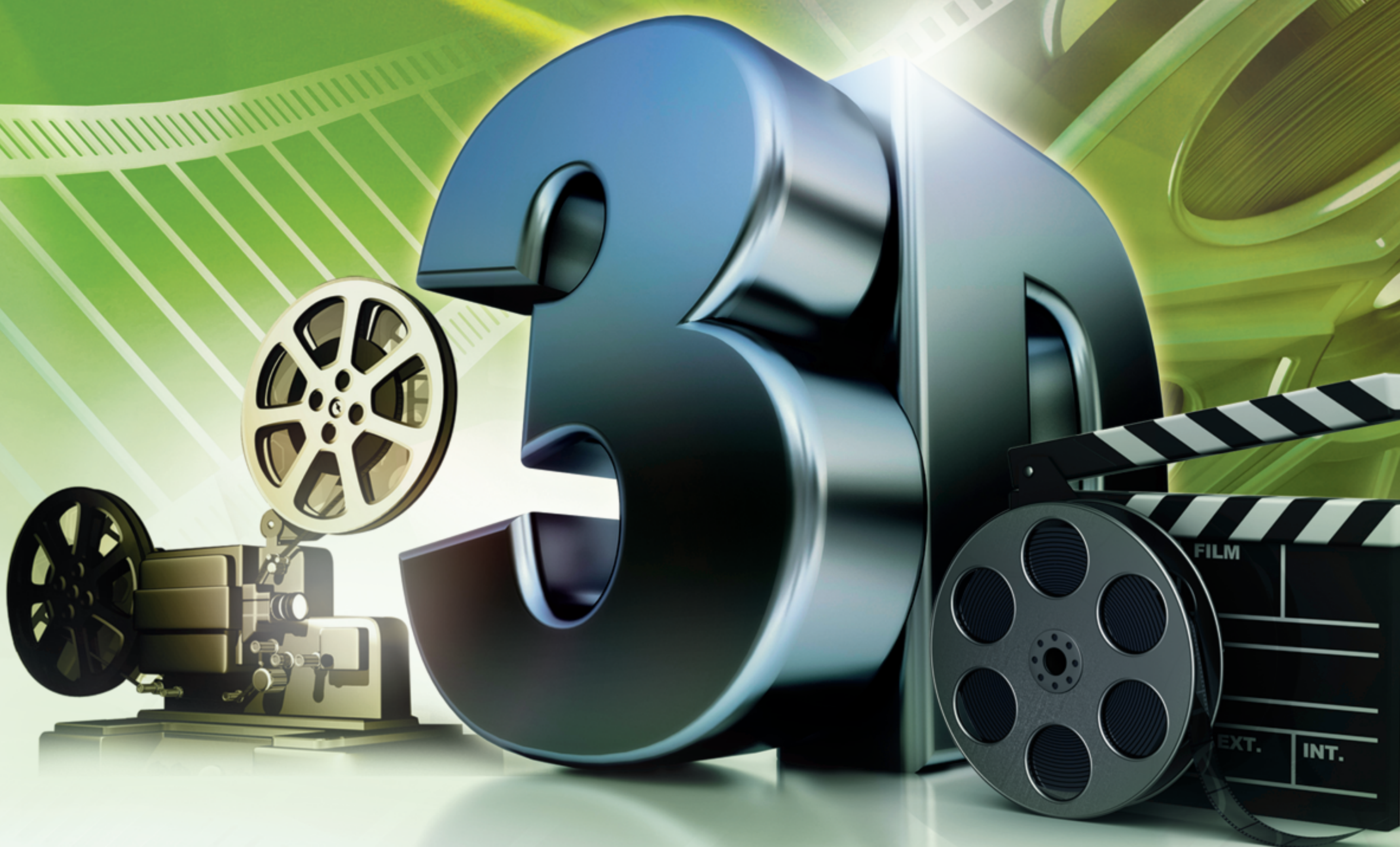
Annual Report
2011/2012



中國3D數碼娛樂有限公司
CHINA 3D DIGITAL ENTERTAINMENT LIMITED

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

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, 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 report 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 report misleading.

Contents

Corporate Information 2
Chairman's Statement 3-4
Management Discussion and Analysis 5-7
Biographies of Directors and Senior Executives 8
Directors' Report 9-14
Corporate Governance Report 15-19
Independent Auditors' Report 20-21
Consolidated Statement of Comprehensive Income 22
Consolidated Statement of Financial Position 23
Statement of Financial Position 24
Consolidated Statement of Changes in Equity 25-26
Consolidated Statement of Cash Flows 27-28
Notes to the Consolidated Financial Statements 29-89
Financial Summary 90

Corporate Information

Directors

Shiu Stephen Junior *(Chairman)*
Sun Lap Key, Christopher
Lee Wing Ho, Albert
Chan Chi Ho*
Kam Tik Lun*
Tam Kwok Ming, Banny*

* *Independent Non-executive Directors*

Company Secretary

Mak Suk Fan

Compliance Officer

Lee Wing Ho, Albert

Authorised Representatives

Shiu Stephen Junior
Lee Wing Ho, Albert

Audit Committee

Kam Tik Lun *(Chairman)*
Chan Chi Ho
Tam Kwok Ming, Banny

Remuneration Committee

Kam Tik Lun *(Chairman)*
Shiu Stephen Junior
Chan Chi Ho
Tam Kwok Ming, Banny

Nomination Committee

Shiu Stephen Junior *(Chairman)*
Kam Tik Lun
Chan Chi Ho
Tam Kwok Ming, Banny

Auditor

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Office

1/F & 2/F, Morrison Plaza
9 Morrison Hill Road
Wanchai, Hong Kong

Registrar *(in Bermuda)*

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

Registrar *(in Hong Kong)*

Tricor Secretaries Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

Banker

DBS Bank (Hong Kong) Limited
G/F, The Center
99 Queen's Road Central
Central, Hong Kong

Website

http://www.china3d8078.com

GEM Stock Code

8078

Chairman's Statement

On behalf of the board of directors of the Company (the "Board" or the "Directors"), I am pleased to present to the shareholders the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2012 (the "Year").

REVIEW OF OPERATIONS

The Group reported total revenue of approximately HK$17.7 million for the year ended 30 June 2012, compared with approximately HK$54 million for the year ended 30 June 2011. For the year ended 30 June 2012, a loss of approximately HK$8.8 million was recorded whilst in the last year, a loss of HK$36.1 million was recorded. The lost is mainly attributable to the high movie production and advertising cost as well as administrative cost.

An analysis of the Group's revenues and results by reportable segments are set out in note 8 to the consolidated financial statement.

PROSPECTS

Since one of the expertise of the Group is the production of hot topic films, the Group had acquired the movie right of a bestselling novel, namely, "Yi Lu Xiang Xi" (一路向西), written by Xiang Xi Cun Shang Chun Shu (向西村上春樹), a network super hot author. The novel was officially introduced to the market on 17 January 2012, and with hot sales responses, was reprinted less than 24 hours, and then further reprinted in mid-February, ranking among the bestsellers of major bookstores. The film is being released in September 2012 and the Group is fully confident of this investment.

In the March of 2012, the Group has acquired a permanent global distribution right of the starring lineup in the realm of Chinese language movies "Together在一起" (provisionally named), which is a comedy featuring love starring Mr. Ko Chen Tung, Kaiko (柯震東) and Ms. Chen Yan Hsi, Michelle (陳妍希), the two leading actors for "You Are the Apple of My Eye" (那些年，我們一起追的女孩), and this represents their cooperation again after the success of the aforesaid blockbuster. "Together在一起" is also starred by a brand-new acting combination comprising box office hits Mr. Yen Chi Tan, Donnie (甄子丹), a superstar, and Ms. AngelaBaby (楊穎), an young artist queen. The Company anticipates that the movie might attract a more diverse audience into cinemas in regions of Asia. The film will be released in 2013.

To achieve the goal of the Group to become a leading 3D digital entertainment company offering the best entertainment experience to the audience in the Hong Kong and the People's Republic of China (the "PRC"). In March 2012, the Group entered into a Letter of intent 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 Guotai Plaza, ChongQing, the PRC. 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 43% in 2011, ranking number 1 amongst other cities in the PRC. The Directors believe that, it will provide an opportunity for the Company to be successful in cinema's operation in PRC.

According to the Mainland China's "12th Five-Year Plan", the State Council has resolved to support the PRC studio production and the tourism and culture development. This is in line with the Group's direction for development.

On 21 August 2012 (after trading hours), the Company entered into (i) a memorandum of understanding (the "CASS MOU") with 中國社會科學院社會科學成果開發中心 (Social Science Development Centre of Chinese Academy of Social Sciences) ("CASS Social Development Centre"); and (ii) a memorandum of understanding (the "CCPH MOU") with 中國人文科學發展公司(Chinese Corporation For Promotion Humanities) ("CCPH") regarding their potential investment and co-operation.

The potential investment covered the areas, included (i) set up an investment fund; (ii) development of related projects after completion of the construction of the headquarter of 燕郊"中國學者之家" (Yanjiao Home of Chinese Scholar); (iii) establishment of cultural club in Beijing, the PRC, by the Company with the assistance of CASS Social Science Development Centre; and (iv) the marketing operation in co-ordination with 社科院人文公司影視中心 (CASS Humanity Company Movie Centre) under the CASS MOU and film production under the CCPH MOU.

