,898**	21,392
	27,074	299,084

Note:

Certain loans to entities engaging in film production with principal amounts of approximately HK$81,838,000 as at 30 June 2019 did not fulfill the contractual cash flow characteristics test specified in HKFRS 9 and therefore classified as financial assets at FVTPL. The loan is unsecured, bearing fixed interest rate at 8% per annum and has a term of one year commencing on 30 June 2018. The Group is entitled an additional return from these loans, with reference to sum received or receivable from the film producers in connection to the box office of the film. These loans were matured on 30 June 2019 and the Group had not entered into any new arrangements with the relevant counter parties.

Save for aforesaid, as at 30 June 2020, the Group has four (2019: five) agreements with production houses, which are independent third parties. The investments are governed by the relevant agreements entered into between the Group and the production houses whereby the Group is entitled to benefits generated from the distribution of the related films and television episodes productions.

During the year, as affected by the COVID-19 pandemic, a number of films or television episodes invested by the Group had to be delayed in debuting on cinema screens or had to be temporarily suspended from filming due to travel restrictions, lockdown of cities and other uncertainties that may affect the film and television episodes' industries right after COVID-19 pandemic. However, one of its film producers had notified the Group that a film at an investment cost of RMB40,000,000 (equivalent to approximately HK$45,614,000) would be ready to be debuted on cinema screens during the year ending 30 June 2021. As a result, the Group reclassified the relevant investment from non-current asset to current asset.

The fair values of investments in film and television episodes production were assessed by the directors of the Company with reference to the professional valuation carried out by GC Appraisals Services Company Limited, an independent professional valuer.

The fair values of the investments in film and loans classified as FVTPL have been determined based on the present value of expected return which is assessed with reference to films that have similar movie genre (the "**Comparable Films**"), which were observable market information. The management of the Group made reference to the average of the actual box offices of the Comparable Films to estimate the expected gross box offices of the films.

The fair values of investment in television episodes have been determined based on the present value of the expected return of television episodes which will be displayed on Over-The-Top platform ("**OTT platform**") or broadcasted on television. The data about distribution income generated is observable on both internal and external market information available, the management of the Group measured the fair value of such investments by making reference to the average of the actual viewing rates to estimate the expected distribution income.

Based on the above assessments, a fair value loss of approximately HK$253,853,000 (2019: a fair value gain of approximately HK$4,828,000) was recognised in the consolidated statement of profit or loss during the year.

14. FILM RIGHTS AND FILMS PRODUCTION IN PROGRESS

Film rights are used in the Group's entertainment business segment. The recoverable amount of the film rights has been determined on the basis of their value in use using discounted cash flow method (Level 3 fair value measurement) based on expected future revenue less the relevant costs arising from the distribution and sub-licensing of the film rights cover 3 years (2019: 3 years). The discount rate used was 18.46% (2019: 10%). During the year, the Group performed impairment tests as at 30 June 2020 by comparing the attributable carrying amounts of the film rights with the recoverable amounts and no impairment for film rights was recognised for the both years.

The directors of the Company assess the recoverable amounts of films production in progress as at 30 June 2020 and an impairment loss of approximately HK$77,904,000 (2019: Nil) has been recognised for the year due to the postponement of certain production plan for the films production in progress and the directors of the Company considered that the amount may not be fully recovered as at 30 June 2020. The estimated recoverable amount was determined based on the present value of estimated discounted future cash flows attributable to the Group which is assessed with reference to films that have similar genre or casting and were observable market information. The discount rate used was 18.46% (2019: 10%).

The aforesaid impairments were assessed by the directors of the Company with reference to the professional valuation carried out by GC Appraisals Services Company Limited (2019: International Valuation Limited), an independent professional valuer.

15. LOAN RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Loan receivables	**93,370**	285,911
Less: Allowance for ECL	**(50,641)**	(76,224)
	42,729	209,687

All loan receivables are denominated in HK$ and carried fixed interest rates with effective interest rate ranging from 5% to 18% (2019: 5% to 25%) per annum and with the terms ranging from 1 month to 4 years (2019: 1 month to 4 years).

