Pegasus Entertainment Holdings Limited
天馬影視文化控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1326)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2015

FINANCIAL HIGHLIGHTS

- The Group (as defined below) recorded revenue of approximately HK$155.2 million for the year ended 30 June 2015, an increase of approximately HK$20.5 million or 15.2% when compared to the corresponding period in 2014.

- Gross profit margin for the year ended 30 June 2015 was approximately 30.2%, which translated into a gross profit of approximately HK$46.8 million.

- The Group reported a loss attributable to owners of the Company of approximately HK$215.3 million for the year ended 30 June 2015 as compared to a profit of approximately HK$26.4 million for the same period of the previous financial year, as a result of: (i) the accounting treatment relating to the impairment loss on goodwill arising from the acquisition of Chili Group (as defined below) as announced on 7 August 2015 due to the significant fluctuation in the Company's share price of the consideration shares between the agreement date and the completion date of the acquisition; (ii) the accounting treatment relating to the amortisation of a four-month rent-free period as compensation for the renovation period during which the Group's cinema in Langham Place was not in operation; (iii) the Group's business activities which commenced during the year under review (including film exhibition, post-production, and advertising, marketing and publication) are currently in the developmental stage; and (iv) the overall scale of the films released during the year under review were comparatively smaller than that of the films released during the corresponding period in 2014. Since the abovementioned factors under item (i) and (ii) are either one-off in nature or have no cash flow impact on the Group, and taking into account the Group's upcoming film line up (as further elaborated in the body of this announcement), the Group remains confident in the future growth of its overall operations.

- The Group's net assets and net current assets as at 30 June 2015 reached approximately HK$367.8 million and HK$156.3 million respectively.

- The Board (as defined below) does not recommend the payment of final dividend for the year ended 30 June 2015.

RESULTS FOR THE YEAR ENDED 30 JUNE 2015

The Board of Directors of the Company (the "Board") is pleased to announce the audited results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2015 together with the comparative figures for the corresponding period in 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2015

	Notes	**2015**	2014
		HK$'000	*HK$'000*
Revenue	*4*	**155,240**	134,788
Cost of sales		**(108,419)**	(75,064)
Gross profit		**46,821**	59,724
Other income and gain		**2,869**	3,532
Selling and distribution expenses		**(84,456)**	(15,033)
Administrative expenses		**(33,479)**	(22,112)
Impairment loss on goodwill	*6*	**(138,000)**	–
Impairment loss on prepayment for investment in TV series production	*11*	**(15,750)**	–
Interest on bank overdraft		**(78)**	(103)
Share of results of an associate		**(4,548)**	4,661
(Loss) profit before tax		**(226,621)**	30,669
Income tax credit (expense)	*7*	**9,637**	(4,283)
(Loss) profit for the year		**(216,984)**	26,386
Other comprehensive income (expense) for the year			
Item that may be reclassified subsequently to profit or loss			
Share of exchange difference of an associate		**2**	(23)
Total comprehensive (expense) income for the year	*8*	**(216,982)**	26,363

	Notes	**2015**	2014
		HK$'000	*HK$'000*
(Loss) profit for the year attributable to:			
Owners of the Company		**(215,258)**	26,386
Non-controlling interests		**(1,726)**	–
		(216,984)	26,386
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(215,256)**	26,363
Non-controlling interests		**(1,726)**	–
		(216,982)	26,363
			Restated
(Loss) earnings per share			
Basic and diluted (HK cents)	*9*	**(9.1)**	1.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment		**45,458**	1,363
Goodwill	*6*	**43,084**	–
Intangible assets	*10*	**37,268**	–
Interest in an associate		**54,092**	58,638
Prepayment to an artiste		**18,000**	24,000
Available-for-sale investment		**4,056**	4,056
Deferred tax asset		**9,580**	–
		211,538	88,057
Current assets			
Film rights		**6,931**	25,357
Film production in progress		**181,753**	56,002
Investments in film/drama production		**25,530**	29,530
Inventories		**931**	–
Trade and other receivables	*11*	**12,881**	35,400
Prepayment to an artiste		**12,000**	11,000
Rental deposits		**20,130**	18,712
Tax recoverable		**224**	–
Pledged bank deposits		**31,066**	30,173
Bank balances and cash		**81,750**	17,633
		373,196	223,807
Current liabilities			
Trade and other payables	*12*	**45,508**	6,621
Receipts in advance	*12*	**170,683**	9,061
Amounts due to related companies		**694**	510
Amount due to non-controlling interest		**7**	–
Tax payable		**–**	4,368
		216,892	20,560
Net current assets		**156,304**	203,247
Total assets less current liabilities		**367,842**	291,304

	Notes	2015 HK$'000	2014 HK$'000
Capital and reserves			
Share capital	*13*	**6,040**	4,800
Reserves		**351,150**	286,476
Equity attributable to owners of the Company		**357,190**	291,276
Non-controlling interests		**10,652**	–
Total equity		**367,842**	291,276
Non-current liability			
Deferred tax liability		**–**	28
		367,842	291,304

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

	Attributable to owners of the Company								
	Share capital	Share premium	Other reserve	Exchange reserve	Warrants reserve	Retained profits (accumulated loss)	Sub-total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2013	4,000	129,685	10	–	–	60,225	193,920	–	193,920
Profit for the year	–	–	–	–	–	26,386	26,386	–	26,386
Share of exchange difference of an associate	–	–	–	(23)	–	–	(23)	–	(23)
Profit and total comprehensive income for the year	–	–	–	(23)	–	26,386	26,363	–	26,363
Issue of new shares	800	71,200	–	–	–	–	72,000	–	72,000
Cost of issuing new shares	–	(1,717)	–	–	–	–	(1,717)	–	(1,717)
Issue of warrants	–	–	–	–	960	–	960	–	960
Cost of issuing warrants	–	–	–	–	(250)	–	(250)	–	(250)
At 30 June 2014	4,800	199,168	10	(23)	710	86,611	291,276	–	291,276
Loss for the year	–	–	–	–	–	(215,258)	(215,258)	(1,726)	(216,984)
Share of exchange difference of an associate	–	–	–	2	–	–	2	–	2
Loss and total comprehensive expenses for the year	–	–	–	–	–	(215,258)	(215,256)	(1,726)	(216,982)
Issue of new shares	500	62,500	–	–	–	–	63,000	–	63,000
Cost of issuing new shares	–	(3,000)	–	–	–	–	(3,000)	–	(3,000)
Acquisition of subsidiaries	460	195,500	–	–	–	–	195,960	9,570	205,530
Cost of issuing consideration shares	–	(500)	–	–	–	–	(500)	–	(500)
Issue of shares upon exercise of warrants	290	26,895	–	–	(215)	–	26,970	–	26,970
Shares repurchased and cancelled	(10)	(1,250)	–	–	–	–	(1,260)	–	(1,260)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	2,808	2,808
At 30 June 2015	6,040	479,313	10	(21)	495	(128,647)	357,190	10,652	367,842

Note: Other reserve represents the difference between the aggregate nominal value of the respective share capital of the companies now comprising the subsidiaries of the Company over the nominal value of the shares of the Company issued pursuant to the group reorganisation exercise on 5 October 2012 to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

NOTES TO THE RESULTS

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 8 March 2012. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-111, Cayman Islands and its principal place of business is located at Rooms 1801–2, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong. Its immediate and ultimate holding company is Honour Grace Limited, a company incorporated in the British Virgin Islands.