Chairman's Statement (Continued)

PROSPECTS *(CONTINUED)*

CCPH is wholly-owned by Chinese Academy of Social Sciences (referred to as CASS – 中國社會科學院). According to the official website of CCPH (www.ccph.com.cn), CCPH was established in 1980 in Beijing, the PRC and is principally engaged in international trade, international communication and corporation, information technology services, advertising and consulting services.

In February 2012, the Group acquired a Money Lender license to carry out money lending activities as part of its principal business activities. Moreover, the Group started to purchase some listed companies' fixed rate, senior unsecured corporate bonds, rating by S&P as BB grade or above, so as to generate a stable and regular fixed income to the Group.

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

OUTLOOK

While the Group has continued its existing businesses, the Group will put more focus onto the newly developing Filmed Entertainment, New Media Exploitations, Licensing and Cinema Business in sustaining its core competitiveness through intensive execution of the following strategies:

- The Group has gathered extensive experience in the entertainment industry and has built a professional team of staff. Looking ahead towards the coming year, the Group will continue to seek and explore other development opportunities related to entertainment and film, with a view to diversify the Group's entertainment business.

- The Group believes that cooperating with various experts in filmed entertainment and cinema operation and development creates a synergistic effect to the Group which allows the Group to expand its operation and businesses in the areas of cinema-related businesses in the PRC.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to our shareholders, clients and staff members for their support in the past years. I would also like to express my personal appreciation to my fellow board members for their continuous valuable contributions.

Shiu Stephen Junior
Chairman

Hong Kong
24 September 2012

Management Discussion and Analysis

OPERATION REVIEW

The Group reported total revenue of approximately HK$17.7 million for the Year, compared with approximately HK$54 million for the previous fiscal year. A loss of approximately HK$8.8 million was recorded (2011: HK$36.1 million). The loss is mainly due to the high movie production, advertising cost as well as administrative cost.

An analysis of the Group's revenues and results by reportable segment and set out in note 8 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. In March 2012, the Group entered into a letter of intent 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 Guotai Plaza, ChongQing, the People's Republic of China. 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 43% in 2011, ranking number 1 amongst other cities in the PRC. The Directors believe that, it will provide an opportunity for the Company to be successful in cinema's operation in PRC.

The PRC film industry grows swiftly in recent years. The box office in China reached RMB10 billion last year, revealing huge potential. The Group is full of confidence in film production. During the period under review, the Company has finished producing the film of "Yi Lu Xiang Xi" (一路向西) which is being released in September 2012. Moreover, the Group plans to produce Iceman Cometh 3D (冰封俠3D情深四百年) and Bauhinia Heroine 3D (紫荊俠3D) in 2012 and 2013 respectively. The scripts and casting of the films have been ascertained.

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 2012, total borrowing of the Group (excluding payables) amounted to approximately HK$14 million (2011: HK$24.60 million). As an early redemption of Convertible Bond amounting to HK$15 million had been conducted during the Year, the Group's gearing ratio (expressed as a percentage of total borrowing over total assets) was largely reduced from 16% in 2011 to 7% in 2012.

In addition to its share capital and reserves, the Group also made use of cash flow generated from operations 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 2012, the Group has no asset pledged to bank to secure the bank borrowing granted to the Group (2011: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2012, the Group had 23 (2011: 27) full-time employees. The total employee remuneration, include that of the Directors, for the year ended 30 June 2012 amounted to approximately HK$6.9 million (2011: HK$7.5 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:

Capital Reorganisation

By a special resolution dated 16 December 2011, the Company implemented the capital reorganisation which involved the share consolidation and the capital reduction. The share consolidation involved the consolidation of every twenty five (25) issued and unissued Shares of HK$0.005 each in the share capital of the Company into one (1) consolidated share of HK$0.125 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$0.12 on each of the then issued Consolidated Shares such that the nominal value of each issued Consolidated Shares will be reduced from HK$0.125 to HK$0.005. The subdivision involved the subdivision of each authorized but unissued Consolidated Share into 25 new shares of HK$0.005 each.

Placing of New Shares under Specific Mandate

On 22 March 2012, the Company completed the first tranche of the placing of 999,990,000 new shares of the Company at the placing price of HK$0.08 per placing share. The net proceeds from the first tranche of the placing amount to approximately HK$78.2 million.

Share Premium Reduction and Bonus Issue of Shares

On 30 March 2012, the Company proposed (i) to reduce the credit standing to the share premium account of the Company and to apply the credit arising from such reduction to such extent for eliminating the entire amount of the accumulated losses; (ii) the bonus issue to the shareholders on the basis of two (2) bonus shares for every one (1) share.

On 22 May 2012, the necessary resolutions approving, amongst other things, the share premium reduction and the bonus issue were duly passed by the shareholders by way of poll at the special general meeting held on that date. 2,694,984,178 bonus shares were dispatched to shareholders on 7 June 2012.

Management Discussion and Analysis (Continued)

COMMITMENTS

Total commitments of the Group as at 30 June 2012 was approximately HK$51.2 million (2011: HK$9.9 million)

CONTINGENT LIABILITIES

As at 30 June 2012, the Group and the Company did not have any significant contingent liabilities.

EVENT AFTER REPORTING PERIOD

On 9 August 2012, the ordinary resolution regarding the amendments to the terms of the Placing Agreement pursuant to the Supplemental Agreements (the First Supplemental Agreement and the Second Supplemental Agreement collectively the "**Supplemental Agreements**") was duly passed by the Shareholders by way of poll at the special general meeting.

On 6 September 2012, the Company completed the second tranche of the placing of 1,500,000,000 new shares ("**Second Tranche Placing**") of the Company at the placing price of HK$0.015 per placing share. The net proceeds from the second tranche of the placing amount to approximately HK$21.90 million. The Company and the Placing Agent have mutually agreed that, subject to the completion of the Second Tranche Placing, the Placing Agreement (as supplemented by the Supplemental Agreements) will not be further extended and therefore to be lapsed after the completion of Second Tranche Placing.

On 27 March 2012, the CineUnited Circuits Company Limited as a tenant, an indirect wholly-owned subsidiary of the Company, and ChongQing PengRun Real Estate Development Company Limited (重慶鵬潤房地產開發有限公司) as a landlord entered into a letter of intent in relation to the 20 years long-term lease of a premises for development and use as cinema (the "Premises"). The Premises is situated at Guotai Plaza, ChongQing, the PRC. It is expected that a formal tenancy agreement (the "Formal Tenancy Agreement") will be entered into on or before the end of June 2012, details of which are set out in the Company's announcement dated 27 March 2012. The Formal Tenancy Agreement is not yet entered on the date when the consolidated financial statements are authorised for issue.

On 21 August 2012 (after trading hours), the Company entered into (i) a memorandum of understanding (the "CASS MOU") with 中國社會科學院社會科學成果開發中心 (Social Science Development Centre of Chinese Academy of Social Sciences) ("CASS Social Science Development Centre"); and (ii) a memorandum of understanding (the "CCPH MOU") with 中國人文科學發展公司 (Chinese Corporation For Promotion Humanities) ("CCPH") regarding their potential investment and co-operation.

The potential investment covered the areas, included (i) set up an investment fund; (ii) development of related projects after completion of the construction of the headquarter of 燕郊"中國學者之家" (Yanjiao Home of Chinese Scholar); (iii) establishment of cultural club in Beijing, the PRC, by the Company with the assistance of CASS Social Science Development Centre; and (iv) the marketing operation in co-ordination with 社科院人文公司影視中心 (CASS Humanity Company Movie Centre) under the CASS MOU and film production under the CCPH MOU.

Biographies of Directors and Senior Executives

EXECUTIVE DIRECTOR (CHAIRMAN)

SHIU STEPHEN JUNIOR, aged 37, joined the Company in July 2010. Mr. Shiu is the Chairman of the Company and the Nomination Committee and the member of Remuneration Committee of the Company. Mr. Shiu has over 11 years' experience in entertainment, advertising, promotion and communication, film distribution and movies production. Currently, Mr. Shiu is also a director of various private companies which are engaged in the business of entertainment and movies production.

EXECUTIVE DIRECTOR AND COMPLIANCE OFFICER

LEE WING HO, ALBERT, aged 42, joined the Company in February 2011. Mr. Lee holds a Bachelor of Arts from Trinity Western University, Canada, and a Master of Business Administration from South Eastern University, United States of America. Mr. Lee is a Certified Facility Manager and is a member of International Facility Management Association and The Hong Kong Institute of Real Estate. Mr. Lee has over 18 years of experience in real estate and leasing management, cinemas consultancy as well as in the fields of movie production and distribution in Hong Kong and the PRC.

EXECUTIVE DIRECTOR

SUN LAP KEY, CHRISTOPHER, aged 45, joined the Company since 1 October 2011. He holds a Master of Arts in Film and TV Fiction from The Northern Media School of Sheffield Hallam University, Sheffield, UK. Mr. Sun has more than 24 years' experience in the fields of media, TV commercials and film production. Mr. Sun had been acting as the Chief Editor of the "Automobile" of SCMP Magazines Publishing (HK) Limited, Creative Director of "FM104" Metro Finance Channel of Metro Broadcast Corporation Limited, Senior Producer of Chinese Channel, Satellite Television Asian Region Limited as well as a director of the world's first category feature film in 3-D "3D Sex and Zen Extreme Ecstasy". Currently, Mr. Sun is a Film Director of HD Mobile Broadcast of Video Channel Productions Limited.