The following is an aging analysis for the loan receivables, net of allowance for ECL, based on loan drawn down date, at the reporting date:

	2020	2019
	HK$'000	*HK$'000*
0 to 30 days	**–**	–
31 to 90 days	**–**	–
91 to 180 days	**–**	2,647
181 to 365 days	**–**	81,851
Over 365 days	**42,729**	125,189
	42,729	209,687

At the reporting date, the aging analysis of loan receivables, net of allowance for ECL, is as follow:

	2020	2019
	HK$'000	*HK$'000*
Neither past due nor impaired	**10,552**	161,806
Within 1 to 90 days past due	**29,302**	44,933
Over 90 days past due	**2,875**	2,948
	42,729	209,687

For loan receivables which are past due within 90 days or not yet past due, the ECL are estimated based on the Group's actual individual borrowing rates for each of the loans less risk-free rates, which reflect the credit risk of loan receivables and are adjusted for forward-looking information that is available without undue cost or effort.

For loan receivables which are past due over 90 days, allowance for ECL are fully provided.

	12-month ECL (not credit impaired) *HK$'000*	Lifetime ECL (credit impaired) *HK$'000*	Total *HK$'000*
As at 1 July 2018 – as restated	10,789	–	10,789
Transfer to lifetime ECL (credit impaired) *(Note)*	(6,680)	6,680	–
Changes due to:			
– ECL recognised due to financial instrument recognised during the year	2,382	–	2,382
– ECL recognised during the year due to increase in past due balances	–	63,593	63,593
– Reversal of ECL recognised during the year due to settlement of loan receivables	(258)	(282)	(540)
	2,124	63,311	65,435
As at 30 June 2019 and 1 July 2019	6,233	69,991	76,224
Transfer to lifetime ECL (credit impaired) *(Note)*	(537)	537	–
Changes due to:			
– ECL recognised due to financial instrument recognised during the year	2,224	–	2,224
– ECL recognised during the year due to increase in past due balances	–	7,581	7,581
– Reversal of ECL recognised in prior year due to settlement of loan receivables	(35,388)	–	(35,388)
	(33,164)	7,581	(25,583)
As at 30 June 2020	**(27,468)**	**78,109**	**50,641**

Note: As certain loan receivables (not credit impaired) were past due over 90 days as at the reporting date, the ECL of these balances were transferred to lifetime ECL (credit impaired).

16. TRADE RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**77,420**	96,230
Less: Allowance for ECL	**(74,836)**	(89,281)
	2,584	6,949

The Group allows credit periods of 30 days to 60 days to its trade debtors. The Group does not hold any collateral over these balances.

As at the reporting date, the aging analysis of the trade receivables, based on invoice date and net of ECL, is as follows:

	2020	2019
	HK$'000	*HK$'000*
0 to 90 days	**2,024**	4,337
91 to 180 days	**560**	2,612
	2,584	6,949

As at the reporting date, the aging analysis of the trade receivables based on due date and net of ECL is as follows:

	2020	2019
	HK$'000	*HK$'000*
Neither past due nor impaired	**2,024**	4,337
0 to 90 days past due	**560**	2,612
	2,584	6,949

Set out below are the Group's assessment of ECL on trade receivables, loan receivables and other receivables as at the reporting date:

The Group uses debtors' aging to assess the impairment for its customers in relation to its operation individually. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on the aging analysis as at the reporting date within lifetime ECL (credit impaired). Allowance for ECL are fully provided based on the balances past due over 90 days.

