China 3D Digital Entertainment Limited
中國3D數碼娛樂有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code : 8078)

ANNUAL RESULTS ANNOUNCEMENT
For the year ended 30 June 2013

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

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

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

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This announcement, for which the directors of China 3D Digital Entertainment Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules") for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

* *for identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

The Group reported total revenue of approximately HK$70 million for the Year, compared with approximately HK$17.7 million for the previous fiscal year. A loss of approximately HK$21 million was recorded (2012: HK$8.8 million). The loss is mainly due to the loss on disposal of available-for-sales investments and impairment loss on film rights for the year ended 30 June 2013.

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

PROSPECTS

The Board believes that acquisition of cinemas or operation rights of cinemas will strengthen the Group's operation by providing the Group with more alternatives to distribute movies. To achieve the goal of the Group to become a leading 3D digital entertainment company offering the best entertainment experience to the audience in Hong Kong and the People's Republic of China (the "PRC"). The Directors believe that the Company is well positioned to capture the rising demands for entertainment in the PRC attributable to the favourable policies from the local government aimed at boosting local cultural development. In June 2013, CineUnited Circuits Company Limited ("CineUnited"), an indirect wholly-owned subsidiary of the Company entered into a tenancy agreement with ChongQing PengRun Real Estate Development Company Limited (重慶鵬潤房地產開發有限公司) in relation to the 20 years long lease of a premise for development and use as cinema. The premise is situated at Shop 13, Level B1, Guotai Plaza, ChongQing, the PRC (中國重慶國泰廣場B1層13號舖). According to the State Administration of Radio Film and Television (國家廣播電影電視總局), box office in Chongqing has grown by 29% in 2012, ranking number 1 amongst other cities in the PRC. Moreover, in August 2013 CineUnited, an indirect wholly-owned subsidiary of the Company, and Xiamen Hete Properties Company Limited (廈門赫特物業有限公司) entered into the Xiamen Tenancy Agreement, pursuant to which CineUnited has conditionally agreed to rent and Xiamen Hete has conditionally agreed to lease the Xiamen Premises for development and use as cinema for a term of 15 years. The premises are situation at Unit 102 of Xiamen Qixing Lifespace Shopping Mall, 3 Qixing West Road, Siming District, Xiamen, Fujian Province, the PRC (中國福建省廈門市思明區七星西路3號102單元廈門七星樂都滙購物中心). The premises have a gross floor area of approximately 2,737 sq.m., comprising seven movie theatres with about 700 seats.

In September 2013, a famous artist Mr. Cheung Chi Lam joined the Group and the movie version of "Triumph in the Skies II" may be highly likely to be produced in the nearest future.

On the other hand, effort would continually be put into business segment of artiste management to source talented artistes with an aim to achieve satisfactory profit and provide synergy with other operations of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2013, total borrowing of the Group (excluding payables) amounted to approximately HK$23.8 million (2012: HK$14 million). The Group's gearing ratio (expressed as a percentage of total borrowing over total assets) was increased from 7% in 2012 to 8.4% in 2013.

In addition to its share capital and reserves, the Group also made use of cash flow generated from operations fund raising, and the borrowings, mainly including convertible bond and promissory note payable, 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 in 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 ASSET

As at 30 June 2013, the Group has no asset pledged to bank to secure the bank borrowing granted to the Group (2012: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2013, the Group had 28 (2012: 23) full-time employees. The total employee remuneration, include that of the Directors, for the year ended 30 June 2013 amounted to approximately HK$8 million (2012: HK$6.9 million). The Group remunerates its employees based on their performance, experience and the prevailing commercial practice. To provide incentive or rewards to the employees, the Company has adopted a share option scheme in year 2004. No option was granted or outstanding during the Year.

CAPITAL STRUCTURE

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

Placing of New Shares under Specific Mandate

On 6 September 2012, the Company completed the second tranche of the placing of 1,500,000,000 new shares of the Company at the placing price of HK$0.015 per placing share. The net proceeds from the placing amount to approximately HK$22 million.

On 9 April 2013, the Company completed the first tranche of the placing of 300,000,000 new shares of the Company at the placing price of HK$0.1 per placing share. The net proceeds from the first tranche of the placing amount to approximately HK$29.2 million.

On 21 June 2013, the Company completed the second tranche of the placing of 300,000,000 new shares of the Company at the placing price of HK$0.1 per placing share. The net proceeds from the second tranche of the placing amount to approximately HK$29.4 million.

Placing of New Shares under General Mandate

On 14 January 2013, the Company completed the placing of 55,000,000 new shares of the Company at the placing price of HK$0.133 per placing share. The net proceeds from the placing amount to approximately HK$7.1 million.

Capital Reorganisation

By a special resolution dated 19 November 2012, the Company implemented the capital reorganisation which involved the share consolidation and the capital reduction. The share consolidation involved the consolidation of every twenty (20) issued and unissued Shares of HK$0.005 each in the share capital of the Company into one (1) consolidated share of HK$0.1 each ("Consolidated Shares"). The capital reduction involved the reduction of the issued share capital of the Company by cancelling the paid up capital of the Company to the extent of HK$0.095 on each of the then issued Consolidated Shares such that the nominal value of each issued Consolidated Shares will be reduced from HK$0.1 to HK$0.005. The subdivision involved the subdivision of each authorized but unissued Consolidated Share into 20 new shares of HK$0.005 each.

COMMITMENTS

Total commitments of the Group as at 30 June 2013 was approximately HK$261.3 million (2012: HK$51.2 million)

CONTINGENT LIABILITIES

As at 30 June 2013, the Group and the Company did not have any significant contingent liabilities.

EVENT AFTER REPORTING PERIOD

On 22 July 2013, Proletariate Institute Limited entered into a provisional sale and purchase agreement with an independent third party in relation to the disposal of a property at a consideration of HK$6,380,000. The disposal of the property was completed on 3 September 2013.

By an ordinary resolution dated 6 September 2013, the Company was approved to issue five bonus shares for every one share held. The issued share capital of the Company was therefore increased from 932,123,813 shares of HK$0.005 each to 5,592,742,878 shares of HK$0.005 each accordingly.

Upon the completion of the Bonus Issue by effective of Share Premium Reduction during the year, approximately, HK$23,303,095 was credited to share capital and the same amount was debited to the share premium account.