INDEPENDENT NON-EXECUTIVE DIRECTOR

CHAN CHI HO, aged 36, joined the Company in July 2010. Mr. Chan is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Chan holds a Bachelor of Engineer in Civil Engineering from The University of Hong Kong and a Bachelor of Law from The University of London. Mr. Chan is a member of Hong Kong Institute of Engineers. Mr. Chan was a project engineer of Maunsell AECOM and has more than 11 years' experience in the planning, design and project management of infrastructure facilities in Hong Kong, Mainland China and overseas. Currently, Mr. Chan is also a managing director of EDM Construction Limited with vast experience in managing interior fitting out and decoration construction projects in different aspects such as residential, commercial, hotel and institutional.

INDEPENDENT NON-EXECUTIVE DIRECTOR

KAM TIK LUN, aged 36, joined the Company in July 2010. Mr. Kam is the Chairman of the Audit Committee and the Remuneration Committee and the member of Nomination Committee of the Company. Mr. Kam holds a Bachelor of Commerce from Concordia University, Canada and a Postgraduate Diploma in International Corporate and Financial Law from The University of Wolverhampton, UK and a Master of Laws in International Corporate and Financial Law from The University of Wolverhampton, UK. Mr. Kam is a member of The Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and The Canadian Institute of Mining, Metallurgy and Petroleum. Mr. Kam has over 10 years' experience in the financial markets. Mr. Kam has vast experience in providing pre-IPO consultancy, business valuation services, financial analysis and corporate advisory. Mr. Kam is also an independent non-executive director of Unlimited Creativity Holdings Limited, a company listed on the GEM Board of The Stock Exchange of Hong Kong Limited.

INDEPENDENT NON-EXECUTIVE DIRECTOR

TAM KWOK MING, BANNY, aged 49, is a practicing Certified Public Accountant in Hong Kong, an associate of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. Mr. Tam has over 19 years' professional experience in accounting and auditing field and has been working in various positions including partner and practicing director in various accounting firms. Currently, Mr. Tam is a partner of YATA Certified Public Accountants. Mr. Tam is also an independent non-executive director of Inner Mongolia Yitai Coal Company Limited (stock code: 3948 and 900948 SH), a company listed on the Main Board of The Hong Kong Stock Exchange and Shanghai Stock Exchange and an independent non-executive director of Legend Strategy International Holdings Group Company Limited (stock code: 8160), a company listed on the GEM Board of The Stock Exchange of Hong Kong Limited.

Directors' Report

The Board presents their annual report and the audited consolidated financial statements of the Group for the year ended 30 June 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 20 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of comprehensive income on page 22.

The Directors do not recommend the payment of a dividend (2011: Nil).

FINANCIAL SUMMARY

A Summary of the financial results and the assets, liabilities and equity of the Group for the last five financial years is set out on page 90.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group during the Year are set out in note 17 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 20 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the Year in the share capital of the Company are set out in note 31 to the consolidated financial statements.

CONVERTIBLE BOND

Details of the movements in the Company's Convertible Bond during the year are set out in note 29 to the financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

Details of the movements in reserves of the Group and the Company during the period are set out in the consolidated statement of changes in equity on page 25 and note 32 to the consolidated financial statements respectively.

As at 30 June 2012, the Company had no reserves available for distribution.

DIRECTORS

The Directors during the Year and up to the date of this report were:

Executive Directors:

Mr. Shiu Stephen Junior *(Chairman)*	
Mr. Tsang Pui Lan, Patrick	(retired on 8 November 2011)
Mr. Sun Lap Key, Christopher	(appointed on 1 October 2011)
Mr. Lee Wing Ho, Albert	(re-designated as Executive Director on 24 October 2011)

Independent Non-executive Directors:

Mr. Chan Chi Ho	
Mr. Kam Tik Lun	
Mr. Tam Kwok Ming, Banny	(appointed on 15 November 2011)

Subject to the service agreements/letters of appointment hereinafter mentioned, the term of office of each Director, including the Independent Non-executive Directors, is the period up to his/her retirement by rotation in accordance with the Bye-laws of the Company.

In accordance with Bye-laws 86(2) of the Company's Bye-laws, Mr. Tam Kwok Ming, Banny shall retire at the forthcoming annual general meeting ("AGM") and, being eligible, offer himself for re-election.

In accordance with Bye-law 87(1) and 87(2) of the Company's Bye-Laws, Mr. Shiu Stephen Junior and Mr. Chan Chi Ho shall retire at the forthcoming AGM and, being eligible, offer themselves for re-election at the AGM.

Directors Service Contracts

Each of Mr. Shiu Stephen Junior, Mr. Sun Lap Key, Christopher and Mr. Lee Wing Ho, Albert have entered into a service agreement with the Company to serve as an Executive Director for an initial term of two years commencing from their date of appointment, and will continue thereafter until terminated by not less than three months' notice in writing served by either party.

Each of the current Independent Non-executive Directors has entered into a letter of appointment with the Company for a term of two years commencing on the following dates respectively, with all the term being renewed automatically for successive term of one year each commencing from the date next after the expiry of the then current term, unless terminated by not less than three months' notice in writing served by either party:

Name of Directors	**Commencing date**
Mr. Chan Chi Ho	2 July 2010
Mr. Kam Tik Lun	13 July 2010
Mr. Tam Kwok Ming, Banny	15 November 2011

Save as disclosed above, none of the Directors has a service agreement with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

Directors' interests in contracts

Save as disclosed in notes 39 to the financial statements, no other contracts of significance in relation to the Group's business to which the Company, any of the subsidiaries or its holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at the time during the year.

There being no contracts of significance to which the Company, or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2012, the interests and short positions of the Directors and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Name of Director	Capacity/ Nature of Interests	Number of ordinary/ underlying shares held	Approximate percentage holding
Shiu Stephen Junior	Beneficial owner	26,880,000	0.66%

Save as disclosed above, as at 30 June 2012, none of the Directors or chief executive of the Company nor their associates had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SHARE OPTION SCHEME AND DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At the annual general meeting of the Company held on 26 August 2004, the shareholders of the Company approved the adoption of a new share option scheme which became effective from 11 November 2004. Details of the share option scheme are set out in note 38 to the consolidated financial statements.

The Company has not granted any option under the share option scheme since its adoption.

Save as disclosed above, at no time during the Year was the Company or any of its subsidiaries a party to any arrangement to enable any Director or chief executive of the Company or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SECURITIES

So far as known to the Directors, as at 30 June 2012, the persons or corporations (other than the Directors or chief executive of the Company) who had interests and short positions in the shares, underlying shares and debentures of the Company as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company were as follows:

Long positions in shares of the Company

Name	Capacity/ Nature of interests	Number of ordinary/ underlying shares held	Approximate percentage holding
Be Cool Limited (Note 1)	Beneficial owner	637,735,200	15.78%
Unlimited Creativity Holdings Limited (Note 1)	Beneficial owner and interest in a controlled corporation	911,013,840	22.54%
Golden Peak Global Limited (Note 2)	Beneficiary owner	828,000,000	20.48%

Note: (1) 911,013,840 Shares refer to the aggregate of (a) 273,278,640 Shares held by Unlimited Creativity Holdings Limited and (b) 637,735,200 Shares held by Be Cool Limited, an indirect wholly-owned subsidiary of Unlimited Creativity Holdings Limited.

(2) Golden Peak Global Limited, a company incorporated in British Virgin Islands with limited liability. Mr. Liu Jian is the beneficial owner of Golden Peak Global Limited and is an independent third party.

Save as disclosed above, as at 30 June 2012, the Directors were not aware of any other person or corporation (other than the Directors or chief executives of the Company) who had any interests or short positions in the shares, underlying shares or debentures of the Company as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company.

MAJOR CUSTOMERS AND SUPPLIERS

In the financial year under review, the percentage of turnover attributable by the Group's five largest customers to the total turnover was 73.7%. The percentage of turnover attributable to the Group's largest customer to the total turnover was 47.2%.

In the financial year under review, the percentage of purchase attributable by the Group's five suppliers to the total purchase was 48.9%. The percentage of purchase attributable to the Group's largest supplier to the total purchase was 32.2%

To the best of the Directors' knowledge, none of the Directors, their associates or any shareholder who owns more than 5% of the Company's share capital had an interest in any of the major customers or suppliers stated above.

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.

CONNECTED TRANSACTIONS

Saved as disclosed in note 39 to the financial statements, no other connected transactions were entered into by the the Group under the GEM Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

COMPETING INTERESTS

One Dollar Productions Limited ("ODP") is a company principally engaged in artiste management. Mr. Shiu Stephen Junior ("Mr. Shiu"), the Chairman and Executive Director of the Company, is a director of ODP and together with his associate hold as to 100% equity interests in ODP. Mr. Shiu also holds directorship in One Dollar Movies Productions Limited ("ODMP"), a company engaged in the production of movies, and together with his associate(s) hold indirectly as to 59.4% equity interests in ODMP. He is also a director of One Dollar Distribution Limited ("ODD"), a company engaged in the distribution of movies, and together with his associate(s) hold indirectly as to 25% equity interests in ODD. The businesses of ODP, ODMP and ODD may constitute competition with the business of the Group.