	Lifetime ECL (credit impaired)
	HK$'000
As at 1 July 2018 – as restated	2,056
Changes due to:	
– ECL recognised during the year due to increase in past due balances	87,464
– Reversal of ECL recognised during the year due to settlement of trade receivables	(239)
	87,225
As at 30 June 2019 and 1 July 2019	89,281
Changes due to:	
– ECL recognised during the year due to increase in past due balances	13,730
– Reversal of ECL recognised in prior year due to settlement of trade receivables	(28,175)
	(14,445)
As at 30 June 2020	**74,836**

17. TRADE PAYABLES

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

	2020	2019
	HK$'000	*HK$'000*
0 to 90 days	**4,982**	12,522
91 to 180 days	**1,594**	1,510
181 to 365 days	**3,507**	147
Over 365 days	**27,829**	17,364
	37,912	31,543

18. OTHER BORROWINGS

	2020	2019
	HK$'000	*HK$'000*
Secured		
Personal guaranteed provided by a director of the Company	**77,144**	43,765
Equity securities listed in Hong Kong	**203**	37,576
Pledged by an investment property	**–**	30,217
	77,347	111,558
Unsecured	**34,200**	3,022
	111,547	114,580

19. CONVERTIBLE BONDS

	2020	2019
	HK$'000	*HK$'000*
Convertible bonds classified as:		
Compound instruments and current liabilities		
At beginning of year	**226,913**	201,642
Interest charged for the year *(Note 6)*	**34,000**	41,858
Interest paid during the year	**–**	(16,587)
At end of year	**260,913**	226,913

Convertible bonds include:

A convertible bond issued on 21 October 2009 which was mature on 20 October 2014 and has remaining nominal value of HK$2,000,000 as at 30 June 2020 and 2019. The adjusted conversion price at the date of maturity was HK$0.610. The interest charged for the year was calculated by applying an effective interest rate of 11.37% per annum to the liability component for prior years before maturity.

On 25 April 2017, the Group issued 5% coupon convertible bonds with a nominal value of HK$50,000,000 ("**2017 CB**") HK$25,000,000, HK$12,500,000 and HK$12,500,000 of 2017 CB are convertible at the option of the bond holders into ordinary shares with a par value of HK$0.01 each on or after 25 April 2019, 25 October 2019 and 25 April 2020 respectively. Any 2017 CB not converted will be redeemed on 25 April 2021 at the principal amount. The conversion price adjusted from HK$0.313 to HK$0.305 per share during the year ended 30 June 2017. During the year ended 30 June 2019, the conversion price was further adjusted from HK$0.305 per share to HK$15.25 due to the capital reorganisation of the Company.

In December 2018, the Group breached its specific obligation and became an event of default under the terms of 2017 CB. The holders of 2017 CB have the right to require redemption of all the outstanding amounts immediately.

Interest expenses of Nil (2019: HK$4,819,000) and defaulted interests of HK$4,000,000 (2019: Nil) have been accrued as at 30 June 2020.

On 2 January 2018, the Group issued 8% coupon convertible bonds with a nominal value of HK$150,000,000 ("**2018 CB**"). HK$150,000,000 of 2018 CB is convertible at the option of the bond holders into ordinary share with a par value of HK$0.273 each on or after 2 January 2019 up to and including 2 January 2019. 2018 CB has not been converted or redeemed during the year and in prior year. The 2018 CB was issued together with the promissory notes with principal amount of HK$148,000,000 (the "**2018 PN**") (Note 36) which is interest bearing at 8% per annum and repayable on 1 January 2019.

The 2018 CB and 2018 PN are secured by (1) the charge granted by AID Treasure Investment Limited ("**AID Treasure**"), an indirectly wholly owned subsidiary of a shareholder of the Company, Mr. Shiu and Mr. Yuen Kwun Yan ("**Mr. Yuen**") (collectively the "**Chargers**") in favour of the holders of 2018 CB (the "**Bondholders**") on the default securities trading account (the "**Account**") with 6,000,000, 22,200,000 and 8,800,000 ordinary shares of the Company (collectively the "**Security**") respectively; and (2) personal guarantee granted by Mr. Shiu.