On 25 June 2013, CineUnited Circuits Company Limited ("CineUnited"), an indirect wholly-owned subsidiary of the Company, as a tenant, and 重慶鵬潤房地產開發有限公司 (Chongqing PengRun Real Estate Development Company Limited*)("PengRun"), as landlord, entered into a tenancy agreement, (the "Chongqing Operating Lease") pursuant to which CineUnited has conditionally agreed to rent and PengRun has conditionally agreed to lease the premises situated at Shop 13, Level B1, Guotai Plaza, Chongqing, the PRC for development and use as cinema for a term of 20 years.

On 12 August 2013, CineUnited, as a tenant, and 廈門赫特置業有限公司 (Xiamen Hete Properties Company Limited*)("Xiamen Hete"), as landlord, entered into another tenancy agreement (the "Xiamen Operating Lease"), pursuant to which CineUnited has conditionally agreed to rent and Xiamen Hete has conditionally agreed to lease the premises situated at Xiamen Qixing Lifespace Shopping Mall, Unit 102, 3 Qixing West Road, Siming District, Xiamen, Fujian Province, the PRC for development and use as cinema for a term of 15 years.

On 6 September 2013, the Chongqing Operating Lease and the Xiamen Operating Lease were approved by the shareholders of the Company by way of poll.

Details of the Chongqing Operating Lease and the Xiamen Operating Lease were set out in the Company's announcement dated 25 June 2013 and 12 August 2013 and circular dated 20 August 2013 respectively.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2013

	Notes	**2013**	2012
		HK$'000	*HK$'000*
Turnover	3	**70,018**	17,718
Other income	5	**730**	1,919
Cost of film and television programmes production and distribution		**(57,225)**	(7,327)
Cost of artiste management services and music production		**(2,326)**	(845)
Selling and distribution costs		**(4,948)**	(2,333)
Administrative expenses		**(20,473)**	(16,287)
Finance costs	6	**(1,235)**	(1,676)
Cumulative losses reclassified from equity to profit or loss upon disposal of available-for-sales investments		**(5,339)**	–
Share of results of a jointly controlled entity		**(132)**	–
Loss before taxation	7	**(20,930)**	(8,831)
Taxation	8	**(13)**	–
Loss for the year		**(20,943)**	(8,831)
Loss for the year attributable to:			
Owners of the Company		**(21,237)**	(9,102)
Non-controlling interests		**294**	271
		(20,943)	(8,831)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the year ended 30 June 2013

	Notes	2013 HK$'000	2012 HK$'000
Other comprehensive income, net of income tax			
Item that will not be reclassified to profit or loss		**–**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**54**	–
Net loss arising on revaluation of available-for-sale investments during the year		**(16,694)**	(3,051)
Release of investment revaluation reserve upon disposal of available-for-sales investments		**5,339**	–
		(11,301)	(3,051)
Other comprehensive loss for the year, net of income tax		**(11,301)**	(3,051)
Total comprehensive loss for the year		**(32,244)**	(11,882)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(32,538)**	(12,153)
Non-controlling interests		**294**	271
		(32,244)	(11,882)
Loss per share	9		
Basic and diluted (2012: Restated)		**HK(1.16)cents**	HK(2.74) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	**2013** **HK$'000**	2012 *HK$'000*
Non-current assets			
Property, plant and equipment		**6,035**	1,032
Investment property		**6,380**	5,840
Interest in a jointly controlled entity		**118**	–
Available-for-sale investments	10	**50,203**	71,482
Prepayments, deposits and other receivables	14	**7,040**	6,607
Film rights and films production in progress	11	**87,402**	31,207
		157,178	116,168
Current assets			
Inventories		**174**	152
Music production in progress		**–**	254
Loans receivables	12	**13,041**	1,010
Trade receivables	13	**6,598**	1,340
Prepayments, deposits and other receivables	14	**76,814**	9,761
Bank balances and cash		**29,565**	83,040
		126,192	95,557
Total assets		**283,370**	211,725
Current liabilities			
Trade payables	15	**3,927**	250
Accruals, deposits received and other payables		**12,360**	9,948
Amount due to a jointly controlled entity		**40**	–
Other borrowings	16	**9,000**	–
Tax payables		**13**	–
		25,340	10,198
Net current assets		**100,852**	85,359
Total assets less current liabilities		**258,030**	201,527

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2013

	Notes	**2013** **HK$'000**	2012 *HK$'000*
Non-current liabilities			
Convertible bond		**1,790**	1,649
Promissory note payable		**13,036**	12,358
		14,826	14,007
Net assets		**243,204**	187,520
Capital and reserves attributable to owners of the Company			
Share capital	17	**4,660**	20,212
Reserves		**235,204**	164,822
		239,864	185,034
Non-controlling interests		**3,340**	2,486
Total equity		**243,204**	187,520

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2013

The Group	Share capital *HK$'000*	Share premium* *HK$'000*	Investment revaluation reserve* *HK$'000*	Contributed surplus* *HK$'000*	Translation reserve* *HK$'000*	Convertible bond equity reserve* *HK$'000*	Retained earnings* *HK$'000*	Sub-total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
As at 1 July 2011	43,438	307,964	(17)	3,952	–	6,508	(238,704)	123,141	–	123,141
Item that will not be reclassified to profit or loss	–	–	–	–	–	–	–	–	–	–
Items that may be reclassified subsequently to profit or loss:										
Net loss arising on revaluation of available-for-sale investments during the year	–	–	(3,051)	–	–	–	–	(3,051)	–	(3,051)
Loss for the year	–	–	–	–	–	–	(9,102)	(9,102)	271	(8,831)
Total comprehensive loss for the year	–	–	(3,051)	–	–	–	(9,102)	(12,153)	271	(11,882)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	2,215	2,215
Capital reduction	(41,700)	–	–	41,700	–	–	–	–	–	–
Share premium reduction	–	(275,969)	–	–	–	–	275,969	–	–	–
Issue of shares upon placing	5,000	74,999	–	–	–	–	–	79,999	–	79,999
Issue of shares upon bonus issue	13,474	(13,474)	–	–	–	–	–	–	–	–
Transaction cost attributable to issue of shares	–	(2,225)	–	–	–	–	–	(2,225)	–	(2,225)
Early redemption of convertible bond	–	–	–	–	–	(5,742)	2,014	(3,728)	–	(3,728)
As at 30 June 2012 and 1 July 2012	20,212	91,295	(3,068)	45,652	–	766	30,177	185,034	2,486	187,520
Item that will not be reclassified to profit or loss	–	–	–	–	–	–	–	–	–	–
Items that may be reclassified subsequently to profit or loss:										
Exchange difference on translating foreign operations	–	–	–	–	54	–	–	54	–	54
Net loss arising on revaluation of available-for-sale investments during the year	–	–	(16,694)	–	–	–	–	(16,694)	–	(16,694)
Release of investment revaluation reserve upon disposal of available-for-sale investments	–	–	5,339	–	–	–	–	5,339	–	5,339
Loss for the year	–	–	–	–	–	–	(21,237)	(21,237)	294	(20,943)
Total comprehensive loss for the year	–	–	(11,355)	–	54	–	(21,237)	(32,538)	294	(32,244)
Disposal of partial interest in a subsidiary	–	–	–	–	–	–	(60)	(60)	560	500
Capital reduction	(26,327)	–	–	26,327	–	–	–	–	–	–
Transaction cost attributable to capital reduction	–	(239)	–	–	–	–	–	(239)	–	(239)
Issue of shares upon placing	10,775	79,040	–	–	–	–	–	89,815	–	89,815
Transaction cost attributable to issue of shares	–	(2,148)	–	–	–	–	–	(2,148)	–	(2,148)
As at 30 June 2013	**4,660**	**167,948**	**(14,423)**	**71,979**	**54**	**766**	**8,880**	**239,864**	**3,340**	**243,204**