Save as disclosed above, the Directors believe that none of the Directors or the substantial shareholders of the Company (as defined in the GEM Listing Rules) had any interest in a business which causes or may cause significant competition with the business of the Group.

CORPORATE GOVERNANCE

The Company has complied with most of the Code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the year ended 30 June 2012. Please refer to the Corporate Governance Report on page 15 to 19 for details.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company maintained the prescribed public float under the GEM Listing Rules.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to the GEM Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

EVENT AFTER THE REPORTING PERIOD

Details of the event after the reporting period are set out in the Management Discussion and Analysis on pages 5 to 7.

AUDITOR

Messrs. HLB Hodgson Impey Cheng had been the auditor of the Company for the financial years ended 30 June 2011 and 2012.

The accounts for the year were audited by HLB Hodgson Impey Cheng whose term of office will expire upon the forthcoming annual general meeting. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganized as HLB Hodgson Impey Cheng Limited. A resolution for the appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board
China 3D Digital Entertainment Limited

Shiu Stephen Junior
Chairman

Hong Kong
24 September 2012

Corporate Governance Report

The Company is committed to maintaining to high standard of corporate governance practices and procedures with an aim to maximizing the shareholders's interest as well as to enhancing the stakeholder's transparency and accountability. in this respect, the Company has complied with all of the code provisions set out in the Code on Corporate Governance (the "Code") contained in Appendix 15 of the GEM Listing Rules.

The Board has adopted various policies to ensure compliance with the code provisions of the Code on Corporate Governance Practices (the "Code Provisions") under Appendix 15 of the GEM Listing Rules. For the Year, the Board is pleased to confirm that the Company has complied fully with the Code Provisions except with the deviation from code provision A.2.1 which requires the role of chairman and chief executive officer be separate and not be performed by the same individual. Currently, Mr. Shiu Stephen Junior 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.

THE BOARD

The Board is responsible to lead and control the business operations of the Group. It formulates strategic directions, oversees the operations and monitors the financial performance of the Group. The management manages the businesses of the Group within the delegated power and authority given by the Board.

As at 30 June 2012, the Board comprised six Directors (three Executive Directors and three Independent Non-executive Directors). The biographies of the current Directors are set out on page 8 of this report under the "Biographies of Directors and Senior Executives" section.

Mr. Shiu Stephen Junior ("Mr. Shiu") was nominated as the Chairman of the Company on 3 January 2011. With the assistance of the Company Secretary, he would ensure all Board members work effectively and discharge his responsibility by providing timely, reliable and sufficient information on issues to be discussed at Board meetings. He is also responsible for setting the agenda for each Board meeting, taking into account any matters proposed by the Directors. The Board members are properly briefed about the issues discussed and the meeting material is dispatched to the Directors before the meetings.

The experienced management team implements the decisions from the Board and proposes management and investment proposals for the Board to approve. The team assumes full accountability to the Board for all operations of the Group.

The Independent Non-executive Directors who bring in strong expertise, contribute a more impartial view and make independent judgement on issues to be discussed at Board meetings.

The Independent Non-executive Directors were appointed for a term of two years, with all the terms being renewed automatically for successive terms of one year each commencing from the date next after the expiry of the then current terms, unless terminated by not less than three months' notice in writing served by either party. Pursuant to the Bye-laws of the Company, every Director shall be subject to retirement by rotation at least once every three years in order to comply with the requirement of the Code Provisions.

The Company has received a confirmation of independence from each of the Independent Non-executive Directors. The Board considers each of them to be independent by reference to the factors stated in the GEM Listing Rules. The Independent Non-executive Directors have been expressly identified as such in all corporate communications of the Company that disclose the names of Directors.

The Board has set up the Audit Committee, Remuneration Committee and Nomination Committee on 30 September 2004, 20 June 2005 and 1 April 2012 respectively. The Committees comprise a majority of Independent Non-executive Directors and have clear written terms of reference. Details of these three Committees are set out in the paragraphs "Audit Committee", "Remuneration Committee" and "Nomination Committee" below.

THE BOARD *(CONTINUED)*

The Board held nineteen meetings during the Year with the attendance of each Director as follows:

Name of Directors	Director's Attendance	Attendance rate
Executive Directors:		
Shiu Stephen Junior	19/19	100%
Tsang Pui Lan, Patrick *(retired on 8 November 2011)*	5/5	100%
Sun Lap Key, Christopher *(appointed on 1 October 2011)*	14/15	93%
Lee Wing Ho, Albert *(re-designated as Executive Director on 24 October 2011)*	16/19	84%
Independent Non-executive directors:		
Chan Chi Ho	13/19	68%
Kam Tik Lun	13/19	68%
Tam Kwok Ming, Banny *(appointed on 15 November 2011)*	6/11	55%

Board meeting notices were sent to the Directors at least 14 days prior to the regular meetings. Directors have access to the advice and services of the Company Secretary for ensuring that the Board procedures and all applicable rules and regulations are followed. Draft and final versions of the minutes of Board meetings and Board committee meetings, drafted in sufficient details by the secretary of the meetings, were circulated to the Directors for their comment and record respectively. Originals of such minutes, being kept by the Company Secretary, are open for inspection at any reasonable time on reasonable notice by any Directors. There is a procedure agreed by the Board to enable the Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses.

DIRECTORS' SECURITIES TRANSACTIONS

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 Rules 5.68 of the GEM Listing Rules (the "Code of Conduct").

Specific enquiry has been made with all Directors of the Company and the Directors have confirmed that they have complied with the required standard of dealings set out in the Code of Conduct throughout the year ended 30 June 2012.

AUDIT COMMITTEE

The Audit Committee now consists of three Independent Non-executive Directors, namely Mr. Chan Chi Ho, Mr. Kam Tik Lun and Mr. Tam Kwok Ming, Banny. They possess accounting and other professional expertise. The Board has adopted a revised terms of reference on 26 March 2012 as to conform to the amended GEM Listing Rules and are posted on the websites of the Company and the Stock Exchange. The major responsibility of the Audit Committee include: (i) to review the financial information of the Group such as annual and quarterly results prior to recommending to the Board's approval; (ii) review and monitor financial reporting principles and practices: (iii) to recommend to the Board on the appointment and reappointment of removal of external auditors; and (iv) to oversee the financial reporting system and internal control procedures of the Group.

The Audit Committee convened four meetings during the Year with the attendance of each member as follows:

Name of Committee members	Date of Nomination	Date of Re-designation	Director's Attendance	Attendance rate
Kam Tik Lun *(Chairman)* *(as Chairman of the Committee since 15 September 2010)*	13 July 2010		4/4	100%
Chan Chi Ho	2 July 2010		4/4	100%
Lee Wing Ho, Albert	22 February 2011	24 October 2011	1/1	100%
Tam Kwok Ming, Banny	15 November 2011		2/2	100%

REMUNERATION COMMITTEE

The Remuneration Committee now consists of four members, namely Mr. Shiu Stephen Junior, an Executive Director and the Chairman of the Company, Mr. Chan Chi Ho, Mr. Kam Tik Lun and Mr. Tam Kwok Ming, Banny. The Remuneration Committee is chaired by Mr. Kam Tik Lun. The major responsibilities of the Remuneration Committee include: (i) to recommend to the Board on the Company's policy and structure for all remuneration of directors and senior management and to establish a formal and transparent procedure for developing such remuneration policy; (ii) to review and determine the remuneration packages of the executive directors and senior management and to ensure that no director is involved in deciding his own remuneration; and (iii) to review and make recommendations to the Board about the overall remuneration policy of the Company.

Details of the remuneration of each of the Directors for the Year are set out in note 12(a) to the consolidated financial statements.

The Remuneration Committee convened two meetings during the Year with the attendance of each member as follows:

Name of Committee members	Director's Attendance	Attendance rate
Kam Tik Lun (Chairman)	2/2	100%
Shiu Stephen Junior	2/2	100%
Chan Chi Ho	2/2	100%
Tam Kwok Ming, Banny (Note)	N/A	N/A

Note: Mr. Tam Kwok Ming, Banny has been appointed as a member of the Remuneration Committee of the Company with effect from 26 March 2012. No Remuneration Committee meeting was held subsequent to his appointment during the year ended 30 June 2012.

NOMINATION COMMITTEE

The Nomination Committee was established on 1 April 2012 and has adopted the terms of reference of Nomination Committee in full compliance with the provisions set out in the Code.

The Nomination Committee currently comprises four members: one executive director, Mr Shiu Stephen Junior (Chairman), and three independent non-executive directors, namely Mr. Kam Tik Lun, Mr. Chan Chi Ho and Mr. Tam Kwok Ming, Banny.

The Nomination Committee has adopted a written nomination procedure specifying the process and criteria for the selection and recommendation of candidates for directorship of the Company. The Nomination Committee will base the priority of the criteria in the procedure (such as appropriate experience, personal skills and time commitment, etc) to identify and recommend proposed candidates to the Board. During the year, the Nomination Committee did not hold any meeting up to 30 June 2012.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge that it is their responsibility to prepare the accounts of the Group and other financial disclosures required under the GEM Listing Rules. The management has provided information and explanation to the Board to enable it to make an informed assessment of the financial and other Board decisions.