If, on any trading day, the ratio of the Security at the closing price on the trading day to the aggregate outstanding principal amount of the 2018 CB and the 2018 PN (the "**LTV Ratio**") falls below the value of 1.2 (a "**Security Top-Up Triggering Event**"), the Company shall procure the Chargers to jointly and severally to, within 3 days;

(a) transfer additional shares of the Company which are beneficially owned by any or each Charger and free from encumbrance to the Account such that, the LTV Ratio will become at least 1.5; or

(b) transfer cash, which is equal to the aggregate outstanding principal amount of the 2018 CB and 2018 PN times the difference between 1.5 and the LTV Ratio on the trading day.

If the average closing price for any 30 consecutive trading days falling on or after the issue date of the 2018 CB is higher than 0.3224, the Company shall be entitled to issue a conversion request notice no later than 5 business days after the last day of such 30 consecutive trading days to the bondholders, requesting the bondholders to exercise their conversion right (in full or in part) to convert the 2018 CB into share. After 10 business days, the Company shall redeem the portion of the 2018 CB that is not converted at the amount equal to the aggregate of (a) the aggregate outstanding principal amount of the 2018 CB; (b) accrued but unpaid interest on the 2018 CB; (c) an amount which would make up an internal rate of return of 15% on the initial aggregate principal amount of the 2018 CB calculated from (and including) the issue date until (and including) the early redemption date; (d) any interest at the default rate of 20% of interest payable; and (e) any costs and expenses related to the early redemption.

Both 2018 CB and 2018 PN were issued to the same bondholders on the same date, their fair values at initial recognition were 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 2018 CB and the fair value of 2018 PN.

	2018
	HK$'000
	(Restated)
Liability component of 2018 PN at date of issue *(Note 20)*	145,905
Liability component of 2018 CB at date of issue	147,876
Convertible bonds equity reserve	1,731
Transaction costs	2,488
Total nominal value of 2018 CB and 2018 PN	298,000

The interest charged for the year is calculated by applying an effective interest rate of 15.8% (2019: 16.1%) per annum to the liability components of both 2018 CB and 2018 PN.

In September 2018, the Group breached its specific obligation and became an event of default under the terms of 2018 CB and 2018 PN. The holders of 2018 CB and 2018 PN have the right to require redemption of all the outstanding amounts immediately, interest at the default rate of 20% per annum was applied to the outstanding amounts of 2018 CB and 2018 PN. In the opinion of the directors of the Company, with reference to the legal opinion, the conversion options of 2018 CB were lapsed.

Interest expenses of Nil (2019: HK$7,183,000) and defaulted interest of approximately HK$30,000,000 (2019: HK$19,500,000) have been accrued as at 30 June 2020.

20. PROMISSORY NOTE PAYABLES

	HK$'000
As at 1 July 2018	379,100
Issuance of promissory notes	3,000
Imputed interest *(Note 6)*	61,263
Interest paid	(21,503)
Exchange realignment	(33)
As at 30 June 2019 and 1 July 2019	421,827
Imputed interest *(Note 6)*	80,156
Repayment of principal	(13,000)
Interest paid	–
Exchange realignment	(1,564)
As at 30 June 2020	**487,419**

Promissory note payables include:

On 2 January 2018, the Group issued 2018 PN as detailed in Note 19.

On 11 May 2018, the Group issued a promissory note with a principal amount of HK$35,000,000 as part of the consideration for the acquisition of 100% equity interests of Ocean Bridge. The promissory note is unsecured, interest bearing at 8% per annum and repayable on 10 May 2019. The fair value of the promissory note approximates its carrying amount.

Pursuant to the placing and subscription agreement dated 12 June 2018, the Group issued promissory notes for an aggregate principal amount of US$25,000,000 (equivalent to approximately HK$195,000,000) at 8% interest per annum for cash ("**2019 PN**"). Promissory notes have a maturity date of 2 years after the date of issue, and are secured by the followings:

a) 100% of issued share capital of a wholly-owned subsidiary, Lead Supreme Limited;

b) Designated account (which is set up as a designated bank account to receive certain proceeds from the production and distribution of certain movie(s)); and

c) Mr. Shiu is irrevocably and unconditionally guaranteed the due payment of all sums to be payable by the Company under the terms and conditions of the promissory note.