The shares of the Company were listed on GEM of the Stock Exchange on 31 October 2012 (the "GEM Listing") and have been transferred from GEM to Main Board of the Stock Exchange on 9 January 2015 (the "Transfer of Listing").

The Company is an investment holding company. The Group's core business of film and TV series production, distribution and licensing of film rights has largely remained the same for the year ended 30 June 2015. In addition, the Group expanded its principal business activities to include film exhibition, post-production and advertising, marketing and publication. By forming an integrated film production and distribution chain, the Group successfully expanded its scope of business operations to better position itself as a group with diversified cultural industry business.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost basis. The principal accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the annual audited financial statements for the year ended 30 June 2014 except in relation to adoption of new accounting policies and the new and revised Hong Kong Financial Reporting Standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are adopted for the first time for the current period's financial statements.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

Adoption of new accounting policies

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquire is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquire prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the relevant cash-generating unit ("CGU") or groups of CGUs, that are expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit pro rata based on of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in consolidated statement of profit or loss and other comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

Income from advertising service is recognised upon the provision of the services. Service income is recognised when services are provided.

Income from box office takings for film exhibition is recognised upon the sale of tickets and when the film is released.

Revenue from sales of goods, including merchandise and concessionary in the cinema, is recognised upon the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Income from the screen advertising is recognised when relevant advertisements and programme are exhibited pursuant to the terms of the relevant agreements.

Membership income is recognised on a straight-line basis over the membership period.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost, being the fair value at the date of acquisition, less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible assets measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated cost of completion and cost necessary to make the sale.

Application of new and revised HKFRSs

The Group has applied for the first time in the current year the following new and revised amendments to HKFRSs issued by HKICPA.

Amendments to HKFRS 8	Operating segments
Amendments to HKFRS 10, HKFRS 12 and HKFRS 27	Investment Entities
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle
HK(IFRIC)-Int 21	Levies

The application of the above amendments to HKFRSs and a new interpretation in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 11	Accounting for Acquisition of Interest in Joint Operations[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[3]
Amendments to HKAS 27	Equity Method is Separate Financial Statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2017.
3 Effective for annual periods beginning on or after 1 January 2016.

HKFRS 9 ***Financial Instruments***

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments or principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debts instruments that are held within a business model whose objective is achieved both by collecting contractual cash flow and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investment are measured at their fair value at the end or subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recongnised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge and accounting mismatch in profit and loss. Change in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designed as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those and changes in those expected credit losses at each reporting date to reflect change in credit risk since initial recognition. In order words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhead and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirement about an entity's risk management activities have also been introduced.

The directors of the Company ("the Directors") anticipate that the adoption of HKFRS 9 in the future may have a material impact on the amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed reviewed had been completed.

HKFRS 15 ***Revenue from Contracts with Customers***

In July 2014, HKFRS 15 was issued with establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescription guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The Group has not early adopted any new and revised HKFRSs that have been issued but are not yet effective. Except as described above, the Directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

4. REVENUE

	2015	2014
	HK$'000	*HK$'000*
Film production, distribution and licensing income	**77,011**	126,861
Film exhibition income	**73,141**	–
Post-production income	**1,140**	–
Advertising income	**1,786**	5,180
Service income	**1,372**	2,747
Advertising, marketing and publication income	**790**	–
	155,240	134,788

5. SEGMENT INFORMATION

The Group identifies operating segments on basis of internal reports about components of the Group that are regularly reviewed by the Directors, the chief operating decision makers ("CODM") in order to allocate resources to the segments and to assess their performance.

For the year ended 30 June 2015, the Group is organised into four main reportable segments as follows:

(i) Film and TV series production and distribution;
(ii) Film exhibition;
(iii) Post-production; and
(iv) Advertising, marketing and publication.

Segment results represent the profit earned or loss incurred by each segment without allocation of unallocated other income and gain, certain of selling and distribution expenses, administration expenses, interest on bank overdraft, share of results of an associate and income tax (credit) expense. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

For the year ended 30 June 2015

	Film and TV series production and distribution *HK$'000*	**Film exhibition** *HK$'000*	**Post-production** *HK$'000*	**Advertising, marketing and publication** *HK$'000*	**Total** *HK$'000*
Segment revenue — External customers	**80,169**	**73,141**	**1,140**	**790**	**155,240**
Segment loss	**(32,934)**	**(37,876)**	**(1,998)**	**(137,993)**	**(210,801)**
Unallocated other income and gain					**669**
Unallocated head office and corporate expenses					**(11,863)**
Interest on bank overdraft					**(78)**
Share of results of an associate					**(4,548)**
Loss before tax					**(226,621)**
Income tax credit					**9,637**
Loss for the year					**(216,984)**

For the year ended 30 June 2014

	Film and TV series production and distribution *HK$'000*	Film exhibition *HK$'000*	Post-production *HK$'000*	Advertising, marketing and publication *HK$'000*	Total *HK$'000*
Segment revenue — External customers	134,788	–	–	–	134,788
Segment profit (loss)	34,150	(1,111)	–	–	33,039
Unallocated other income and gain					396
Unallocated head office and corporate expenses					(7,324)
Interest on bank overdraft					(103)
Share of results of an associate					4,661
Profit before tax					30,669
Income tax expense					(4,283)
Profit for the year					26,386

As the Group's segment assets and liabilities are not regularly provided to the Group's CODM, the relevant analysis for both years is not presented.

Other segment information

For the year ended 30 June 2015

	Film and TV series production and distribution ***HK$'000***	**Film exhibition** ***HK$'000***	**Post-production** ***HK$'000***	**Advertising, marketing and publication** ***HK$'000***	**Unallocated** ***HK$'000***	**Total** ***HK$'000***
Amounts included in the measured of segment profit or loss or segment assets:						
Addition to property, plant and equipment	**475**	**38,487**	**8,437**	**–**	**59**	**47,458**
Depreciation of property, plant and equipment	**231**	**3,003**	**891**	**13**	**162**	**4,300**
Amortisation of intangible assets	**–**	**–**	**–**	**232**	**–**	**232**
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:						
Interest income	**–**	**–**	**–**	**–**	**669**	**669**
Share of results of an associate	**–**	**–**	**–**	**–**	**(4,548)**	**(4,548)**

For the year ended 30 June 2014

	Film and TV series production and distribution *HK$'000*	Film exhibition *HK$'000*	Post-production *HK$'000*	Advertising, marketing and publication *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measured of segment profit or loss or segment assets:						
Addition to property, plant and equipment	77	–	–	–	76	153
Depreciation of property, plant and equipment	315	–	–	–	314	629
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:						
Interest income	–	–	–	–	201	201
Share of results of an associate	–	–	–	–	4,661	4,661

Geographical information

An analysis of the Group's revenue from external customers by geographical market based on where the revenue of the Group is derived from is as below:

	2015 *HK$'000*	2014 *HK$'000*
Hong Kong and Macau	**99,527**	29,523
The People's Republic of China (the "PRC")	**45,210**	68,793
South East Asia Region	**4,310**	9,671
Others	**6,193**	26,801
	155,240	134,788

The Group's non-current assets by geographical location of the assets are details below:

	2015 *HK$'000*	2014 *HK$'000*
The PRC	**347**	–
Hong Kong	**211,191**	88,057
	211,538	88,057

Information about major customers

Revenue from customers contributing over 10% of the total sales of the Group are as follows:

	2015	2014
	HK$'000	*HK$'000*
Customer A	**15,750**	–
Customer B	**–**	50,426

6. GOODWILL

	HK$'000
Cost	
At 1 July 2013 and 30 June 2014	–
Arising on acquisition of subsidiaries	181,084
At 30 June 2015	181,084
Accumulated impairment	
At 1 July 2013 and 30 June 2014	–
Impairment loss recognised in the year	(138,000)
At 30 June 2015	(138,000)
Carrying amounts	
At 30 June 2015	43,084
At 30 June 2014	–

For the purpose of impairment testing, goodwill (before impairment loss) of HK$181,084,000 (2014: nil) has been allocated to the CGU representing the new subsidiaries, Chili Advertising & Promotions Limited ("Chili") and its subsidiaries (collectively referred to as "Chili Group") acquired by the Group during the year ended 30 June 2015.

Pursuant to the sale and purchase agreement dated 6 March 2015 (as amended by a supplemental agreement dated 30 April 2015) (the "Agreement") entered into between Green Riches Holdings Limited, a wholly-owned subsidiary of the Company and Ms. Wong Kit Fong, the sister of Mr. Wong Pak Ming ("Mr. Wong"), the Chairman and one of the ultimate controllings shareholder of the Company as the vendor for the acquisition of Chili Group at a total consideration of stated amount of HK$68,000,000, which will be satisfied partly by HK$10,040,000 paid in cash and HK$57,960,000 will be satisfied by issuance of 46,000,000 consideration shares by Company at the agreed issuance price of HK$1.26 per consideration share ("Consideration Share(s)") (the "Acquisition").

At the date of completion of the Acquisition on 12 June 2015, the fair value of aggregate consideration paid for the Acquisition was increased from HK$68,000,000 as stated in the Agreement to HK$206,000,000 at the date of completion due to the unforeseen increase in the quoted market price of the Company's shares. The market price of the fixed number of Consideration Shares paid as part of the consideration of the Acquisition increased from HK$1.26 (at the date of the Agreement) to HK$4.26 (at the date of completion of the Acquisition) per Consideration Share. As a result, the amount of goodwill recognised as of the date of completion of the Acquisition was HK$181,084,000 instead of the originally estimated amount of HK$43,084,000, which was estimated as of the date of the Agreement based on the stated consideration amount of HK$68,000,000.

The recoverable amount of Chili Group has been determined based on a value in use calculation. That calculation uses cash flow projection based on financial budgets approved by management covering a five-year period and a discount rate of 17.02%. Cash flows beyond the five-year period are extrapolated using a steady 3% growth rate. Other key assumptions for the value in use calculations relation to the estimated of cash flows which include budgeted sales and gross margins as well as the continuous renewal of the publishing cooperation agreement. The estimation of the budgeted sales and gross margins is based on past performance of Chili Group and management's expectations for the market development. The estimated recoverable amount of Chili Group was below its carrying amount, accordingly the Group recognised an impairment loss of HK$138,000,000 in relation to goodwill arising on the Acquisition and charged to profit or loss during the year ended 30 June 2015.

7. INCOME TAX (CREDIT) EXPENSE

	2015	2014
	HK$'000	*HK$'000*
The income tax (credit) expense comprises:		
Hong Kong Profits Tax		
— Current	**48**	4,311
— (Over) under provision in prior years	**(77)**	4
	(29)	4,315
PRC Enterprise Income Tax ("EIT")		
— Current	**–**	117
— Overprovision in prior years	**–**	(276)
	–	(159)
	(29)	4,156
Deferred taxation	**(9,608)**	127
	(9,637)	4,283

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries are 25% from 1 January 2008 onwards.

8. (LOSS) PROFIT FOR THE YEAR

	2015 HK$'000	2014 HK$'000
(Loss) profit for the year has been arrived at after charging:		
Directors' emoluments	**6,146**	3,600
Other staff costs	**9,694**	6,560
Retirement benefit scheme contributions, excluding those of directors	**581**	430
Total staff costs	**16,421**	10,590
Auditors' remuneration	**1,162**	995
Depreciation of property, plant and equipment	**4,300**	629
Amortisation of intangible assets	**232**	–
Cost of film rights recognised as an expense	**72,892**	75,064
Minimum lease payments under operating leases in respect of:		
Premises	**2,035**	1,529
Cinema	**52,751**	–
Contingent rents incurred for cinema	**877**	–
Cost of services provided	**33,610**	–
Cost of inventories sold	**1,666**	–
Net exchange loss	**110**	–
and after crediting:		
Bank interest income	**669**	201
Net exchange gain	**–**	202
Investment income from investment in film/drama production (included in other income and gain)	**765**	2,257
Handling service income (included in other income and gain)	**1,155**	–

9. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to owners of the Company based on the following data:

	2015 HK$'000	2014 HK$'000
(Loss) earnings		
(Loss) profit for the year attributable to owners of the Company for the purpose of basic and diluted (loss) earnings per share	**(215,258)**	26,386

	2015	2014 (restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	**2,377,549,378**	1,879,123,288

The weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share has been adjusted for the share subdivision effective on 22 July 2015. The basic and diluted earnings per share for the year ended 30 June 2014 has been restated accordingly.

The computation of diluted loss per share for the year ended 30 June 2015 does not assume the exercise of the Company's outstanding warrants since their exercise would result in a decrease in loss per share.

The computation of diluted earnings per share for the year ended 30 June 2014 did not assume the exercise of the Company's outstanding warrants because the exercise price of those warrants was higher than the average market price of shares for the year ended 30 June 2014.

10. INTANGIBLE ASSETS

	Brand	**Publishing cooperation agreement**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Cost			
At 1 July 2013 and 30 June 2014	–	–	–
Acquisition of subsidiaries	5,600	31,900	37,500
At 30 June 2015	5,600	31,900	37,500
Accumulated amortisation			
At 1 July 2013 and 30 June 2014	–	–	–
Provided for the year	–	232	232
At 30 June 2015	–	232	232
Carrying amounts			
At 30 June 2015	5,600	31,668	37,268
At 30 June 2014	–	–	–

The intangible assets are allocated to the CGU of Chili Group acquired by the Group which is presented under "Advertising, marketing and publication" reporting segment.

11. TRADE AND OTHER RECEIVABLES

The aged analysis of the Group's trade receivables, net of allowance for doubtful debts, based on the invoice date, which approximate the respective reporting period is as follows:

	2015	2014
	HK$'000	*HK$'000*
Trade receivables:		
0–30 days	**1,983**	4,725
31–60 days	**3,479**	–
61– 90 days	**1**	1,436
91–180 days	**98**	555
181–365 days	**458**	2,400
Over 365 days	**–**	1,829
	6,019	10,945
Other receivables, deposits and prepayments	**6,454**	2,601
Other deposits and prepayments for cinema operation	**408**	6,104
Prepayment for investment in TV series production *(note)*	**–**	15,750
	12,881	35,400

Generally, with the exception of post-production customers, who are generally granted credit period ranging from 30 to 60 days, no credit period is granted to the Group's customers. Distribution and licensing fee from distributors in Hong Kong, the PRC and overseas countries are normally settled upon delivery of film negatives to them. On a case-by-case basis, one to two months of credit period may be granted to its customers with good repayment history.