* These reserve accounts comprise the consolidated reserve of approximately HK$235,204,000 (2012: HK$164,822,000) in the consolidated statement of financial position.

Notes to the Consolidated Financial Statements:

1. GENERAL

The Company is incorporated as an exempted company with limited liability in Bermuda under the Bermuda Companies Act. Its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the register office and its principal place of business of the Company are disclosed in the Corporate Information of the annual report.

The Company is an investment holding company.

The consolidated financial statements are presented in Hong Kong dollars ("HKD"), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) New and amended standards and interpretation adopted by the Group

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

HKAS 1 (Amendments)	"Presentation of Items of Other Comprehensive Income"

HKAS 1 (Amendments) "Presentation of Items of Other Comprehensive Income"

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an income statement is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 additional disclosures to be made in the other comprehensive income section, such that require items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009 – 2011 Cycle[1]
HKFRS 1 (Amendments)	Government Loans[1]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[3]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (Revised 2011)	Employee Benefits[1]
HKAS 27 (Revised 2011)	Separate Financial Statements[1]
HKAS 28 (Revised 2011)	Investment in Associates and Joint Ventures[1]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[2]
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non–Financial Assets[2]
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting[2]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]
HK(IFRIC) – Int 21	Levies[2]

1 Effective for annual periods beginning on or after 1 January 2013

2 Effective for annual periods beginning on or after 1 January 2014

3 Effective for annual periods beginning on or after 1 January 2015

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New and revised HKFRSs in issue but not yet effective (continued)

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be 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 flow, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, the Group 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 recognised 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 an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets. The directors of the Company are still in the process of assessing the impact of the adoption of HKFRS 9.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New and revised HKFRSs in issue but not yet effective (continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (Revised in 2011) and HKAS 28 (Revised in 2011).

Key requirements of these five standards are described below:

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements. HK(SIC) – Int 12 "Consolidation – Special Purpose Entities" will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK(SIC) – Int 13"Jointly Controlled Entities–Non-Monetary Contributions" will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided all of these standards are applied at the same time.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New and revised HKFRSs in issue but not yet effective (continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures (continued)

Under HKFRS 11, the jointly controlled entity will be classified as a joint operation or joint venture, depending on the rights and obligations of the parties to the joint arrangement. The Group's jointly controlled entity that is currently accounted for using equity method. There is no material change if it is jointly venture under HKFRS 11. Therefore, the directors of the Company anticipate that the application of these five standards will not have a material impact on amounts reported in the consolidated financial statements.

HKFRS 13 "Fair Value Measurement"

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial Instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

HKFRS 7 and HKAS 32 "Offsetting Financial Assets and Financial Liabilities"

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New and revised HKFRSs in issue but not yet effective (continued)

HKFRS 7 and HKAS 32 "Offsetting Financial Assets and Financial Liabilities" (continued)

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors of the Company anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

HKAS 19 "Employee Benefits"

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the "corridor approach" permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application. The directors of the Company are currently assessing the financial impact on the implication of the amendments to HKAS 19.

Annual Improvements to HKFRSs 2009 – 2011 Cycle

The Annual Improvements to HKFRSs 2009 – 2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include:

- amendments to HKAS 16 "Property, Plant and Equipment"; and

- amendments to HKAS 32 "Financial Instruments: Presentation".

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New and revised HKFRSs in issue but not yet effective (continued)

Amendments to HKAS 16

The amendments to HKAS 16 clarify the spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors of the Company do not anticipate that the amendments to HKAS 16 will have a significant effect on the Group's consolidated financial statements.

Amendments to HKAS 32

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 "Income Taxes". The directors of the Company anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

HK(IFRIC) – Int 20 "Stripping Costs in the Production Phase of a Surface Mine"

HK(IFRIC) – Int 20 "Stripping Costs in the Production Phase of a Surface Mine" applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine (production stripping costs). Under the Interpretation, the costs form this waste removal activity (stripping) which provide improved access to ore is recognised as a non-current asset (stripping activity asset) when certain criteria are met, whereas the costs of normal on-going operational stripping activities are accounted for in accordance with HKAS 2 "Inventories". The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

HK(IFRIC) – Int 20 is effective for annual periods beginning on or after 1 January 2013. Specific transitional provisions are provided to entities that apply HK (IFRIC) – Int 20 for the first time. However, HK(IFRIC) – Int 20 must be applied to production stripping costs incurred on or after the beginning of the earliest period presented. The directors of the Company anticipate that HK(IFRIC) – Int 20 will have no effect to the Group's financial statements as the Group does not engage in such activities.