The net proceeds from the issue of the 2019 PN was approximately HK$190,325,000 and is measured at amortised cost using effective interest rate of 22.35% (2019: 12.71%) per annum.

On the date of maturity, the amount to be paid by the Group would result in an internal rate of return of 11% per annum on the outstanding principal amount of 2019 PN.

In September 2018, the Group had breached its specific obligation and became an event of default under the terms of 2019 PN. The holders of 2019 PN has the right to require redemption of all the outstanding amounts immediately, interest at the default rate of 15% per annum was applied to the outstanding amounts of 2019 PN. Interest expense and default interest had been accrued as at 30 June 2020 and 2019.

On 25 June 2019, Ocean Bridge, a wholly owned subsidiary of the Group, entered into a deed of loan restructuring (the "**Deed**") with HKFC, the Company, King Universe Inc. Limited, Mr. Shiu and Blueway Corporation Limited on 25 June 2019 for the settlement of the certain other borrowings in an aggregate sum of HK$30,700,000. According to the Deed, the Group issued a promissory note with a principal amount of HK$3,000,000 which is unsecured, interest-free and repayable on 3 August 2019. The promissory note is measured at amortised cost using effective interest rate of 24% (2019: 0%) per annum.

In August 2019, the Group breached its specific obligation and became an event of default under the terms of the Deed, defaulted interests of approximately HK$6,329,000 (2019: Nil) have been accrued as at 30 June 2020.

The Group is currently negotiating with the lenders to renew promissory notes at the end of the reporting period. As at the date of approval of the consolidated financial statements, the aforesaid promissory notes were not yet renewed nor repaid.

During the year, the Group has settled other borrowings of approximately HK$8,200,000 (2019: Nil) and promissory note payables of approximately HK$3,000,000 (2019: Nil) in accordance with the terms of the Deed.

Under the terms of the tenancy agreements signed with landlords, the Group shall vacate and re-instate the leased cinema premises at the Group's cost upon expiry of the relevant tenancy agreements in 12 to 18 years. Provision is therefore made for the best estimate of the expected reinstatement costs to be incurred. Movements of provision for asset retirement are as follows:

	2019
	HK$'000
At beginning of year	16,960
Winding-up of a subsidiary *(Note 9(i))*	(13,706)
Disposal of a subsidiary	(3,268)
Finance cost on asset retirement obligations	153
Exchange realignment	(139)
At end of year	–
Non-current liabilities	–

21. CONTINGENT LIABILITIES

HMV Marketing had entered into operation agreements with the Business Partner as detailed in Note 9. Following the winding up of HMV Marketing (Note 9(i)), the operation agreements are 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. As at 30 June 2019, the Group received in aggregate of HK$40,000,000 from the Business Partner according to the operation agreements, which was also subject to uncertainty.

22. LITIGATIONS

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 (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 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 there to 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 proceed of the Disposal after deducting relevant transaction costs and expenses.

On 3 July 2019, the Plaintiff, the Vendor, the Company, Ocean Bridge and a third party 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. Upon the completion of such transfer, the Plaintiff and HKFC were no longer the creditor of Ocean Bridge, and the first legal charge and 2 deeds of guarantee were released during the year.

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 ("**Soliton**"), a subsidiary of the Company 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 Warner Music Hong Kong Limited an amount of HK$850,000 and shall destroy and/or return all licensed material of Warner.

Up to the date when these consolidated financial statements were authorised for issue, the case has not yet been concluded. As a result of the foregoing, the amounts of HK$2,100,000 and HK$850,000 have already been recognised as payables to WEA International Inc. and Warner Music Hong Kong Limited and included in other payables in the consolidated statement of financial position as at 30 June 2020.