These trade receivables relate to a number of independent customers that have a good repayment history. Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$557,000 (2014: HK$6,220,000) as at 30 June 2015 which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral or credit enhancements over these balances.

Aging of trade receivables which are past due but not impaired:

	2015	2014
	HK$'000	*HK$'000*
61–90 days	**1**	1,436
91–180 days	**98**	555
181–365 days	**458**	2,400
Over 365 days	**–**	1,829
	557	6,220

Management of the Company believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit risk and the balances are still considered fully recoverable.

Note: The amount represented prepayment paid to an independent third party in the PRC as investment in a PRC TV series, the production of which has yet to commence. Pursuant to the supplemental agreement entered into between the parties on 28 March 2014, if production of the TV series does not commence on or before the end of October 2014, the prepayment will be fully returned to the Group. During the year ended 30 June 2015, the Group issued several reminders to chase the repayment of this prepayment from the counterparty but failed to receive the amount. The Directors consider it may be remote to recover the prepayment and therefore, full impairment of prepayment for investment in TV series production is recognised and charged to profit or loss during the year ended 30 June 2015.

12. TRADE AND OTHER PAYABLES / RECEIPTS IN ADVANCE

	2015	2014
	HK$'000	*HK$'000*
Trade payables	**17,058**	–
Other payables and accruals	**26,602**	3,621
Deposits received	**1,848**	3,000
	45,508	6,621
Receipts in advance *(note)*	**170,683**	9,061

The average credit period on purchases of goods is 60 to 90 days. The aging analysis of trade payables is based on the invoice date at the end of the reporting period. The following is analysis of the Group's trade payables at the end of the reporting period:

	2015	2014
	HK$'000	*HK$'000*
Within 60 days	**17,058**	–

Note: Receipts in advance represents the instalments of contribution from the PRC co-producers for film production in progress and advances of distribution and licensing income received from distributors prior to theatrical release and delivery of film negatives of HK$170,683,000 (2014: HK$9,061,000) as at 30 June 2015.

13. SHARE CAPITAL

	Number of shares	Share capital *HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 July 2013, 30 June 2014 and 2015	**8,000,000,000**	**80,000**
Issued and fully paid:		
At 1 July 2013	400,000,000	4,000
Issue of new shares *(note a)*	80,000,000	800
At 30 June 2014	480,000,000	4,800
Issue of new shares *(note b)*	50,000,000	500
Issue of shares upon exercise of warrants *(note c)*	29,000,000	290
Shares repurchased and cancelled *(note d)*	(1,000,000)	(10)
Issue of Consideration Shares *(note e)*	46,000,000	460
At 30 June 2015	**604,000,000**	**6,040**

Notes:

(a) On 6 August 2013 and 30 October 2013, the Company issued 70,000,000 new shares and 10,000,000 new shares, respectively, at a price of HK$0.90 per new share. The aggregate gross proceeds and net proceeds from the issuance of new shares are approximately HK$72,000,000 and HK$70,283,000, respectively.

(b) On 12 September 2014, the Company issued 50,000,000 new shares at a price of HK$1.26 per share. The aggregate gross proceeds and net proceeds from the issuance of new shares are approximately HK$63,000,000 and HK$60,000,000, respectively.

(c) During the year ended 30 June 2015, register holders of 29,000,000 warrants exercised their rights to subscribe for 29,000,000 new shares at HK$0.93 per new share.

(d) During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Date of repurchase	Number of ordinary share of HK$0.01 each	Price per share Highest *HK$*	Price per share Lowest *HK$*	Aggregate consideration paid *HK$'000*
2 April 2015	928,000	1.29	1.25	1,171
8 April 2015	72,000	1.24	1.24	89
	1,000,000			1,260

The above shares were cancelled upon repurchase on 27 April 2015.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

(e) On 12 June 2015, the Company issued 46,000,000 new shares as part of consideration paid for the Acquisition.

14. RELATED PARTY DISCLOSURES

(i) Transactions

During the year, the Group entered into the following significant transactions with related parties:

Name of related parties	*Notes*	Nature of transaction	**2015** *HK$'000*	2014 *HK$'000*
PM Motion Pictures Limited	*(a)*	Service income	**1,425**	2,747
Pegasus Laboratory (International) Limited ("Pegasus Laboratory")	*(b)*	Film processing services fee	**847**	634
Pure Project Limited	*(c)*	Rental expense	**490**	450
Chili	*(d)*	Advertising and promotion services fee	**800**	1,205
天馬影聯影視文化（北京）有限公司 ("天馬影聯（北京）")	*(e)*	Management fee	**227**	227
杭州天馬影視文化有限公司 ("杭州天馬")	*(f)*	Management fee	**151**	151

Notes:

(a) The service income was received from PM Motion Pictures Limited for the Group's provision of film distribution services. Mr. Wong, Mr. Wong Chi Woon Edmond and Ms. Wong Yee Kwan Alvina (collectively referred to as the "Controlling Shareholders"), all being the Directors, collectively have controlling interest over this company.

(b) The film processing services fee was paid to Pegasus Laboratory in which it is beneficiary owned by a company collectively controlled by the Controlling Shareholders at 30 June 2014 and 2015.

(c) The rental expense was paid to Pure Project Limited for the office premise leased by the Group. Mr. Wong has controlling interest in Pure Project Limited.

(d) The advertising and promotion services fee was paid to Chili during the year ended 30 June 2014 and for the period from 1 July 2014 to 12 June 2015 (the date of completion of the Acquisition) in which Ms. Wong Kit Fong, the sister of Mr. Wong, has controlling interest in Chili.

(e) The management fee was paid to 天馬影聯（北京）in which Mr. Wong has controlling interest.

(f) The management fee was paid to 杭州天馬 in which a member of the key management of the Group has controlling interest.

(ii) Balances

The amounts due to related companies and non-controlling interest are set out in the consolidated statement of financial position.

The amounts are unsecured, interest-free and repayable on demand.

(iii) Compensation of key management personnel

The remuneration of Directors and other key management personnel of the Group during the year was as follows:

	2015	2014
	HK$'000	*HK$'000*
Salaries and other allowances	**8,696**	5,411
Retirement benefit scheme contributions	**109**	96
	8,805	5,507

The remuneration of Directors and key executives is determined by the remuneration committee of the Company having regard to the performance of individuals and market trends.

15. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group entered into the following significant transactions:

(i) Pursuant to the Company's announcement dated 23 June 2015 and circular dated 3 July 2015, the Company proposed to (i) subdivide each of the existing issued and unissued shares of par value of HK$0.01 each in the share capital of the Company into four (4) subdivided shares of HK$0.0025 each ("Share Subdivision"); and (ii) change the board lot size for trading on the Stock Exchange from 4,000 Shares to 8,000 subdivided shares after and conditional upon the Share Subdivision becoming effective. The Share Subdivision is duly passed by the shareholders of the Company by way on poll at the extraordinary general meeting of the Company held on 21 July 2015. The Share Subdivision was effective on 22 July 2015.