3. TURNOVER

	2013	2012
	HK$'000	*HK$'000*
An analysis of the Group's turnover for the year is as follow:		
Artiste management services fee income and music production	**2,125**	1,869
Films and television programmes production and licensing of the corresponding rights	**65,897**	13,139
Distribution of films and television programmes	**22**	508
Gain arising on change in fair value of financial assets designated as FVTPL	**189**	1,723
Rental income	**120**	90
Interest income from money lending	**906**	96
Handling fee income from money lending	**171**	–
Bonds interest income	**588**	293
	70,018	17,718

4. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has identified operating segments based on similar products and service provided. The operating segments are identified by senior management who is designated as "Chief Operating Decision Maker" to make decisions about resource allocation to the segments and assess their performance.

The Group has six reportable segments, (i) artiste management services and music production, (ii) production of films and television programmes, (iii) distribution of films and television programmes, (iv) money lending, (v) securities and bonds investment, and (vi) property investment. The segmentation is based on the information about the operations of the Group that Chief Operating Decision Maker ("CODM") uses to make decisions.

4. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

The following is an analysis of the Group's revenues and results by reportable segment for the current and prior years:

	Artiste management services and music production		Production of films and television programmes		Distribution of films and television programmes		Money lending		Securities and bonds investment		Property investment		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	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*
Segment revenue														
Revenue from external customers	**2,125**	1,869	**65,897**	13,139	**22**	508	**1,077**	96	**777**	2,016	**120**	90	**70,018**	17,718
Segment results	**(3,079)**	(1,624)	**4,951**	5,775	**(2,641)**	(1,945)	**635**	75	**777**	2,016	**504**	629	**1,147**	4,926
Bank interest income													**40**	239
Cumulative losses reclassified from equity to profit or loss upon disposal of available-for-sale investments													**(5,339)**	–
Unallocated corporate expenses													**(15,411)**	(12,320)
Finance costs													**(1,235)**	(1,676)
Share of results of a jointly controlled entity													**(132)**	–
Loss before taxation													**(20,930)**	(8,831)
Taxation													**(13)**	–
Loss for the year													**(20,943)**	(8,831)

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 central administration costs, bank interest income, finance costs, share of results of a jointly controlled entity and taxation. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

4. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment for the current and prior years:

	Artiste management services and music production		**Production of films and television programmes**		**Distribution of films and television programmes**		**Money lending**		**Securities and bonds investment**		**Property investment**		**Total**	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	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*
Segment assets	**9,283**	2,480	**158,685**	119,671	**3,392**	3,916	**13,309**	1,020	**3,529**	24,808	**6,732**	6,173	**194,930**	158,068
Other non-current financial assets													**46,674**	46,674
Interest in a jointly controlled entity													**118**	–
Unallocated corporate assets													**41,648**	6,983
Total assets													**283,370**	211,725
Segment liabilities	**979**	430	**12,369**	9,048	**244**	47	**9,018**	5	**–**	–	**10**	45	**22,620**	9,575
Amount due to a jointly controlled entity													**40**	–
Unallocated corporate liabilities													**17,506**	14,630
Total liabilities													**40,166**	24,205

All assets are allocated to reportable segments other than other non-current financial asset, and unallocated head office and corporate assets as these assets are managed on a group basis; and

All liabilities are allocated to reportable segments other than current tax liabilities, convertible bond, promissory note, and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

4. SEGMENT INFORMATION (CONTINUED)

Other information

The following is an analysis of the Group's other segment information for the current and prior years:

	Artiste management services and music production		Production of films and television programmes		Distribution of films and television programmes		Money leading		Securities and bonds investment		Property investment		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	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	**2,087**	–	**–**	–	**195**	–	**–**	–	**–**	–	**–**	5,176	**2,282**	5,176
Depreciation of property, plant and equipment	**194**	123	**–**	–	**58**	160	**–**	–	**–**	–	**–**	–	**252**	283
Amortisation of film rights	**–**	–	**18,334**	1,782	**–**	749	**–**	–	**–**	–	**–**	–	**18,334**	2,531
Impairment loss recognised in respect of film rights	**–**	–	**5,281**	–	**–**	–	**–**	–	**–**	–	**–**	–	**5,281**	–
Loss arising on written down of inventories and music production in progress	**248**	104	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**248**	104
Gain arising on change in fair value of an investment property	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(540)**	(664)	**(540)**	(664)

Reconciliation of other segment information

	Segment total		Adjustment (note)		Total	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Depreciation of property, plant and equipment	**252**	283	**931**	–	**1,183**	283
Impairment loss recognised in respect of other receivables	**–**	–	**103**	–	**103**	–

Note: The amount represents the item included in unallocated corporate expenses.

Information about major customers

Revenue from two (2012: two) customers under production of films and television programmes segment contributing over 10% of the total revenue of the Group for the year ended 30 June 2013 which amounted to approximately HK$30,152,000 and HK$7,464,000 respectively (2012: HK$8,379,000 and HK$3,417,000 for two largest customers).

4. SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's operations are located in Hong Kong, the PRC, Taiwan, Japan, other Asian countries, Oceania, North America, European countries and other areas.

The Group's revenue from external customers classified in accordance with geographical location of customers during the reporting period and information about the non-current assets other than available-for-sale investments at costs 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**	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**57,910**	10,285	**110,227**	69,494
The PRC	**2,378**	927	**277**	–
Taiwan	**1,153**	–	**–**	–
Japan	**–**	381	**–**	–
Other Asian countries *(note (a))*	**7,080**	905	**–**	–
Oceania *(note (b))*	**327**	–	**–**	–
North America *(note (c))*	**234**	1,555	**–**	–
European countries *(note (d))*	**–**	3,478	**–**	–
Other areas	**936**	187	**–**	–
	70,018	17,718	**110,504**	69,494

Notes:

(a) Other Asian countries mainly included Brunei, Indonesia, Korea, Malaysia, Philippines, Singapore, Thailand, Russia and Laos.

(b) Oceania included Australia and New Zealand.

(c) North America included the United States and Canada.

(d) European countries mainly included Italy, the United Kingdom, Germany, France, Switzerland, Poland, Netherland and Belgium.