23. COMPARATIVE FIGURES

Certain comparative figures included in segment assets under the securities and bonds investment segment and other payables have been reclassified to segment assets under entertainment business segment and other borrowings to conform with the current year's presentation, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

The Group reported the total revenue of approximately HK$37.1 million for the year ended 30 June 2020 (the "**Year**"), compared with approximately HK$64.6 million for the year ended 30 June 2019. For the year ended 30 June 2020, a loss attributable to owners of the Company of approximately HK$0.69 billion was recorded whilst in the last year, a loss attributable to owners of the Company of approximately HK$2.1 billion was recorded.

During the Year, artiste management services contributed a revenue of approximately HK$1.9 million (2019: HK$6.1 million). The revenue from entertainment business was approximately HK$28.5 million (2019: HK$28.9 million). The revenue from the money lending business was approximately HK$6.7 million (2019: HK$29.6 million).

BUSINESS REVIEW

The uncertainties over the political environment and economy continued to intensify during the Year. In addition, the latest outbreak of the novel coronavirus disease (COVID-19) is also affected the Group's performance in the Year.

The Television Production Committee and the Artiste Committee of China Federation of Radio and Television Associations has published "Announcement on Suspension of Filming Work in Relation to Film and Television Series amidst Novel Coronavirus", requesting all film and television production companies, film and television crews and film and television artistes to suspend the filming work in relation to film and television series amid the disease in the past few months.

The Group was principally engaged in entertainment business, artiste management services and money lending business. The effects of the coronavirus are hitting China's box office hard as shuttered theatres force studios to delay and even cancel Chinese movie premieres that were scheduled over the past few months and up to today even if the number of case of coronavirus infections have been controlled in Hong Kong and mainland China, when those theatres business will fully bounce back is unknown.

Distribution and production of films, television programmes and music production

The cultural and entertainment market in mainland China was affected by artist taxation issues and the changes of movie regulatory approval policies since 2019. During the Year, the entertainment business recorded a turnover of HK$28.5 million (2019: HK$28.9 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” and “Sexy Central” 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 and also affected by COVID-19 in mainland China and Hong Kong since the end of 2019. The artiste management services recorded a turnover of HK$1.9 million (2019: HK$6.1 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.

Money Lending

The demand for loans is correlated to consumer and business sentiment on expenditure and/or purchase of real estate assets for residential or investment purposes which can then be reflected in the level of domestic economic activities. The economic activities and business sentiment have been affected by the novel coronavirus infection. Many enterprises suffer from a plunge in business turnover, resulting in a liquidity problem, in particular those small and medium enterprises which have difficulty in obtaining commercial bank loans due to their scale of operation. This may provide potential opportunities for licensed money lenders, particularly when banks’ attitudes have become more conservative under the worsened economic environment, notwithstanding that the Group has become more cautious in its lending given the weakening economy in Hong Kong which may give rise to more bad debts in the industry.

During the Year, the money Lending business recorded a turnover of HK$6.7 million (2019: HK$29.6 million).

Significant Investments

During the year ended 30 June 2020, the Group had the following significant investments held which were classified as financial assets at fair value through other comprehensive income:

The name of the investment is Bintan Mining Corporation ("**BMC**"). BMC is a limited company incorporated in the British Virgin Islands and its principal activity is operating a bauxite mine in Rennell Island, Solomon Islands. The mining site covers 560 km^2 and the bauxite reserves are estimated to be 31.5 million dry metric tons. 2,148 shares of BMC was held by the Group, representing 10.57% of the issued shares capital of BMC. The investment cost in BMC was HK$90,000,000.

As at 30 June 2020, the fair value of BMC was HK$23,992,000 and such fair value represents 5.51% in the Company's total assets. For the year ended 30 June 2020, the change in fair value arisen from BMC was HK$47,654,000 while the total amount of dividends received from BMC was nil.