(ii) Pursuant to the Company's announcement dated 13 July 2015, the Board announced that the Company offered to grant 40,000,000 share options to 10 eligible participants under the share option scheme to subscribe for a total of 40,000,000 shares of HK$0.01 each in the capital of the Company. The exercise price of share options granted is HK$2.18 per share. The exercise period of the share options granted is commenced from 13 January 2016 to 12 July 2017 for 3 participants and from 13 July 2015 to 12 July 2017 for the remaining 7 participants. Among the share options granted above, none of the participants is a Director, chief executive or substantial shareholder of the Company, or any of their respective associates.

(iii) On 10 July 2015, 北京天馬聯合影視文化有限公司 ("北京天馬") has entered into a sale and purchase agreement with Lander Investment Limited, a non-controlling interest of 勝馬文化傳播(上海)有限公司 ("勝馬文化") for acquiring its 40% shareholding in 勝馬文化 at a consideration of Renminbi ("RMB")800,000. Upon the completion of acquisition of additional 40% interest, 勝馬文化 becomes a wholly-owned subsidiary of 北京天馬.

DIVIDEND

No dividend was paid or proposed for the year ended 30 June 2015, nor has any dividend been proposed since the end of the reporting period (2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group's core business of film and TV series production, distribution and licensing of film rights has largely remained the same for the year ended 30 June 2015. In addition, the Group expanded its principal business activities during the year under review to include film exhibition, post-production and advertising, marketing and publication. By forming an integrated film production and distribution chain, the Group successfully expanded its scope of business operations to better position itself as a group with diversified cultural industry business.

During the year under review, the Group generated revenue by (a) distributing and licensing the Group's films to co-producers in the PRC along with film distributors and licensees in Hong Kong, the PRC and South East Asia; (b) deriving advertising income by offering product placement and sponsorship opportunities in the Group's films; (c) distributing films and TV series in the film library owned by the Controlling Shareholders; (d) operating a cinema for film exhibition in Hong Kong as well as the related sales of goods and services; (e) providing post-production services to external customers; and (f) providing film advertising and marketing services as well as deriving advertising income from magazine publication in print and digital media.

Film and TV series production and distribution

The Group is actively engaged in Chinese language film and TV series production with the PRC serving as its major market, and its distribution and licensing in Hong Kong, the PRC and South East Asia are handled through the Group's established distribution channels. During the year under review, the Group released three films, namely "Kung Fu Angels" (青春鬥), "An Inspector Calls" (浮華宴) and "Wonder Mama" (媽咪俠). In the preceding year, three films, namely "Baby Blues" (詭嬰), "Hello Babies" (六福喜事) and "Z Storm" (Z風暴) were released. During the year under review and up to present, six films and one TV series are in the Group's production pipeline. These include "Ip Man 3" (葉問3), a large-scale action film resurrecting the spirit of Ip Man, starring Donnie Yen (甄子丹) and boxing legend Mike Tyson (拳王泰臣); "S Storm" (S風暴), a general-scale action sequel film to "Z Storm" (Z風暴), one of the Group's film series released during the preceding year, starring Louis Koo (古天樂) and Julian Cheung (張智霖); and "Bounty Hunters" (賞金獵人), a large-scale adventure action film co-produced by the Group and production companies from Korea and the PRC, starring Lee Min Ho (李敏鎬), a leading Korean star, and Wallace Chung (鍾漢良). The Group expects to release four to five of the films currently in the production pipeline during the coming financial year. The Directors believe these films will bring considerable revenue for the Group.

In addition to its own in-house productions, the Group has invested in an international film entitled "Inversion" (tentative name), a sci-fi movie slated for global cinematic distribution in the second half of 2016, as well as certain TV programme and animations projects produced by independent production houses. Currently, "Inversion" is in the final phase of pre-production and is expected to start shooting in New Zealand in late 2015. The film has already scored an important initial achievement, generating considerable pre-sale revenues of approximately United States Dollar ("US$") 40.0 million at the Cannes Film market last year. Apart from expanding the revenue base of the Group, the Directors believe that participation in investment projects of other prominent production houses will also enhance the Group's overall network span in the film and TV industry and will further improve its professional image in the production and distribution sector, particularly outside of the Asia market. Networking with other players in the industry and nurturing new working relationships is part and parcel of the Group's overall development strategy for its film and TV series production business. The Group will continue to identify quality film and TV programme investment opportunities to further expand its presence in the film and TV market and generate additional revenues.

As disclosed in the prospectus of the Company dated 9 October 2012 and the reports published during the year under review, due to the limited number of films distributed by the Group, the scale, schedule of release and the result of one film could have significant impact on the Group's results. Given the distinctive business model of the Group, the Group's interim financial results may not be indicative of the Group's financial results of a full year and the Group's financial performance would fluctuate from period to period.

Film exhibition

During the year under review, the Group successfully expanded its principal business activities from film distribution and licensing into film exhibition by commencing the operations of its first dedicated cinema, Cinema City Langham Place. Located in a prime area of Mongkok (a popular shopping and entertainment district in Hong Kong), the multi-screen theatre serves as the Group's flagship cinema complex, with six auditoriums and approximately 1,100 seats, equipped with the world's most advanced projection and sound systems. At present, it is also the only cinema in Hong Kong with "4Dx" exclusive viewing technology, a state-of-the-art innovation originated in Korea, which is tailor-made to deliver a fully immersive cinematic experience to audiences through a dedicated auditorium equipped with motion chairs and simulators mimicking the actions in the film. This is achieved by creating environmental effects, such as wind, bubbles and scents, that work in perfect synchronicity with the action on screen. Ever since Cinema City Langham Place first opened for trial operations in mid-November 2014 and officially commenced operations in January 2015, ticket sales performance, particularly from "4Dx" coded films, has been overwhelming and the cinema ranked first in terms of gross box office receipts among all cinemas in Hong Kong thus far.

With the combination of the cinema's superb location and the attraction of a new film-viewing experience for audiences, the Directors believe that the film exhibition income and the sales of related goods and services will significantly contribute to the future revenue of the Group. During the year under review since Cinema City Langham Place officially commenced operations, gross box office receipts were registered at approximately HK$65.0 million and aggregated admissions reached approximately 670,000. Pursuant to the ten-year lease agreement entered into between the Group and the landlord of Cinema City Langham Place, a four-month rent-free period from 23 July 2014 was offered by the landlord to the Group as compensation for the renovation period during which the cinema was not in operation. Based on the accounting principles, practices and policies adopted by the Group, this rent-free incentive was treated as a uniform reduction of rental expenses on a straight-line basis over the lease term. Despite the fact that the lease term began on 23 July 2014 and rental expenses were immediately recognised under the aforementioned accounting treatment, revenues only began to generate after the cinema commenced operations in the fourth quarter of 2014.