5. OTHER INCOME

	2013	2012
	HK$'000	*HK$'000*
Bank interest income	**40**	239
Gain arising on change in fair value of an investment property	**540**	664
Recouped artiste fee	**–**	100
Gain on early redemption of convertible bond	**–**	701
Others	**150**	215
	730	1,919

6. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Interest on other borrowings wholly repayable within five years	**364**	–
Interest on bank overdraft	**–**	6
Interest on convertible bond	**192**	1,025
Imputed interest on promissory note payable	**679**	645
	1,235	1,676

7. LOSS BEFORE TAXATION

	2013	2012
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging/(crediting):		
Staff costs, including directors' remuneration		
– Basic salaries and allowances	**7,799**	6,691
– Retirement benefits scheme contributions	**245**	198
Total staff costs	**8,044**	6,889
Gross rental income from an investment property	**(120)**	(90)
Less: direct operating expenses from an investment property that generated rental income during the year	**40**	34
	(80)	(56)
Auditor's remuneration	**520**	520
Amortisation of film rights*	**18,334**	2,531
Cost of inventories and music production in progress recognised as expenses**	**561**	35
Consultant fee	**2,102**	2,700
Depreciation of property, plant and equipment	**1,183**	283
Impairment loss recognised in respect of film rights*	**5,281**	–
Impairment loss recognised in respect of prepaid artiste fees	**–**	46
Impairment loss recognised in respect of other receivables	**103**	–
Gain on early redemption of convertible bond	**–**	(701)
Minimum lease payments under operating leases:		
– Land and building	**2,470**	549
Loss arising on written down of inventories and music production in progress**	**248**	104
Loss arising on written off of property, plant and equipment	**147**	–
Exchange loss/(gain)	**54**	(41)

* Included in "Cost of film and television programmes production and distribution" of the consolidated statement of profit or loss and other comprehensive income.

** Included in "Cost of artiste management services and music production" of the consolidated statement of profit or loss and other comprehensive income.

8. TAXATION

	2013	2012
	HK$'000	*HK$'000*
Current tax:		
Hong Kong		
– Charge for the year	**13**	–

Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the year. Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

As at 30 June 2013, the Group had unused tax losses of approximately HK$50,119,000 (2012: HK$28,199,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The loss may be carried forward indefinitely. There were no other significant temporary differences arising during the year or at the end of the reporting period.

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

	2013	2012
	HK$'000	*HK$'000*
Loss before taxation	**(20,930)**	(8,831)
Tax credit of Hong Kong Profits Tax at 16.5% (2012: 16.5%)	**(3,454)**	(1,457)
Tax effect of share of results of a jointly controlled entity	**22**	–
Tax effect of expenses non-deductible for tax purpose	**561**	1,341
Tax effect of income not taxable for tax purpose	**(595)**	(664)
Tax effect of tax losses not recognised	**3,644**	1,234
Tax effective of utilisation of tax losses previously not recognised	**(28)**	(382)
Effect of different tax rate of subsidiaries operating in other jurisdictions	**(137)**	–
Others	**–**	(72)
Tax charge for the year	**13**	–

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the loss for the year attributable to owners of the Company of approximately HK$21,237,000 (2012: HK$9,102,000) and the weighted average number of 1,825,550,573 (2012: 331,963,591 (restated)) ordinary shares of the Company in issue during the year.

The weighted average number of shares for the purposes of calculating basis and diluted loss per share for both years has been adjusted and restated to reflect the capital reorganisation occurred during the year and bonus issue occurred subsequent to the end of the reporting period.

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bond since their exercise would result in an anti-dilutive effect on loss per share.

10. AVAILABLE-FOR-SALE INVESTMENTS

	2013	2012
	HK$'000	*HK$'000*
Available-for-sale investments comprised of:		
Listed shares, at fair value *(note (a))*	**3,529**	13,466
Unlisted shares, at cost *(note (b))*	**46,674**	46,674
Corporate bonds – listed *(note (c))*	**–**	11,342
	50,203	71,482

10. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

Notes:

(a) At the end of the reporting period, the fair value of listed shares are referenced to the quoted market bid prices available on the relevant stock exchange.

(b) The amount represents 13.28% equity interests in the issued ordinary shares of Dragonlott Holdings Limited ("DHL"), a private entity incorporated in Jersey, the Channel Islands, with limited liability. The principal activities of DHL and its subsidiaries are provision of general management services and consultancy services of sports lottery in the PRC.

The amount is measured at cost less any identified impairment loss at the end of the reporting period as the range of reasonable fair value estimates is so significant that it cannot be measured reliably. The fair value on initial recognition during the year ended 30 June 2010 is measured by an aggregation of (1) cash consideration of HK$35,840,000 and (2) fair value of a promissory note of HK$10,834,000. The directors of the Company have not been provided financial or other relevant information from the management of DHL in order to determine of any impairment in respect of the investment in DHL was necessary at the end of the reporting period and therefore no impairment was recognised in the consolidated statements of profit or loss for the year ended 30 June 2013 and 2012 accordingly.

(c) As at 30 June 2012, the Group's corporate bonds comprised of (i) callable corporate bonds with maturity date on or before 2017 carried at the coupon rate ranging from 7.625% to 11.25% per annum and (ii) perpetual callable corporate bonds with no maturity date carried at the coupon rate ranging from 6% to 7.25% per annum. All of the callable corporate bonds were denominated in USD.

As at 30 June 2012, all of the callable corporate bonds were traded over-the-counter with maturity date over one year and were classified as non-current assets accordingly. The fair values for all of the callable corporate bonds were referenced to the quoted market bid prices available on the relevant industry group.

11. FILM RIGHTS AND FILMS PRODUCTION IN PROGRESS

	Film rights	**Film production in progress**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Cost:			
At 1 July 2011	24,304	–	24,304
Additions	1,223	23,787	25,010
At 30 June 2012 and 1 July 2012	25,527	23,787	49,314
Additions	15,052	67,724	82,776
Transfer to prepayments	–	(2,966)	(2,966)
Transfer to film rights	20,981	(20,981)	–
At 30 June 2013	**61,560**	**67,564**	**129,124**
Accumulated amortisation and impairment:			
At 1 July 2011	15,576	–	15,576
Charge for the year	2,531	–	2,531
At 30 June 2012 and 1 July 2012	18,107	–	18,107
Charge for the year	18,334	–	18,334
Impairment loss recognised	5,281	–	5,281
At 30 June 2013	**41,722**	**–**	**41,722**
Carrying values:			
At 30 June 2013	**19,838**	**67,564**	**87,402**
At 30 June 2012	7,420	23,787	31,207

11. FILM RIGHTS AND FILMS PRODUCTION IN PROGRESS (CONTINUED)

Notes:

(a) In light of the circumstances of film industry, the Group regularly reviewed its library of film rights to assess the marketability of respective film rights and the corresponding recoverable amounts as at the years ended 30 June 2013 and 2012. The recoverable amount of the relevant assets had been determined on the basis of the present value of expected future revenue net of the relevant expenses arising from distribution and licensing of distribution rights of each of the films, by reference to the recent market information of the film industry. Impairment loss of approximately HK$5,281,000 (2012: Nil) has been recognised in respect for the year ended 30 June 2013 due to worsen marketability of respective film rights.