Chinese aluminium industry is heavily dependent on the supply of imported bauxite (China imports 60% of its bauxite requirements). China imported around 51.8M tons in 2016 and 68.6M tons of bauxite in 2017. The Group believes that BMC will grow steadily, however, the ongoing Sino-US trade war heavily affects the macro worldwide economy. Thus, the Group is open-minded with any transaction to sell it's interest in BMC, should a suitable offer becomes available.

Save and except for the above, none of each individual investment constitutes 5% or above of the total assets of the Company as at 30 June 2020.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, total borrowing of the Group (excluding payables) amounted to approximately HK$859.9 million (2019: HK$763.2 million). The Group's gearing ratio (expressed as a percentage of total borrowing over total assets) was 197.4% in 2020 and 53.48% in 2019.

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 2020, the Group has no other asset pledged to bank to secure the bank borrowing granted to the Group (2019: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group had 34 (2019: 76) full-time and part-time employees. The total employee remuneration, including that of the Directors, for the year ended 30 June 2020 amounted to approximately HK$22.2 million (2019: approximately HK$34.8 million). The Group remunerates its employees based on their performance, experience and the prevailing commercial practice. To provide incentives or rewards to the employees, the Company has adopted a new share option scheme on 9 July 2014. No option was outstanding during the Year.

CAPITAL STRUCTURE

During the Year, there is no change of the capital structure of the Company. The issued shares of the Company is 271,407,779 shares.

COMMITMENTS

Total commitments of the Group as at 30 June 2020 was approximately HK$192.5 million (2019: approximately HK$306.8 million).

CONTINGENT LIABILITIES

Details of the Contingent Liabilities of the Company during the Year are set out in note 21 of this result announcement.

DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the year ended 30 June 2020 (2019: nil).

LITIGATION

Details of the litigation of the Company during the Year are set out in note 22 of this result announcement.

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

Neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Group's listed securities during the Year.

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. Please refer to the Corporate Governance Report of the annual report for details.

Chairman and Chief Executive Officer

Code A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual.

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 Mr. Lee Lun Cheong.

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 2020. 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.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The followings are extracted from the independent auditor's report on the consolidated financial statements in respect of disclaimer of opinion arising from the multiple uncertainties relating to going concern and limitation of scope on corresponding figures of financial performance, cash flows and relevant disclosures for the year ended 30 June 2020.

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of China Creative Digital Entertainment Limited (the "**Company**") and its subsidiaries (together, the "**Group**"), which comprise the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and 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 2020 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$699,076,000 for the year ended 30 June 2020 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$933,865,000 and capital deficits of approximately HK$619,364,000. As at 30 June 2020, the Group had other borrowings, convertible bonds and promissory note payables amounted to approximately HK$111,547,000, HK$260,913,000 and HK$487,419,000, respectively, out of which approximately HK$80,166,000, HK$260,913,000 and HK$487,419,000 had been overdue and had not been settled by the Group. No waiver was granted by the respective lenders during the year and up to the date when these consolidated financial statements were authorised for issue. Up to the date when these consolidated financial statements were authorised for issue, approximately HK$712,000, Nil and HK$1,000,000 out of the overdue other borrowings, convertible bonds and promissory note payables as of 30 June 2020 have been settled, respectively.

As of 30 June 2020, the interest and defaulted interest outstanding as set out in Notes 34 to 36 to the consolidated financial statements on other borrowings, convertible bonds and promissory note payables which had not been settled by the Group up to the date when these consolidated financial statements were authorised for issue.

In addition, 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 approximately HK$80,166,000, HK$258,913,000 and HK$487,419,000, respectively as at 30 June 2020. These other borrowings, convertible bonds and promissory note payables were presented as the Group's current liabilities in the consolidated statement of financial position.