The Group further expanded into the PRC cinema market and announced in March 2015 a 15-year lease agreement for its second cinema, which is located in "Vivo City", a large-scale retail complex in the Central Business District ("CBD") of Xinzhuang in Minxing, Shanghai, developed by a leading Asia-focused real estate development company headquartered in Singapore. Located in southwest Shanghai with excellent transport connections to Hongqiao Airport and sitting adjacent to several densely populated residential communities, the "Vivo City" site will comprise a shopping mall, featuring over 280 retail shops with a diverse mix of tenants. Construction work on the cinema is expected to be completed by the first half of 2016 and operations are expected to commence during the second half of 2016. Cinema City "Vivo City" is slated to house nine auditoriums with approximately 1,400 seats, all equipped with the most advanced projection and sound systems.

Post-production

To further enhance the overall efficiency of its film operations, the Group established an in-house post-production arm in September 2014 through cooperating with a well-known post-production house in Hong Kong which has over twenty years of experience in digital media post-production operations. Given that post-production is an integral part of the film production process, the establishment of this in-house post-production arm will enable the Group to carry out post-production work on its own films, which had previously been outsourced to external service providers.

In addition to enabling the Group to better monitor and control the cost, time and quality of its film productions, which will benefit the Group in terms of improved production efficiency, cost effectiveness as well as providing flexibility in fine tuning its films, this new post-production arm will also provide digital media post-production services to external customers, which will help expand the revenue base of the Group. These services generally include film scanning, digital cinema package mastering and cloning services, color grading, motion picture restoration, and repair as well as a host of quality control services to ensure that the digital assets conform to digital platforms like, Apple iTunes, Google Play, Netflix, etc. prior to distribution.

Given that post-production operations only commenced during the year under review and are currently still in the developmental stage, those services provided to external customers contributed revenues of approximately HK$1.1 million. The Directors believe that this post-production business will help the Group form an integrated film production chain so as to achieve economies of scale and synergies over the long term.

Advertising, marketing and publication

On 6 March 2015, the Group as purchaser entered into a sale and purchase agreement (as amended by a supplemental agreement dated 30 April 2015) with Ms. Wong Kit Fong (the sister of Mr. Wong) as vendor for the sale and purchase of the sale shares, representing the entire issued share capital of Chili, at a total consideration of HK$68.0 million, which was paid for partly by cash and partly by the Company's issue of consideration shares. Chili Group is principally engaged in the provision of film advertising and marketing services as well as print and digital media publication business, which together formed one of the business segments of the Group following its acquisition. Since Chili became an indirect wholly-owned subsidiary of the Company following the completion of the acquisition, which took place on 12 June 2015, Chili Group only contributed to the Group's results for less than a month during the year under review and did not have a significant financial impact for the year ended 30 June 2015.

With a view to facilitate the Group's development in the film production and distribution business, the Directors believe Chili Group's extensive and professional experience in film advertising and promotion services will benefit the Group in terms of providing more flexibility to formulate and fine-tune its advertising and promotion strategies as well as improve general cost effectiveness. With long-term client relationships established from previous film and TV series marketing campaigns, Chili will continue to provide film advertising and marketing services to external customers which will help strengthen the Group's existing core business of film production and distribution, and generate positive financial results.

In addition, Chili Group is engaged in the publication of a monthly luxury lifestyle magazine, called "Platinum of UnionPay" (銀聯白金), which targets the high-end consumer market of Hong Kong, Macau and the PRC. The Directors believe that the publication in both print and digital media platforms will create a strong synergy with the Group's core business of film production and distribution business by providing an additional solid marketing channel to the Group's film and TV series productions in the PRC market. The Group believes that the publication business forms an important step towards its expansion into a diversified cultural industry business.

Financial review

Revenue and Gross Profit

Revenue of the Group for the year ended 30 June 2015 amounted to approximately HK$155.2 million, representing an increase of approximately HK$20.5 million or 15.2% compared to the previous financial year, mainly due to the increase of revenue contributed by the new business segment of film exhibition of approximately HK$73.1 million. This increase was partly set off by the decrease of revenue contributed by film and TV series production and distribution of approximately HK$54.6 million for the year ended 30 June 2015. Despite having released three general-scale films during each of the financial years ended 30 June 2014 and 2015 respectively, the fall in revenue was mainly due to the different accounting treatment for one of the films released during the year under review, which is jointly controlled by the Group and the co-producer, whilst all the films released during the corresponding period in 2014 were wholly-owned by the Group. Under such arrangement, revenue relating to the jointly controlled film was recognised based on the income and expenses derived in respect of the Group's share of the distribution rights. Moreover, the overall scale of two of the films released during the year under review were comparatively smaller than the films released during the corresponding period in 2014, hence the Group recorded a significant decrease in revenue contributed by this business segment.

Gross profit of the Group were approximately HK$46.8 million representing decrease of approximately HK$12.9 million or approximately 21.6% compared to the previous financial year. Gross profit margin for the year ended 30 June 2015 was approximately 30.2%, which showed a significant decrease from that of approximately 44.3% for the previous financial year. This was mainly attributable to the significant decrease of the gross profit margin of the film and TV series production and distribution segment from 44.3% for the previous financial year to 9.1% for the year under review. This was mainly due to the decrease of revenue contributed by film and TV series production and distribution as aforesaid and the increase in amortisation of film rights recognised in accordance with the estimated projected sales during the year under review.

Other Income and Gain

Other income and gain was approximately HK$2.9 million for the year ended 30 June 2015, representing a decrease of approximately HK$0.6 million or approximately 18.8% compared to the previous financial year. This was mainly due to a new service income generated by the online ticketing system of film exhibition of approximately HK$1.2 million this year, and such increase was set off by the decrease of investment income from investments in film/ drama production of certain PRC TV drama and animations programme distributed by independent PRC production houses of approximately HK$1.5 million during the year under review.

Selling and Distribution Expenses

Selling and distribution expenses increased by approximately HK$69.4 million from approximately HK$15.0 million for the year ended 30 June 2014 to approximately HK$84.5 million for the year ended 30 June 2015. This was mainly due to the rental related expenses of Cinema City Langham Place which commenced on 23 July 2014 of approximately HK$59.4 million and direct staff cost and depreciation of equipment for the cinema operation of approximately HK$11.7 million, whilst no such expenses were recorded for the previous financial year.

Administrative Expenses

Administrative expenses increased by approximately HK$11.4 million or approximately 51.4% from approximately HK$22.1 million for the year ended 30 June 2014 to approximately HK$33.5 million for the year ended 30 June 2015. By business segment, such increase was mainly attributable to the new film exhibition business of approximately HK$5.4 million and the corporate and general office of approximately HK$4.5 million. By functionality of the expense, the increase was mainly due to the increase of the total staff costs by approximately HK$5.8 million as a result of (i) a discretionary bonus paid to the Directors for their contributions to the Group's business expansion; (ii) an increase in the average number of full-time employees from 29 for the year ended 30 June 2014 to 61 for the year ended 30 June 2015 as well as 30 part-time staff for the cinema operation throughout the year under review; and (iii) a general increase in the remuneration of the employees by approximately 5%. Moreover, the expansion of the operation's scale and corporate image development also contributed to increase in administrative expenses, including approximately HK$3.9 million in relation to corporate promotion and marketing expenses as well as other fees paid to lawyers and other professional parties for providing services for several corporate actions and transactions during the year under review.