(b) Film production in progress represents films under production. The directors of the Company assessed of which no impairment loss has been recognised for the years ended 30 June 2013 and 2012. The estimated recoverable amount was determined based on the best estimation of the management on expected future revenue less the relevant costs arising from the distribution and sub-licensing of the film products.

12. LOANS RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Loans receivables	**13,041**	1,010

As at 30 June 2013, certain term loans with principal amount of HK$9,000,000 (2012: HK$1,000,000) are secured by customers' pledged properties at fair value of approximately HK$24,000,000 (2012: HK$12,000,000).

All loans receivables are denominated in Hong Kong dollars and carried at fixed effective interest ranging from 3% to 13.39% (2012: 14.4% to 48%) per annum and with the term ranging from 180 days to 365 days (2012: 90 days to 365 days).

12. LOANS RECEIVABLES (CONTINUED)

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

	2013	2012
	HK$'000	*HK$'000*
0 – 30 days	**41**	1,010
31 – 60 days	**4,000**	–
61 – 90 days	**–**	–
Over 90 days	**9,000**	–
	13,041	1,010

No loans receivables were past due at the end of the reporting period.

No allowance for impairment on loan receivables was recognised during the year.

13. TRADE RECEIVABLES

The Group allows credit periods of up to 60 days to its trade debtors. Included in the Group's trade receivables balance, no trade receivables (2012: Nil) are past due at the reporting date for which the Group has not provided for impairment loss. Based on the repayment pattern of the debtors of the Group, trade receivables which are past due but not impaired are eventually recoverable. The management of the Group closely monitors the credit quality of debtors and considers the trade receivables that are neither past due nor impaired to be of a good credit quality with reference to their repayment history. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables based on the due date at the end of the reporting period:

	2013	2012
	HK$'000	*HK$'000*
Current	**6,598**	1,340

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Prepayments *(note (a))*	**50,316**	10,690
Deposits and other receivables *(note (d))*	**33,538**	5,678
	83,854	16,368

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

	2013	2012
	HK$'000	*HK$'000*
– Non-current portion		
Prepayments *(note (a))*	**2,000**	3,644
Deposits *(note (b))*	**5,040**	2,963
	7,040	6,607
– Current portion		
Prepayments	**48,316**	7,046
Deposits	**3,034**	431
Other receivables *(note (c))*	**25,464**	2,284
	76,814	9,761
	83,854	16,368

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Notes:

(a) Prepayments mainly represent upfront payments for film productions, distribution rights and prepaid administrative expenses. As at 30 June 2013 and 2012, the amounts of prepayments, deposits and other receivables that were expected to be released within twelve months from the end of the reporting period was classified as current assets. The remaining balances were classified as non-current assets.

Non-current portion of prepayments mainly comprised of prepayments for film production costs. In the opinion of the directors of the Company, the non-current portion of prepayments for film production costs related to films that were not expected to be released within twelve months from the end of the reporting period were classified as non-current assets accordingly.

(b) Non-current portion of deposits comprised of rental deposits for cinemas invested in the PRC. The anticipated lease terms of the cinema is over twelve months from the end of the reporting period.

(c) Included in other receivables was an amount of approximately HK$24,698,000 receivable from an independent third party for the joint film production. During the year ended 30 June 2013, an impairment loss of approximately HK$103,000 (2012: Nil) has been recognised in the consolidated statement of profit or loss.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

(d) The amounts of deposits and other receivables at the end of the reporting period are represented by:

	2013 *HK$'000*	2012 *HK$'000*
Receivables from a related company*	**139**	530
Receivables from third parties	**33,399**	5,148
	33,538	5,678

* The amount is due from One Dollar Distribution Limited ("One Dollar"), of which Mr. Shiu Stephen Junior is a common director of the Company and One Dollar, and is unsecured, interest free and recoverable on demand.

The amounts of prepayments at the end of the reporting period are analysed for reporting purpose as follow:

	2013 *HK$'000*	2012 *HK$'000*
Prepayments for:		
– Acquisition of film distribution rights	**8,850**	5,904
– Film production costs	**25,580**	2,665
– Film promotion costs	**2,440**	61
– Artiste fee	**6,043**	904
– Equipment	**1,128**	–
– Others	**6,275**	1,156
	50,316	10,690
Less: Non-current portion	**(2,000)**	(3,644)
Current portion	**48,316**	7,046

The maximum exposure to credit risk at the end of the reporting period is the carrying value of each class of prepayments, deposits and other receivables mentioned above. The Group does not hold any collateral over these balances.

15. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the due date at the end of the reporting period:

	2013	2012
	HK$'000	*HK$'000*
Current	**3,927**	250

16. OTHER BORROWINGS

	2013	2012
	HK$'000	*HK$'000*
Other borrowings due for repayment within five years *(note)*	**9,000**	–

Note:

The loans are denominated in Hong Kong dollars and are borrowed from independent third parties. The loans are unsecured, bearing interest rate of 13% per annum and repayable within one year.