We were told by management that, since early 2020, the Group's business operations in the entertainment industry have been adversely affected by the outbreak of Novel Coronavirus ("**COVID-19**") pandemic, which resulted in significant decrease in commercial activities, lockdown of cities and temporary closure of cinemas. The outbreak of COVID-19 pandemic has led to temporary suspension of filming process or delays in the planned film release schedule. Due to the significant delay in filming process and uncertainty of the consequential impact of COVID-19 pandemic on consumers' behaviour, a fair value loss on those projects invested by the Group which are classified as financial assets at fair value through profit or loss of approximately HK$253,853,000 was recognised in the consolidated profit or loss for the year. Furthermore, the management of the Group foresees the outbreak of COVID-19 would also have a prolong adverse impact on the Group's other investments which are classified as financial assets at fair value through other comprehensive income and a fair value loss of approximately HK$83,166,000 was recognised in the consolidated statement of changes in equity during the year. The COVID-19 pandemic has brought additional uncertainties to the renewal of the aforesaid other borrowings, convertible bonds and promissory note payables; and the Group's ability to generate sufficient cash flows to meet its liquidity needs. In addition, there are material uncertainties for ascertaining the recoverable amounts and timing of realisation of the relevant assets included in the cash flow projection prepared by the directors of the Company, of which the relevant assets are included but not limited to, the financial assets at fair value through profit or loss and other comprehensive income, film production in progress, trade receivables, other receivables and loan receivables. The measures being taken by the Group to manage the Group's liquidity needs are set out in Note 1 to 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 appropriateness of preparation of the consolidated financial statements on the going concern basis highly depends on whether the assumptions taken into account by the directors of the Company in the going concern assessment as disclosed in Note 1 to the consolidated financial statements are reasonable and whether the plans and measures can be implemented successfully. 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 − Corresponding figures of financial performance, cash flows and relevant disclosures

As detailed in the consolidated financial statements 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, loan 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 that might have been found to be necessary in respect of the above would have a consequential effect on the net assets of the Group as at 30 June 2018. During the year ended 30 June 2019, the Group had provided for the expected credit loss allowances on trade receivables, loan receivables and other receivables of approximately HK$89,281,000, HK$76,224,000 and HK$162,799,000, respectively, and recognised the amounts to the consolidated profit or loss. Since the Receivables as at 1 July 2018 formed the basis for the determination of expected credit loss allowances on the Receivables for the year ended 30 June 2019, 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 unable to determines 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.

THE REMEDIAL ACTIONS TO BE UNDERTAKEN RELATED TO MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

The management has drawn attention to Note 1 to the Consolidated Financial Statements with respect to the Group's ability to continue as going concerns. 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 other borrowings;

(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 trade receivables, other receivables, loan receivables and loans classified as financial assets at fair value through profit or loss;

(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 assets of the Group, including non-core assets or investments classified as financial assets at fair value through profit or loss and other comprehensive income.

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 us, we 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.

EVENT AFTER THE END OF THE REPORTING PERIOD

(a) Due to the outbreak of COVID-19 pandemic in early 2020, the social distancing measures imposed in the PRC and hence cinemas were temporary closed and the release of new movies was suspended in the PRC.

Starting from mid-July this year, the cinemas in the PRC have resumed opening and operation, provided that effective prevention and control measures have been implemented against the pandemic. The release date of a number of blockbusters has already been announced, reflecting the gradual recovery of China's film market from the pandemic.

The Group will pay close attention to the development of the outbreak of COVID-19 pandemic and its impact on the media market, and will continue to perform relevant assessments and take proactive measures to minimise its impact towards the Group's business operations and financial results.

(b) The directors of the Company expect two action movies produced by the Group, which are classified as films production in progress as at 30 June 2020, to debut on cinema screens in the year ending 30 June 2021.

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

Hong Kong, 25 September 2020

As at the date hereof, the Board comprises Mr. Shiu Stephen Junior (Chairman), Mr. Sun Lap Key, Christopher, Mr. Lee Wing Ho, Albert as Executive Directors; Mr. Lee Wing Lun, Mr. Lee King Fui and Mr. Lee Lun Cheong 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 "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication. This announcement will also be published on the Company's website at www.china3d8078.com.