Impairment Losses Recognised for the Year

Impairment loss on goodwill was principally attributable to the accounting treatment of the Acquisition during the year under review. According to the applicable accounting standards, the Group is required for accounting purpose to recognise the fair value of the Consideration Shares under the Acquisition, which were allotted and issued by the Company at HK$1.26 per Consideration Share (being the price determined with reference to the market price as at the date of the relevant agreement and approved by the independent shareholders of the Company), in accordance with the closing share price as at the date of completion of the Acquisition on 12 June 2015 which was quoted at HK$4.26 per share. As a result of the significant fluctuation in the share price of the Company during such period, an impairment loss on goodwill amounted to approximately HK$138.0 million was recognised for the year ended 30 June 2015.

During the year ended 30 June 2014, the Group had paid to an independent third party in the PRC a prepayment for an investment in a PRC TV series production of approximately HK$15.8 million, the production of which had yet to commence. Pursuant to the supplemental agreement entered into between the parties on 28 March 2014, if production of the TV series does not commence on or before the end of October 2014, the prepayment will be fully returned to the Group. Despite the Group's numerous attempts to recover the prepayment during the year under review, no refund has been received up to the date of this announcement. Given the doubtfulness of the recoverability of the prepayment, for prudence, the Group has fully recognised the impairment loss of the prepayment.

Share of Results of an Associate

During the year under review, the operation of Jade Dynasty Holdings Limited and its subsidiaries (the "JDH Group") had recorded a loss attributable to the Group of approximately HK$4.5 million. JDH Group generates revenue from the businesses of comics publication and licensing of its database of comic stories and comics heroes for film and TV series development as well as related product merchandising. As compared to the contribution of profit from the previous financial year of approximately HK$4.7 million, the change for the year under review was mainly due to the reduction of licensing income of its database of comic stories and comics heroes for film and TV series development.

Income Tax Credit/Expense

The income tax credit of the Group during the year ended 30 June 2015 amounted to approximately HK$9.6 million as a result of tax losses recognised for the year under review. The effective tax rate for the year ended 30 June 2015, excluding certain non-taxable items which include impairment losses recognised and share of results of an associate that was net of tax, was 14.1% mainly attributed by the Hong Kong Profits Tax rate at 16.5% of the adjusted loss of the Group. In previous financial year, the income tax expense of the Group amounted to approximately HK$4.3 million at the effective tax rate, excluding the share of results of an associate that was net of tax, of 16.5%.

Loss for the Year under Review

The Group's loss and total comprehensive expense attributable to owners of the Company for the year ended 30 June 2015 amounted to approximately HK$215.3 million, as compared to a profit of approximately HK$26.4 million for the previous year. The change during the year under review was primarily resulted from the impairment losses, the share of loss of an associate and the significant amount of operating expenses incurred in relation to the film exhibition business, including the accounting treatment for the amortisation of a rent-free period of four months as compensation for the renovation period during which the cinema was not in operation. Such amortisation was on a straight-line basis over the lease term of ten years instead of an one-off reduction of rental expenses, which outweighed the operating income derived in the first year of the cinema operations as aforementioned.

Outlook

The PRC film industry has developed rapidly in recent years. According to State Administration of Press, Publication, Radio, Film and Television (國家新聞出版廣電總局) ("SAPPRFT"), the total box office receipts for the first nine months of 2015 exceeded RMB30.0 billion, representing an approximately 48.0% year-on-year growth, and surpassed the total box office receipts in 2014 of approximately RMB29.6 billion. Moreover, the growth of film exhibition industry in the PRC has recorded significant increase since 2007, with the number of new cinemas and cinema screens in the PRC reaching 5,730 and 28,000 respectively in the first half of 2015.

Over the recent years, there have been continuous support from the PRC Government to the cultural industry with policies issued from time to time to reinforce the direction of developing the cultural industry into a pillar industry of the national economy as stated in the "12th Five-Year Plan". Favourable government policies such as the Notice on Certain Economic Policies for the Support of the Development of the Film Industry issued by central government ministries and departments including the Ministry of Finance (財政部) and State Administration of Taxation (國家稅務總局) in conjunction with SAPPRFT in May 2014, which provides for preferential taxation policy as well as financing supports and subsidies to the industry participants, are catalysts for the unprecedented rapid pace of development of the PRC film industry.

The Group has fully utilised the advantages offered by the Mainland and the Hong Kong Closer Economic Partnership Arrangement (CEPA) to facilitate the Group's development in the PRC film market over the years. Given the PRC market (excluding Hong Kong, Macau and Southeast Asia) accounted for only about 29.1% of the Group's total revenue for the year under review, compared to revenue from Hong Kong (and Macau) which accounted for approximately 64.1% which is mainly driven by revenue from film exhibition, we believe there is still a lot of room for developing the Group's business in the PRC market in the coming years. In order to capture the opportunities offered by the growing momentum of the PRC film industry, the Group's primary focus in the following financial year will continue to be the PRC market, for which the Group intend to strengthen our distribution network and deepen the Group's market penetration through expanding our production capacities and increasing the Group's production pipeline. To maintain the Group's competitiveness and to avoid unexpected delays in film production schedules, the Group will regularly evaluate the Group's objectives and maintain flexible business plans so as to efficiently adapt changing market conditions and in turn maximise the business growth of the Group.

For the Group's core business of film and TV series production and distribution and licensing of film rights, the Group intend to release four to five films in the year ending 30 June 2016. These include "Ip Man 3" (葉問3), a large-scale action film resurrecting the spirit of Ip Man, starring Donnie Yen (甄子丹) and boxing legend Mike Tyson (拳王泰臣); "S Storm" (S風暴), a general-scale action sequel film to "Z Storm" (Z風暴), one of the Group's film series released during the preceding year, starring Louis Koo (古天樂) and Julian Cheung (張智霖); and "Bounty Hunters" (賞金獵人), a large-scale adventure action film co-produced by the Group and production companies from Korea and the PRC, starring Lee Min Ho (李敏鎬), a leading Korean star, and Wallace Chung (鍾漢良). The Group believe these films will bring considerable revenues for the Group and generate higher returns for the shareholders of the Company in the following financial year.

In terms of film exhibition, the Group's second cinema located in "Vivo City" of southwest Shanghai, slated to house nine auditoriums with approximately 1,400 seats, is expected to commence operations during the second half of 2016. The Group will continue to assess viable quality cinema projects in Hong Kong, Macau and the PRC to capitalise on today's fast growing momentum of the film industry.

Looking ahead, the Group will continue to focus on its core business and strengthen the integration of its film related businesses and utilise available resources to best capture the opportunities offered in the current golden phase of development in the PRC cultural industry. Furthermore, the Group will continue to explore other business opportunities that could expand its revenue base by leveraging its core business and maximise the Group's value and returns to the shareholders of the Company.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2015, the Group's bank balances and cash amounted to approximately HK$112.8 million (30 June 2014: HK$47.8 million), which are denominated mainly in HK$, US$ and RMB.

As at 30 June 2015, the Group did not have any interest-bearing loans and shareholders' loans (2014: Nil). Gearing ratio was not applicable as at 30 June 2014 and 2015.