17. SHARE CAPITAL

	Number of shares		Par value	
	2013	2012	**2013**	2012
	'000	*'000*	***HK$'000***	*HK$'000*
Ordinary shares of HK$0.005 each (2012: HK$0.005 each)				
Authorised:				
At the beginning of the year	**20,000,000**	20,000,000	**100,000**	100,000
Share consolidation *(note (a) and (g))*	**(19,000,000)**	(19,200,000)	**–**	–
Subdivision of shares *(note (c) and (i))*	**19,000,000**	19,200,000	**–**	–
At the end of the year	**20,000,000**	20,000,000	**100,000**	100,000

	Number of shares		Par value	
	2013	2012	**2013**	2012
	'000	*'000*	***HK$'000***	*HK$'000*
Ordinary shares of HK$0.005 each (2012: HK$0.005 each)				
Issued and fully paid:				
At the beginning of the year	**4,042,476**	8,687,552	**20,212**	43,438
Share consolidation *(note (a) and (g))*	**(5,265,352)**	(8,340,050)	**–**	–
Capital reduction *(note (b) and (h))*	**–**	–	**(26,327)**	(41,700)
Issue of shares upon bonus issue *(note (e))*	**–**	2,694,984	**–**	13,474
Issue of shares upon placing *(note (d), (f), (j) and (k))*	**2,155,000**	999,990	**10,775**	5,000
At the end of the year	**932,124**	4,042,476	**4,660**	20,212

17. SHARE CAPITAL (CONTINUED)

Notes: (Continued)

For the year ended 30 June 2012

(a) By a special resolution dated 16 December 2011, authorised share capital of the Company for ordinary share of HK$0.005 each (the "2012 Consolidated Authorised Shares") was consolidated on the basis of every twenty-five shares into one share of HK$0.125 share in the authroised share capital of the Company. The authorised share capital was therefore reduced from HK$100,000,000 divided into 20,000,000,000 shares of HK$0.005 each into HK$100,000,000 divided into 800,000,000 of the 2012 Consolidated Authorised Shares of HK$0.125 each accordingly.

Under the same special resolution, the issued ordinary share of the Company for ordinary share of HK$0.005 each (the "2012 Consolidated Issued Shares") was consolidated on the basis of every twenty-five shares into one share of HK$0.125 share in the issued share capital of the Company. The issued share capital was therefore reduced from 8,687,552,240 shares of HK$0.005 each into 347,502,089 of the 2012 Consolidated Issued Shares of HK$0.125 each accordingly.

(b) By a special resolution dated 16 December 2011, the nominal value of each share in issued was reduced from HK$0.125 to HK$0.005 by cancelling paid up capital to the extent of HK$0.120 on each issued share. The issued share capital of the Company therefore was reduced from 347,502,089 shares of HK$0.125 each into 347,502,089 shares of HK$0.005 each accordingly.

(c) By a special resolution dated 16 December 2011, each authorised share capital after the share consolidation as stated in (a) above was subdivided into 25 authorised share capital. The authorised share capital of the Company was therefore increased from 800,000,000 of the 2012 Consolidated Authorised Shares of HK$0.125 each into 20,000,000,000 authorised share of HK$0.005 each accordingly.

(d) On 10 January 2012, the Company entered into a placing agreement to place a maximum number of 3,000,000,000 placing shares in a maximum of six tranches (in which each tranche shall not be less than 500,000,000 placing shares, save for the last tranche), on a best effort basis, to not fewer than six independent placees.

On 22 March 2012, the Company completed the first tranche of placing, in which 999,990,000 placing shares were issued at a placing price of HK$0.08 each. The net proceeds of approximately HK$78,200,000 were raised from the first tranche of placing.

17. SHARE CAPITAL (CONTINUED)

Notes: (Continued)

For the year ended 30 June 2012 (continued)

(e) By a special resolution dated 22 May 2012, the Company issued two bonus shares for every one share held. The issued share capital of the Company was therefore increased from 1,347,492,089 shares of HK$0.005 each to 4,042,476,267 shares of HK$0.005 each accordingly.

Upon the completion of the Bonus Issue by effective of Share Premium Reduction for the year ended 30 June 2012, approximately, HK$13,474,000 was credited to share capital and the same amount was debited to the share premium account.

For the year ended 30 June 2013

(f) On 6 September 2012, the Company completed the second tranche of placing, in which 1,500,000,000 placing shares were issued at a placing price of HK$0.015 each. The net proceeds of approximately HK$21,955,000 were raised from the second tranche of placing.

(g) By a special resolution dated 19 November 2012, authorised share capital of the Company for ordinary share of HK$0.005 each (the "2013 Consolidated Authorised Shares") was consolidated on the basis of every twenty shares into one share of HK$0.1 share in the authorised share capital of the Company. The authorised share capital was therefore reduced from HK$100,000,000 divded into 20,000,000,000 shares of HK$0.005 each into HK$100,000,000 divided into 1,000,000,000 of the 2013 Consolidated Authorised Shares of HK$0.1 each accordingly.

Under the same special resolution, the issued ordinary share of the Company for ordinary share of HK$0.005 each (the "2013 Consolidated Issued Shares") was consolidated on the basis of every twenty shares into one share of HK$0.1 share in the issued share capital of the Company. The issued share capital was therefore reduced from 5,542,476,267 shares of HK$0.005 each into 277,123,813 of the 2013 Consolidated Issued Shares of HK$0.1 each accordingly.

(h) By a special resolution dated 19 November 2012, the nominal value of each share in issued was reduced from HK$0.1 to HK$0.005 by cancelling paid up capital to the extent of HK$0.095 on each issued share. The issued share capital of the Company therefore was reduced from 277,123,813 shares of HK$0.1 each into 277,123,813 shares of HK$0.005 each accordingly.

(i) By a special resolution dated 19 November 2012, each authorised share capital after the share consolidation as stated in (g) above was subdivided into 20 authorised share capital. The authorised share capital of the Company was therefore increased from 1,000,000,000 of the 2013 Consolidated Authorised Shares of HK$0.1 each into 20,000,000,000 authorised share of HK$0.005 each accordingly.

17. SHARE CAPITAL (CONTINUED)

Notes: (Continued)

For the year ended 30 June 2013 (continued)

(j) On 18 December 2012, the Company entered into a placing agreement to place, on a best effort basis, a maximum number of 55,000,000 placing shares to not fewer than six placees who and whose ultimate beneficial owners are third parties independent of and are not connected with the Company and its connected persons.

On 14 January 2013, the Company completed the placing, in which 55,000,000 placing shares were issued at a placing price of HK$0.133 each. The net proceeds of approximately HK$7,105,000 were raised from the placing.

(k) On 22 February 2013, the Company entered into a placing agreement to place a maximum number of 1,000,000,000 placing shares in a maximum of five tranches (in which each tranche shall not be less than 200,000,000 placing shares, save for the last tranche) on a best effort basis, to not fewer than six independent placees.

On 9 April 2013, the Company completed the first tranche of placing, in which 300,000,000 placing shares were issued at a placing price of HK$0.1 each. The net proceeds of approximately HK$29,242,000 were raised from the first tranche of placing.