INTERNAL CONTROL

The Board is responsible for maintaining and reviewing the effectiveness of the Group's internal control system. The internal control system is implemented to minimise the risks to which the Group is exposed and used as a management tool for the day-to-day operation of business. The system can only provide reasonable but not absolute assurance against misstatements or losses.

The internal control system has been implemented by the Company since 2000. During the Year, the Company has formulated an internal self-assessment process of all material controls including financial, operational and compliance controls and risk management functions and the Audit Committee is charged with the task to evaluate the effectiveness of the system. Also, the management has analysed the control environment and risk assessment, assessed the various controls implemented and agreed with the Audit Committee on the scope of review. The approach of the review includes conducting interviews with relevant management and staff members, reviewing relevant documentation of the internal control system and evaluating findings on any deficiencies in the design of the internal controls and developing recommendations for improvement, where appropriate.

The management has reported the results of the review to the Audit Committee for its evaluation on the effectiveness of the system.

LIABILITY INSURANCE FOR THE DIRECTORS

The Company has in force appropriate insurance coverage on Director's and officer's liabilities arising from the Group's business. The Company reviews the extent of insurance coverage on an annual basis.

COMMUNICATION WITH SHAREHOLDERS

The Company communicated with the shareholders in the following ways: (i) the holding of annual general meeting which provide an opportunity for the shareholders to communicate directly with the Board; (ii) the publication of announcements, quarterly reports, interim reports, annual reports and/or circulars as required under the GEM Listing Rules providing up-dated information of the Group; and (iii) the availability of latest information of the Group in our website. Separate resolutions are proposed at the annual general meeting on each substantial separate issue, including the election of individual directors as required under the GEM Listing Rules.

AUDITORS' INDEPENDENCE AND REMUNERATION

The Audit Committee is mandated to monitor the independence of the external auditor to ensure true objectivity in the consolidated financial statements. Members of the Committee are of the view that the Company's auditor, HLB Hodgson Impey Cheng is independent and recommended to the Board to re-appoint it as the Company's external auditor at the forthcoming annual general meeting.

HLB Hodgson Impey Cheng has rendered audit services and certain non-audit services to the Company for the Year and the remuneration paid/payable to it by the Company is set out as follows:

Service rendered	**Fee paid/payable** HK$'000
Audit services	520
Non-audit services	
– Agreed-upon procedures	44
– Taxation services	18

Independent Auditors' Report

國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
CHINA 3D DIGITAL ENTERTAINMENT LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China 3D Digital Entertainment Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 89, which comprise the consolidated and company statements of financial position as at 30 June 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BASIS FOR QUALIFIED OPINION

(a) *Opening balances and corresponding figures*

The consolidated financial statements of the Group for the year ended 30 June 2011, which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was qualified because of the significance 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 auditors' report dated 19 September 2011 and included in the Company's annual report for the year ended 30 June 2011.

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 2011. Any adjustments found to be necessary to the opening balances as at 1 July 2011 may affect the balance of accumulated loss as at 1 July 2011 and the results and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 30 June 2012. 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$71,482,000 as at 30 June 2012 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 19, the directors of the Company have not been provided with any financial or other relevant information of DHL as at 30 June 2012 from the management of DHL and therefore it was unable to determine of any impairment in respect of the investment in DHL was necessary at the end of the reporting period. 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 2012. Any adjustments found to be necessary would affect the state of the Group's affair as at 30 June 2012 and the loss for the year then ended.

Any adjustments found to be necessary in respect of the matters set out in points (a) and (b) above would have a significant and consequential effect on the financial position of the Company and of the Group as at 30 June 2012 and 2011 and the results and cash flows of the Group for the years then ended, and the related disclosures thereof in the consolidated financial statements.

QUALIFIED OPINION ARISING FROM LIMITATION OF SCOPE

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 2012, 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.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 24 September 2012

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
Turnover	7	**17,718**	53,977
Other income	9	**1,919**	969
Cost of film and television programmes production and distribution		**(7,327)**	(53,289)
Cost of artiste management services		**(845)**	(90)
Selling and distribution costs		**(2,333)**	(10,774)
Administrative expenses		**(16,287)**	(18,661)
Gain on disposal of subsidiaries	34	**–**	2,644
Finance costs	10	**(1,676)**	(9,342)
Share of results of a jointly controlled entity		**–**	(1,538)
Loss before taxation	11	**(8,831)**	(36,104)
Taxation	13	**–**	–
Loss for the year		**(8,831)**	(36,104)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(9,102)**	(36,104)
Non-controlling interests		**271**	–
		(8,831)	(36,104)
Other comprehensive income, net of income tax			
Exchange differences on translation of foreign operations		**–**	4
Net loss arising on revaluation of available-for-sale investments during the year		**(3,051)**	(17)
Reclassification adjustment relating to foreign operations disposed of during the year		**–**	(2,545)
Other comprehensive loss for the year, net of income tax		**(3,051)**	(2,558)
Total comprehensive loss for the year		**(11,882)**	(38,662)
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(12,153)**	(38,662)
Non-controlling interests		**271**	–
		(11,882)	(38,662)
Loss per share	16		
Basic and diluted (2011: Restated)		**HK$(0.69)cents**	HK$(7.38)cents

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	17	**1,032**	596
Investment property	18	**5,840**	–
Available-for-sale investments	19	**71,482**	48,222
Prepayments, deposits and other receivables	25	**6,607**	3,531
Film rights and films production in progress	21	**31,207**	8,728
		116,168	61,077
Current assets			
Inventories	22(a)	**152**	–
Music production in progress	22(b)	**254**	–
Loans receivables	23	**1,010**	–
Trade receivables	24	**1,340**	13,360
Prepayments, deposits and other receivables	25	**9,761**	3,441
Bank balances and cash	26	**83,040**	72,881
		95,557	89,682
Total assets		**211,725**	150,759
Current liabilities			
Trade payables	27	**250**	–
Accruals, deposits received and other payables	28	**9,948**	3,055
		10,198	3,055
Net current assets		**85,359**	86,627
Total assets less current liabilities		**201,527**	147,704
Non-current liabilities			
Convertible bond	29	**1,649**	12,851
Promissory note payable	30	**12,358**	11,712
		14,007	24,563
Net assets		**187,520**	123,141
Capital and reserves attributable to owners of the Company			
Share capital	31	**20,212**	43,438
Reserves	32	**164,822**	79,703
		185,034	123,141
Non-controlling interests		**2,486**	–
Total equity		**187,520**	123,141

Approved by the Board of Directors on 24 September 2012 and signed on its behalf by:

Shiu Stephen Junior
Director

Lee Wing Ho, Albert
Director

The accompanying notes form an integral part of these consolidated financial statements.

Statement of Financial Position

As at 30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	17	**559**	–
Available-for-sale investments	19	**23,682**	1,548
Prepayments, deposits and other receivables	25	**2,620**	2,000
Interests in subsidiaries	20	**–**	–
		26,861	3,548
Current assets			
Trade receivables	24	**117**	–
Prepayments, deposits and other receivables	25	**4,897**	1,962
Amounts due from subsidiaries	20	**62,849**	38,597
Bank balances and cash	26	**69,809**	64,823
		137,672	105,382
Total assets		**164,533**	108,930
Current liabilities			
Accruals, deposits received and other payables	28	**3,213**	1,514
Net current assets		**134,459**	103,868
Total assets less current liabilities		**161,320**	107,416
Non-current liabilities			
Convertible bond	29	**1,649**	12,851
Promissory note payable	30	**12,358**	11,712
		14,007	24,563
Net assets		**147,313**	82,853
Capital and reserve attributable to owners of the Company			
Share capital	31	**20,212**	43,438
Reserves	32	**127,101**	39,415
Total equity		**147,313**	82,853

Approved by the Board of Directors on 24 September 2012 and signed on its behalf by:

Shiu Stephen Junior
Director

Lee Wing Ho, Albert
Director

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2012

The Group	Share capital HK$'000	Share premium* HK$'000	Special reserve* 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 2010	3,520	171,489	75,000	–	83,783	2,541	27,562	(364,568)	(673)	(1,941)	(2,614)
Exchange differences on translation of foreign operations	–	–	–	–	–	4	–	–	4	–	4
Net loss arising on revaluation of available-for-sale investments during the year	–	–	–	(17)	–	–	–	–	(17)	–	(17)
Reclassification adjustment relating to foreign operations disposed of during the year	–	–	–	–	–	(2,545)	–	–	(2,545)	–	(2,545)
Loss for the year	–	–	–	–	–	–	–	(36,104)	(36,104)	–	(36,104)
Total comprehensive loss for the year	–	–	–	(17)	–	(2,541)	–	(36,104)	(38,662)	–	(38,662)
Issue of shares upon placing	1,704	50,047	–	–	–	–	–	–	51,751	–	51,751
Issue of shares upon rights issue	38,008	76,016	–	–	–	–	–	–	114,024	–	114,024
Transaction cost attributable to issue of shares	–	(4,735)	–	–	–	–	–	–	(4,735)	–	(4,735)
Issue of shares upon conversion of convertible bond	206	15,147	–	–	–	–	(5,359)	–	9,994	–	9,994
Early redemption of convertible bond	–	–	–	–	–	–	(15,695)	7,137	(8,558)	–	(8,558)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	1,941	1,941
Transfer to accumulated losses	–	–	(75,000)	–	(79,831)	–	–	154,831	–	–	–
As at 30 June 2011 and 1 July 2011	43,438	307,964	–	(17)	3,952	–	6,508	(238,704)	123,141	–	123,141
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	**20,212**	**91,295**	**-**	**(3,068)**	**45,652**	**-**	**766**	**30,177**	**185,034**	**2,486**	**187,520**

* These reserve accounts comprise the consolidated reserve of approximately HK$164,822,000 (2011: HK$79,703,000) in the consolidated statement of financial position.