The Group had un-utilised credit facilities totaling HK$35.0 million as at 30 June 2015 (30 June 2014: HK$30.0 million). The Group has maintained these general banking facilities for flexibility.

As at 30 June 2015, the Group had total non-current assets of approximately HK$211.5 million (30 June 2014: HK$88.1 million), net current assets of approximately HK$156.3 million (30 June 2014: HK$203.2 million) and net assets of approximately HK$367.8 million (30 June 2014: HK$291.3 million). The current ratio of the Group, representing the ratio of current assets over current liabilities, was approximately 1.7 as at 30 June 2015 (30 June 2014: 10.9).

During the year under review, the Group funded its liquidity by the net proceeds from the GEM Listing, placement of new shares, issue of new shares pursuant to the subscription rights attaching to the warrants of the Company and resources generated internally. The Group's financial resources are sufficient to support its business and operations. The Group would also consider other financing activities when appropriate business opportunities arise under favourable market conditions.

The financial position and liquidity of the Group remain solid and healthy and there is no material adverse change in the operations of the Group.

Employee Information

As at 30 June 2015, the Group had 84 full-time employees (30 June 2014: 29). Staff costs, including Directors' remuneration and part-time staff, amounted to approximately HK$16.4 million for the year ended 30 June 2015 (30 June 2014: HK$10.6 million).

The Group offers a comprehensive and competitive remuneration and benefits package to all its employees. The Group has adopted the share option scheme for the purpose of providing incentives and rewards to eligible persons who contribute to the success of the Group's operations. The Group has also adopted other employee benefits including a provident fund scheme for its employees in Hong Kong, as required under the Mandatory Provident Fund Schemes Ordinance, and has participated in employee pension schemes organised and governed by the relevant local governments for its employees in the PRC.

Charge on Assets

The Group's bank deposits of approximately HK$30.2 million and HK$30.4 million as at 30 June 2014 and 2015 respectively, were pledged to secure a general banking facility of HK$30.0 million available to the Group. As at 30 June 2015, the Group's bank deposits of approximately HK$0.7 million (30 June 2014: Nil) were pledged to secure the bank guarantee provided by a subsidiary of the Company regarding its due payment under a cinema equipment rental agreement.

Foreign Exchange Exposure

The Group's business operations were conducted mainly in Hong Kong with transactions principally denominated in HK$, US$ and RMB. The monetary assets and liabilities are denominated mainly in HK$, US$ and RMB. Apart from HK$, which is pegged to US$, any significant exchange rate fluctuations of HK$ against RMB may have a financial impact to the Group. During the year under review, there was no significant fluctuation in the exchange rates of these currencies.

The Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its statement of financial position exposure during the year ended 30 June 2015.

Contingent Liabilities

As at 30 June 2014 and 2015, the Group did not have any significant contingent liabilities.

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

The Company is empowered by the applicable laws of the Cayman Islands and the Company's Articles of Association to repurchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange. During the year ended 30 June 2015, the Company had repurchased a total of 1,000,000 ordinary shares of the Company of HK$0.01 each (represented 4,000,000 ordinary shares of the Company of HK$0.0025 each after the share subdivision of the then existing issued ordinary shares of the Company of HK$0.01 each subdivided into four subdivided ordinary shares of the Company of HK$0.0025 each with effective on 22 July 2015) on the Stock Exchange at an aggregate consideration of HK$1,260,160. All of the repurchased shares were cancelled on 27 April 2015. The repurchases were effected by the Directors for the enhancement of shareholders' value. Details of the repurchases are as follows:

Month of the shares repurchase	Total number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate consideration
		HK$	*HK$*	*HK$*
April 2015	1,000,000	1.29	1.24	1,260,160

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 30 June 2015.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices. During the year ended 30 June 2015, it met all the code provisions of the Corporate Governance Code (the "Code") set out in Appendix 15 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the period where the GEM Listing and Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") since the Transfer of Listing, save as the deviations as mentioned in the following sections headed "Chairman and Chief Executive Officer" and "General Meeting of the Company" in this announcement.

The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements and to meet the rising expectations of the shareholders of the Company and investors.

Chairman and Chief Executive Officer ("CEO")

The Company has not yet adopted A.2.1 of the Code. Under the code provision A.2.1 of the Code, the roles of Chairman and CEO should be separated and would not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing.

Mr. Wong is the Chairman of the Board and is responsible for the overall strategy planning and policy making of the Group. The Chairman also takes the lead to ensure that the Board works effectively and acts in the best interest of the Company by encouraging the Directors to actively participate in the Board's affairs and promoting a culture of openness and debate.

The Company has no such position as the CEO and therefore the daily operation and management of the Company is monitored by the executive Directors as well as the senior management.

The Board is of the view that although there is no CEO, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting operation of the Company.

General Meeting of the Company

Code provision A.6.7 of the Code stipulates that the independent non-executive Directors should attend general meetings and develop a balanced understanding of the views of the shareholders of the Company. Mr. Lam Kam Tong was unable to attend the annual general meeting of the Company held on 31 October 2014 as he had other business engagement. Mr. Lam Kam Tong and Mr. Lo Eric Tien-cheuk were unable to attend the extraordinary general meeting of the Company held on 29 May 2015 as they had other business engagement.

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules for the period where the GEM Listing and Appendix 10 of the Listing Rules since the Transfer of Listing. Having made all reasonable enquires, all the Directors have confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company during the year ended 30 June 2015.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the Company's compliance adviser, Altus Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 5 October 2012 effective on 31 October 2012, the date of the GEM Listing, neither the Compliance Adviser nor its directors, employees or associates had any interests in relation to the Company as at 30 June 2015 which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE

The Audit Committee has three members comprising three independent non-executive Directors, Mr. Lam Kam Tong (Chairman of the Audit Committee), Mr. Lo Eric Tien-cheuk and Mr. Tang Kai Kui Terence, with written terms of reference in compliance with the Rules 5.28 to 5.33 of the GEM Listing Rules and the Code. Since 9 January 2015, the written terms of reference of the Audit Committee was compliance with Rules 3.21 to 3.23 of the Listing Rules and the Code. The primary duties of the Audit Committee are mainly to communicate with external auditor; to review the remuneration, terms of engagement, independency and objectivity of the external auditor; to review the accounting policy, financial position and financial reporting procedures of the Company; and to assess the financial reporting system, internal control procedures and risk management function of the Company and making recommendation thereof. The final results of the Group for the year ended 30 June 2015 has been reviewed by the Audit Committee and a meeting of the Audit Committee has been held with the Company's auditor for reviewing the final results of the Group for the year ended 30 June 2015.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The final results announcement is published on the websites of the Company (www.pegasusmovie.com) and the Stock Exchange (www.hkexnews.hk). The Annual Report 2014/15 will be dispatched to the shareholders of the Company in due course.

On behalf of the Board
Pegasus Entertainment Holdings Limited
Wong Pak Ming
Chairman

Hong Kong, 25 September 2015

As at the date of this announcement, the executive Directors are Mr. Wong Pak Ming, Ms. Wong Yee Kwan Alvina and Mr. Wong Chi Woon Edmond and the independent non-executive Directors are Mr. Lam Kam Tong, Mr. Lo Eric Tien-cheuk and Mr. Tang Kai Kui Terence.