On 21 June 2013, the Company completed the second tranche of placing, in which 300,000,000 placing shares were issued at a placing price of HK$0.1 each. The net proceeds of approximately HK$29,365,000 were raised from the second tranche of placing.

18. EVENTS AFTER THE REPORTING PERIOD

(a) On 22 July 2013, Proletariate Institute Limited entered into a provisional sale and purchase agreement with an independent third party in relation to the disposal of a property at a consideration of HK$6,380,000. The disposal of the property was completed on 3 September 2013.

(b) On 1 August 2013, the Board of Directors proposes to allot and issue bonus shares to the shareholders on the basis of five bonus shares for every one existing share held by the shareholders on the record date (the "Bonus Issue"). Based on a total of 932,123,813 shares in issue at the date of the announcement and assuming (i) no further shares will be issued or repurchased; (ii) no convertible bonds will be converted prior to the record date, 4,660,619,065 bonus shares will be issued by the Company under the Bonus Issue. After the completion of the Bonus Issue, there will be a total of 5,592,742,878 shares in issue as enlarged by the Bonus Issue.

On 6 September 2013, the Bonus Issue was approved by the shareholders of the Company by way of poll at Special General Meeting.

Details of the Bonus Issue were set out in the Company's announcement and circular dated 1 August 2013 and 20 August 2013.

18. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(c) On 25 June 2013, CineUnited Circuits Company Limited ("CineUnited"), an indirect wholly-owned subsidiary of the Company, as a tenant, and 重慶鵬潤房地產開發有限公司 (Chongqing PengRun Real Estate Development Company Limited*)("PengRun"), as landlord, entered into a tenancy agreement, (the "Chongqing Operating Lease") pursuant to which CineUnited has conditionally agreed to rent and PengRun has conditionally agreed to lease the premises situated at Shop 13, Level B1, Guotai Plaza, Chongqing, the PRC for development and use as cinema for a term of 20 years.

On 12 August 2013, CineUinted, as a tenant, and 廈門赫特置業有限公司 (Xiamen Hete Properties Company Limited*)("Xiamen Hete"), as landlord, entered into another tenancy agreement (the "Xiamen Operating Lease"), pursuant to which CineUnited has conditionally agreed to rent and Xiamen Hete has conditionally agreed to lease the premises situated at Xiamen Qixing Lifespace Shopping Mall, Unit 102, 3 Qixing West Road, Siming District, Xiamen, Fujian Province, the PRC for development and use as cinema for a term of 15 years.

On 6 September 2013, the Chongqing Operating Lease and the Xiamen Operating Lease were approved by the shareholders of the Company by way of poll.

Details of the Chongqing Operating Lease and the Xiamen Operating Lease were set out in the Company's announcement dated 25 June 2013 and 12 August 2013 and circular dated 20 August 2013 respectively.

* for identification purposes only

DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the years ended 30 June 2013 and 2012.

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. Chan Chi Ho, Mr. Kam Tik Lun and Mr. Tam Kook Ming, Banny.

EXTRACT OF AUDITOR'S REPORT

The following is an extract of the auditor's report on the Group's consolidated financial statements for the Year:

BASIS FOR QUALIFIED OPINION

(a) *Opening balances and corresponding figures*

The consolidated financial statements of the Group for the year ended 30 June 2012, which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was qualified because of the possible effect of the limitation on the scope of the audit in relation to the investment in Dragonlott Holdings Limited ("DHL"). Details of the qualified audit opinions were set out in the independent auditor's report dated 24 September 2012 and included in the Company's annual report for the year ended 30 June 2012.

We were not able to obtain sufficient appropriate audit evidence to enable us to assess the limitation of scope for the year ended 30 June 2012. Any adjustments found to be necessary to the opening balances as at 1 July 2012 may affect the balance of accumulated loss as at 1 July 2012 and the results and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 30 June 2013. The comparative figures showed in the consolidated financial statements may not be comparable with the figures for the current period.

(b) *Available-for-sale investments*

Included in the Group's available-for-sale investments of approximately HK$50,203,000 as at 30 June 2013 was an aggregate amount of approximately HK$46,674,000 investment in DHL in which the Group holds 13.28% equity interests. As explained in note 21, the directors of the Company have not been provided with any financial or other relevant information of DHL as at 30 June 2013 from the management of DHL and therefore it was unable to determine whether any impairment loss in respect of the investment in DHL was necessary at the end of the reporting period. However, no financial and other relevant information about DHL as at 30 June 2013 has been provided to us. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that the carrying amount of the investment in DHL was free from material misstatement as at 30 June 2013. Any adjustments found to be necessary would affect the state of the Group's affair as at 30 June 2013 and the loss for the year then ended.

QUALIFIED OPINION

In our opinion, except for the possible effects on the matters described in the Basis for Qualified Opinion paragraphs, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2013, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CORPORATE GOVERNANCE

The Company has adopted various policies to ensure compliance with the code provisions ("Code Provisions") as set out in Appendix 15 of the GEM Listing Rules that are considered to be relevant to the Company and has complied with the Code Provisions save as disclosed below.

Mr. Shiu Stephen Junior currently holds the offices of Chairman and Chief Executive Officer of the Company. The Board considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company. The Board also believes that the current structure provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

MODEL CODE FOR SECURITIES DEALING BY DIRECTORS

The Company had adopted Rules 5.48 to Rules 5.67 of the GEM Listing Rules ("Model Code") as its own code of conduct regarding directors' securities transactions. Having made specific enquiry to all the Directors, all the Directors confirmed that they had throughout the Year complied with the required standard of dealings as set out in the Model Code.

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

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF ANNUAL REPORT ON THE GEM WEBSITE

The Annual Report of the Company containing all the information required by the GEM Listing Rules will be dispatched to the shareholders of the Company and be published on the GEM website of the Stock Exchange (www.hkgem.com) and the Company's website (www.china3d8078.com) in due course.

By order of the Board
China 3D Digital Entertainment Limited
Shiu Stephen Junior
Chairman

Hong Kong, 26 September, 2013

As at the date hereof, the Board comprise:

Executive Directors:	Mr. Shiu Stephen Junior *(Chairman)* Mr. Sun Lap Key, Christopher Mr. Lee Wing Ho, Albert
Independent Non-executive Directors:	Mr. Chan Chi Ho Mr. Kam Tik Lun Mr. Tam Kwok Ming, Banny

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for seven days from the day of its posting and on the website of the Company at www.china3d8078.com.