Consolidated Statement of Changes in Equity (Continued)

For the year ended 30 June 2012

Share premium

The application of share premium account is governed by Section 40 of the Companies Act 1981 of Bermuda.

By a special resolution dated 22 May 2012, the credit of the share premium account of the Company as at that date amounted to approximately HK$275,969,000 has been reduced to the extent that the credit arising there from was applied towards offsetting the entire amount of the accumulated losses of the Company.

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

Investment revaluation reserve

The investment revaluation reserve represents accumulated gains and losses arising on the revaluation of available-for-sale investments that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those investments have been disposed of or determined to be impaired.

Contributed surplus

The contributed surplus of the Group represented the difference between the aggregate of the nominal amount of the share capital and share premium of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the share capital issued as consideration for the acquisition.

The contributed surplus of the Company represents the difference between the consolidated net assets of the Company's subsidiaries and the nominal value of the Company's shares issued pursuant to the group reorganisation effective on 30 November 2000.

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 credit of approximately HK$41,700,000 arising from the capital reduction was credited to the contributed surplus account of the Company accordingly.

Convertible bond equity reserve

Under Hong Kong Accounting Standard 32, convertible bonds issued are split into their liability and equity components at initial recognition by recognising the liability component at its fair value which is determined using market interest rate for equivalent non-convertible bonds and attributing to the equity component the difference between the proceeds from issue and the fair value of the liability component. The liability component is subsequently carried at amortised cost. The equity component is recognised in the convertible bond equity reserve until the bonds are either converted (in which case it is transferred to share premium) or the bonds are redeemed (in which case it is released directly to accumulated losses).

Consolidated Statement of Cash Flows

For the year ended 30 June 2012

	2012 HK$'000	2011 HK$'000
Cash flows from operating activities		
Loss for the year	**(8,831)**	(36,104)
Adjustments for:		
Amortisation of film rights	**2,531**	21,164
Depreciation of property, plant and equipment	**283**	401
Finance costs	**1,676**	9,342
Impairment loss recognised in respect of film rights recognised	**–**	9,029
Impairment loss recognised in respect of prepaid artiste fees	**46**	111
(Gain)/loss on early redemption of convertible bond	**(701)**	1,660
Written down on inventories and music production in progress	**104**	90
Interest income	**(239)**	(66)
Gain arising on change in fair value of financial assets designated as fair value through profit or loss	**–**	(55)
Gain arising on change in fair value of an investment property	**(664)**	–
Gain on disposal of fair value of financial assets designated as fair value through profit or loss	**(1,723)**	–
Gain on disposal of subsidiaries	**–**	(2,644)
Share of results of a jointly controlled entity	**–**	1,538
Operating cash flows before movements in working capital	**(7,518)**	4,466
Increase in inventories and music production in progress	**(510)**	(92)
Decrease in trade receivables	**11,010**	7,520
Increase in prepayments, deposits and other receivables	**(9,443)**	(16,721)
Increase/(decrease) in trade payables	**250**	(2,924)
Increase in accruals, deposits received and other payables	**6,829**	38,240
Net cash generated from operating activities	**618**	30,489
Cash flows from investing activities		
Addition costs incurred in film rights and films production in progress	**(25,010)**	(39,471)
Purchase of an investment property	**(3,006)**	–
Purchase of property, plant and equipment	**(719)**	(661)
Net cash flow arising from disposal of subsidiaries	**–**	(24,754)
Net cash flow arising from acquisition of subsidiaries	**–**	(12,558)
Acquisition of available-for-sale investments	**(24,682)**	(1,565)
Acquisition of financial assets designated as fair value through profit or loss	**(533)**	(2,063)
Proceeds on disposal of financial assets designated as fair value through profit or loss	**627**	2,118
Interest received	**239**	66
Net cash used in investing activities	**(53,084)**	(78,888)

Consolidated Statement of Cash Flows (Continued)

For the year ended 30 June 2012

	2012 HK$'000	2011 HK$'000
Cash flows from financing activities		
Advances from a substantial shareholder of the Company/ former immediate holding company	–	4,000
Other loan repaid	–	(3,000)
Capital contribution from non-controlling interests	45	–
Proceeds from issue of shares, net of transaction costs	77,774	161,040
Repayment of advances from a substantial shareholder of the Company/former immediate holding company	–	(14,834)
Early redemption of convertible bond	(15,000)	(41,000)
Interest paid	(194)	(1,551)
Net cash generated from financing activities	62,625	104,655
Net increase in cash and cash equivalents	10,159	56,256
Cash and cash equivalents at the beginning of the year	72,881	16,625
Cash and cash equivalents at the end of the year	83,040	72,881
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	83,040	72,881

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

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 ("HK$"), which is the same as the functional currency of the Company. The principal activities of its principal subsidiaries are set out in note 20.

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"):

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKFRS 1 (Amendments)	Disclosures – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Disclosures – Transfer of Financial Assets
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) – Int 14 (Amendments)	Prepayment of a Minimum Funding Requirement

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKAS 12 (Amendments) "Deferred tax – Recovery of Underlying Assets"

The Group has early adopted HKAS 12 (Amendments) which is effective for annual periods beginning on or after 1 January 2012.

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. Therefore, based on the amendments, the Group's investment property in Hong Kong does not have to provide deferred tax on fair value changes arising from revaluation of investment property or arising from a business combination, unless the presumption is rebutted. There is no investment property in prior period. Accordingly, no prior period adjustment has been required.

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

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

HKAS 24 (Revised) "Related Party Disclosures"

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transaction with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definition of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

(b) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 July 2011 and have not been early adopted

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

HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[4]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (Revised 2011)	Employee Benefits[2]
HKAS 27 (Revised 2011)	Separate Financial Statements[2]
HKAS 28 (Revised 2011)	Investment in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities[3]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 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 standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 July 2011 and have not been early adopted *(continued)*

HKFRS 9 "Financial Instruments"

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

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires 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 flows, 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 accounting 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, 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 recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, 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 attributable to a financial liability's 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 designated as at fair value through profit or loss is 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, measurement and presentation of the Group's financial assets and financial liabilities.

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 (as revised in 2011) and HKAS 28 (as revised in 2011).

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

(b) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 July 2011 and have not been early adopted *(continued)*

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

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 and HK(SIC) – Int 12 "Consolidation – Special Purpose Entities". 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" and HK(SIC)-Int 13 "Jointly Controlled Entities-Non-Monetary Contributions by Ventures", HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 1, 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.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

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 application of the HKFRS 13 might affect the amounts reported and result in more extensive disclosures in the consolidated financial statements of the Group.

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

(b) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 July 2011 and have not been early adopted *(continued)*

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

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 require additional disclosures to be made in the other comprehensive income section such that 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 to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors of the Company have commenced their assessments of the impact of the above new and revised HKFRSs, but it is not yet in a position to state whether these new and revised HKFRSs would have a material impact on the results and the financial position of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements have been prepared under the historical cost basis except for investment property and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(b) Basis of consolidation *(continued)*

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

(c) 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, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(c) Business combinations *(continued)*

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 acquiree (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 standard.

Where 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 acquiree 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 acquiree 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.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(d) Goodwill

Goodwill arising on an acquisition of a business is carried at cost 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 cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit 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 on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

(e) Revenue recognition

Revenue represents the aggregate of amounts received and receivable from services provided, event production completed, albums sold, net of sales returns, musical works licensed, production and distribution of films and television programmes, licensing of distribution rights over films and television programmes and security sold during the year.

Revenue is measured at the fair value of the consideration received or receivable in the normal course of business, net of discounts and sales related taxes.

Artiste management fee income is recognised when the services are provided.

Income from the production and distribution of films and television programmes is recognised when the production is completed and released and the amount can be measured reliably.

Income from the licensing of distribution rights over films and television programmes is recognised when the Group's entitlement to such payments has been established which is upon the delivery of the master copy or materials to the customers or when the notice of delivery is served to the customers.

Income from event production is recognised when the events are completed or the services are provided and the amount can be measured reliably.

Sales of albums are recognised when the albums are delivered and the title has passed.

Income from the licensing of the musical works is recognised when the Group's entitlement to such payments has been established which is upon the delivery of the master copy or materials to the customers.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income is recognised on a straight-line basis over the term of the lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(f) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold improvements	Over the shorter of unexpired lease term or 20%
Computer equipment	$33^1/_3$%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	20%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the period in which the item is derecognised.

(g) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

(h) Film rights and films production in progress

Film rights include the unamortised cost of completed theatrical films and television episodes, rights acquired or licensed from outsiders for exhibition and other exploitation of the films.

Film rights are stated at cost less subsequent accumulated amortisation and accumulated impairment loss.

Amortisation is charged to the consolidated statement of comprehensive income using a method that reasonably relates the carrying amount of film rights to the net revenue expected to be realised. The net revenue expected to be realised is reviewed on a regular basis.

Films production in progress represents theatrical films and television services in production and is stated at cost incurred to date, less any identified impairment losses. Costs included all direct costs associated with the production of films. Costs are transferred to film rights upon completion.

For the year ended 30 June 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(i) Inventories and music production in progress

Inventories are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sale proceeds less estimated cost to completion and selling expenses. Provision is made for inventories when they became obsolete. The cost of finished goods is calculated using the first-in, first-out method.

Music production in progress represents song catalogs. They are stated at cost less accumulated amortisation and impairment losses.

(j) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial asset at fair value through profit or loss

Financial asset at FVTPL has two subcategories, including financial assets held for trading and those designed as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(j) Financial instruments *(continued)*

Financial assets (continued)

Financial asset at fair value through profit or loss (continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part if a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial asset at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loans receivables, trade receivable, deposits and other receivables, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(j) Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(j) Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (continued)

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debts and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Convertible bond

Convertible bond issued by the Company contain liability, conversion option and early redemption option. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instrument is classified as an equity instrument. Early redemption of option embedded in non-derivative host liability component with risks and characteristics that are closely related to the liability component is not separated from the liability component.

On initial recognition, the fair value of the liability component (including early redemption option which is closely related) is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bond into equity, is included in equity (convertible bond equity reserve).

In subsequent periods, the liability component of the convertible bond is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bond equity reserve until the embedded option is exercised (in which case the balance stated in convertible bond equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bond equity reserve will be released to the accumulated profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(j) Financial instruments *(continued)*

Financial liabilities and equity instruments (continued)

Other financial liabilities

Other financial liabilities including trade payables, accruals and other payables, convertible bond and promissory note payable are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(k) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(l) Foreign currency

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Translation differences on non-monetary financial assets and liabilities such as equities held at FVTPL are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of reporting period;

(2) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(3) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate at the end of reporting period. Exchange differences arising are recognised in equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(m) Employee benefits

(i) Retirement benefits scheme

Payments to defined contribution retirement benefits scheme and mandatory provident fund scheme are charged as an expense as they fall due.

(ii) Share-based compensation

The fair value of the employee services received in exchange for the grant of the share options and restricted share awards is recognised as an expense in the consolidated statement of comprehensive income. The total amount to be expensed over the vesting period is determined with reference to the fair value of the share options and restricted share awards granted. At the end of each reporting period, the Company revises its estimates of the number of share options that are expected to become exercisable and the number of restricted share awards that become vested. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of comprehensive income, and a corresponding adjustment to equity in the consolidated statement of financial position will be made over the remaining vesting periods.

The proceeds received, net of any directly attributable transaction costs, are credited to share capital and share premium accounts when the share options are exercised and when the restricted share awards are vested.

(n) Impairment of assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(o) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(p) Provision

A provision is recognised when the Group has a present legal or constructive obligation, as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is the present value at the end of the reporting period of the expenditures expected to be required to settle the obligation.

(q) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economics benefits is probable. When inflow is virtually certain, an asset is recognised.

(r) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

The Group as lessor

Rental income from operating leases is recognised in consolidated statement of comprehensive income on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(r) Operating leases *(continued)*

The Group as lessee (continued)

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(s) Operating segment

Operating segment is reported in a manner consistent with the internal management reporting provided to the chief operating decision-makers.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(t) Related party transactions

A related party is a person or entity that is related to the Group where:

(i) A person, or a close member of that person's family, is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or of a parent of the Group.

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to Group.

(6) The entity is controlled or jointly controlled by a person identified in (i).

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

A related party transaction is a transfer of resources, services or obligations between the Group and a related party, regardless of whether a price is charged.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing the consolidated financial statements, accounting estimates and judgements need to be made. The Group continually evaluates these based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equate the related actual results. Estimates and assumptions that may have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives of property, plant and equipment

In accordance with HKAS 16 "Property, Plant and Equipment", the Group estimates the useful lives of property, plant and equipment to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, and technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid. The Group tests annually whether the assets have suffered any impairment. The recoverable amount of an asset or a cash-generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

(b) Amortisation and impairment on film rights

Film rights are amortised using a method that reasonably relates the carrying amount of film rights to the net revenue expected to be realised, which was estimated according to the recent market information of the film industry for each of the films. At the end of each reporting period, when the present value of the expected future net revenue of film rights is estimated to be less than its carrying amount, the carrying amount of film rights will be written down to its present value of the expected future net revenue. After the recognition of an impairment loss, the revised carrying amount of the film rights will be amortised over the remaining period on the above systematic method. If the actual revenue differs from the estimated net revenue expected to be realised, such difference will impact the amortisation for the remaining period to be amortised.

(c) Impairment on films production in progress

The management of the Group reviews an ageing analysis at each end of the reporting period, and identifies the slow-moving films production in progress that is no longer suitable for use in production. The management estimates the net realisable value for such films production in progress based primarily on the latest available market prices and current market conditions. In addition, the Group carries out review on each film at the end of the reporting period and makes allowances for any films production in progress that production no longer proceed.

(d) Impairment loss in respect of trade receivables and loans receivables

The policy for impairment loss in respect of trade receivables and loans receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(CONTINUED)*

(e) Investment property

The Group's investment property is stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on the method of valuation which involves certain estimates. In relying on the valuation reports, the management has exercised their judgements and is satisfied that the method of valuation is reflective of the current market conditions, as detailed in note 18. Should there be changes in assumptions due to change in market conditions, the fair value of the investment property will change in future.

5. FINANCIAL RISK MANAGEMENT

(a) Categories of financial instruments

The Group	**2012 HK$'000**	2011 HK$'000
Financial assets		
Loan and receivables		
Loans receivable	**1,010**	–
Trade receivables	**1,340**	13,360
Deposits and other receivables	**2,715**	182
Bank balances and cash	**83,040**	72,881
	88,105	86,423
Available-for-sale investments	**71,482**	48,222
Financial liabilities		
At amortised cost		
Trade payables	**250**	–
Accruals and other payables	**1,971**	1,792
Convertible bond	**1,649**	12,851
Promissory note payable	**12,358**	11,712
	16,228	26,355
The Company		
Financial assets		
Loan and receivables		
Trade receivables	**117**	–
Deposits and other receivables	**766**	78
Bank balances and cash	**69,809**	64,823
	70,692	64,901
Available-for-sale investments	**23,682**	1,548
Financial liabilities		
At amortised cost		
Accruals and other payables	**1,061**	1,514
Convertible bond	**1,649**	12,851
Promissory note payable	**12,358**	11,712
	15,068	26,077

5. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(b) Financial risk factors

The Group is exposed to a variety of financial risks such as market risk (including foreign currency risk, interest rate risk and credit risk) and liquidity risk, which result from both its operating and investing activities. The Group has no written risk management policies and guidelines. However, the directors of the Company meet periodically to analyse and formulate strategies to manage the Group's exposure to these financial risks. The Group's exposure to market risk is kept to a minimum. The Group has not used any derivatives or other instruments for hedging purpose.

(i) Foreign currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 42% (2011: 22%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		**Assets**	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Renminbi ("RMB")	**–**	–	**51**	–
United States dollars ("USD")	**–**	–	**13,127**	1,550

Sensitivity analysis

The Group is mainly exposed to the effect of fluctuation in Hong Kong dollars against RMB.

As Hong Kong dollars is pegged to USD, the currency risk associated with USD and Hong Kong dollars is considered minimal.

The following table details the group entities sensitivity to a 5% increase and decrease in functional currency of the relevant group entities against the relevant foreign currencies. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the reporting date or a 5% change in foreign currency rates. A positive number below indicates a decrease in loss or an increase in profit where functional currency of the relevant group entities weakens 5% against the relevant foreign currency. For a 5% strengthen of functional currency of the relevant group entities against the relevant foreign currency, there would be an equal and opposite impact on the loss or profit, and the balance below would be negative.

5. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(b) Financial risk factors *(continued)*

(i) Foreign currency risk (continued)

Sensitivity analysis (continued)

	Profit or loss for the year	
	2012	2011
	HK$'000	HK$'000
RMB	**3**	–

The Group currently does not have a foreign currency hedging policy. However, the management closely monitors foreign exchange exposure and will consider hedging significant currency risk should the need arise.

(ii) Interest rate risk

The Group is also exposed to cash flow interest risk relating primarily to variable-rate bank balances and convertible bond. The Group currently does not have policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group's cash flow interest risk is mainly concentrated on the fluctuation of the Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's convertible bond.

The Group's sensitivity to cash flow interest rate risk has been determined based on the exposure to interest rates of variable rate financial assets and financial liabilities at the end of the reporting period and the reasonably possible change taking place at the beginning of each reporting period and held constant throughout the respective reporting period. No sensitivity analysis is presented for bank balances as the fluctuation and impact of interest rate on bank balances is considered as not material.

Sensitivity analysis

The sensitivity analysis below has been determined based on the expose to interest rates for both derivatives and non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point (2011: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been increased or decreased by 100 basis points (2011: 100 basis points) with all other variables held constant, the Group's:

- loss for the year would increase or decrease by approximately HK$20,000 (2011: HK$170,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings; and
- other comprehensive loss for the year would increase or decrease by approximately HK$113,000 (2011: HK$15,000) mainly as a result of the changes in the fair value of the corporate bonds.

5. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(b) Financial risk factors *(continued)*

(iii) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 30 June 2012 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to manage the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the majority of the counterparties are reputable banks or banks with high credit-ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group has no significant concentration of credit risk on trade and other receivables, with exposure spread over a number of counterparties and customers and across diverse geographical areas.

(iv) Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. The Group consistently measures and maintains a prudent financial policy and ensures that it maintains sufficient cash to meet its liquidity requirements.

The following table details the Group's remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payment computed using contractual rates) and the earliest date the Group can be required to pay:

	Less than 1 month or repayable on demands HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total un-discounted cash flow HK$'000	Total carrying amount HK$'000
The Group						
As at 30 June 2012						
Trade payables	250	–	–	–	250	250
Accruals and other payables	1,971	–	–	–	1,971	1,971
Convertible bond	–	–	–	1,999	1,999	1,649
Promissory note payable	–	–	–	14,160	14,160	12,358
	2,221	–	–	16,159	18,380	16,228

5. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(b) Financial risk factors *(continued)*

(iv) Liquidity risk (continued)

	Less than 1 month or repayable on demands HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total un-discounted cash flow HK$'000	Total carrying amount HK$'000
The Group						
As at 30 June 2011						
Accruals and other payables	1,792	–	–	–	1,792	1,792
Convertible bond	–	–	432	17,996	18,428	12,851
Promissory note payable	–	–	–	14,160	14,160	11,712
	1,792	–	432	32,156	34,380	26,355
The Company						
As at 30 June 2012						
Accruals and other payables	**1,061**	**–**	**–**	**–**	**1,061**	**1,061**
Convertible bond	**–**	**–**	**–**	**1,999**	**1,999**	**1,649**
Promissory note payable	**–**	**–**	**–**	**14,160**	**14,160**	**12,358**
	1,061	**–**	**–**	**16,159**	**17,220**	**15,068**
As at 30 June 2011						
Accruals and other payables	1,514	–	–	–	1,514	1,514
Convertible bond	–	–	432	17,996	18,428	12,851
Promissory note payable	–	–	–	14,160	14,160	11,712
	1,514	–	432	32,156	34,102	26,077

5. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(c) Fair value estimation

The fair value of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid and ask prices respectively.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.
- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are derived from valuation techniques and inputs are not based on observable market data (that is, unobservable inputs) (level 3).

The following table shows an analysis of financial instruments recorded at fair value by the fair value hierarchy:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 30 June 2012				
Available-for-sale investments				
Listed equity securities	**13,466**	**–**	**–**	**13,466**
Corporate bonds	**11,342**	**–**	**–**	**11,342**
	24,808	**–**	**–**	**24,808**
As at 30 June 2011				
Available-for-sale investments				
Corporate bonds	1,548	–	–	1,548

There were no transfers amongst Level 1, Level 2 and Level 3 in the fair value hierarchy.

The directors of the Company consider that the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position at the end of the reporting period are approximately to their corresponding carrying amount.

6. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain with industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including convertible bond and promissory note payable) and total capital comprised of share capital and reserves as shown in the consolidated statement of financial position.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the debt raising.

7. TURNOVER

	2012 **HK$'000**	2011 HK$'000
An analysis of the Group's turnover for the year is as follow:		
Artiste management services fee income	**1,869**	3,030
Films and television programmes production and licensing of the corresponding rights	**13,139**	50,720
Distribution of films and television programmes	**508**	227
Gain on disposal of financial assets designated as FVTPL	**1,723**	–
Rental income	**90**	–
Money lending	**96**	–
Bonds interest income	**293**	–
	17,718	53,977

8. 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, (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 uses to make decisions.

For the year ended 30 June 2012

8. 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		Production of films and television programmes		Distribution of films and television programmes		Money lending		Securities and bonds investment		Property investment		Total	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Segment revenue														
Revenue from external customers	**1,869**	3,030	**13,139**	50,947	**508**	–	**96**	–	**2,016**	–	**90**	–	**17,718**	53,977
Segment results	**(1,624)**	1,341	**5,775**	(18,930)	**(1,945)**	–	**75**	–	**2,016**	–	**629**	–	**4,926**	(17,589)
Bank interest income													**239**	66
Unallocated corporate expenses													**(12,320)**	(10,345)
Gain on disposal of subsidiaries													**–**	2,644
Finance costs													**(1,676)**	(9,342)
Share of results of a jointly controlled entity													**–**	(1,538)
Loss before taxation													**(8,831)**	(36,104)
Taxation													**–**	–
Loss for the year													**(8,831)**	(36,104)

The accounting policies on segment reporting are the same as the Group's accounting policies described in note 3. 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 Chief Operating Decision Maker for the purpose of resource allocation and performance assessment.

8. 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		Production of films and television programmes		Distribution of films and television programmes		Money lending		Securities and bonds investment		Property investment		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	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	**2,480**	672	**119,671**	97,800	**3,916**	–	**1,020**	–	**24,808**	1,548	**6,173**	–	**158,068**	100,020
Other non-current financial asset													**46,674**	46,674
Unallocated corporate assets													**6,983**	4,065
Total assets													**211,725**	150,759
Segment liabilities	**430**	90	**9,048**	1,451	**47**	–	**5**	–	**–**	–	**45**	–	**9,575**	1,541
Unallocated corporate liabilities													**14,630**	26,077
Total liabilities													**24,205**	27,618

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.

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.

8. 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		Production of films and television programmes		Distribution of films and television programmes		Money lending		Securities and bonds investment		Property investment		Total	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Capital expenditure	**–**	596	**–**	–	**–**	–	**–**	–	**–**	–	**5,176**	–	**5,176**	596
Depreciation of property, plant and equipment	**123**	292	**–**	–	**160**	55	**–**	–	**–**	–	**–**	–	**283**	347
Amortisation of film rights	**–**	–	**1,782**	21,164	**749**	–	**–**	–	**–**	–	**–**	–	**2,531**	21,164
Impairment loss on film rights recognised	**–**	–	**–**	9,029	**–**	–	**–**	–	**–**	–	**–**	–	**–**	9,029
Written down on inventory and music production in progress	**104**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**104**	–
Gain arising on change in fair value of an investment property	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(664)**	–	**(664)**	–

Reconciliation of other segment information

	Segment total		Adjustment (note)		Total	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Depreciation of property, plant and equipment	**283**	347	**–**	54	**283**	401

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

Information about major customers

Revenue from two customers contributing over 10% (2011: one) of the total revenue of the Group for the year ended 30 June 2012 is approximately HK$8,379,000 and HK$3,417,000 respectively (2011: HK$41,524,000 for one largest customer) under production of films and television programmes segment.

Geographical information

The Group's operations are located in Hong Kong, The People's Republic of China other than Hong Kong (the "PRC"), Taiwan, Japan, other Asian countries, North America, European countries and other areas.

The Group's revenue from external customers by geographical location of customers during the reporting period and information about the non-current assets other than available-for-sale investments at costs by geographical location of the assets at the end of the reporting period are detailed below.

8. SEGMENT INFORMATION *(CONTINUED)*

Geographic information *(continued)*

	Revenue from customers		Non-current assets	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**10,285**	42,031	**69,494**	14,403
The PRC	**927**	2,519	**–**	–
Taiwan	**–**	2,825	**–**	–
Japan	**381**	24	**–**	–
Other Asian countries (note (a))	**905**	4,987	**–**	–
North America (note (b))	**1,555**	–	**–**	–
European countries (note (c))	**3,478**	972	**–**	–
Other areas	**187**	619	**–**	–
	17,718	53,977	**69,494**	14,403

Notes:

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

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

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

9. OTHER INCOME

	2012	2011
	HK$'000	HK$'000
Bank interest income	**239**	30
Exchange gains	**–**	314
Gain arising on change in fair value of financial assets designated as FVTPL	**–**	55
Gain arising on change in fair value of an investment property	**664**	–
Other interest income	**–**	36
Recouped artiste fee	**100**	296
Gain arising on early redemption of convertible bond	**701**	–
Sales of film materials	**–**	61
Others	**215**	177
	1,919	969

For the year ended 30 June 2012

10. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Interest on other loan wholly repayable within one year	–	56
Interest on bank overdraft	6	–
Interest on amount due to a substantial shareholder of the Company/former immediate holding company	–	3,653
Interest on convertible bond (note 29)	1,025	5,023
Imputed interest on promissory note payable	645	610
	1,676	9,342

11. LOSS BEFORE TAXATION

	2012 HK$'000	2011 HK$'000
Loss before taxation has been arrived at after charging/(crediting):		
Staff costs, including directors' remuneration		
– Basic salaries and allowances	6,691	7,333
– Retirement benefits scheme contributions	198	163
Total staff costs	6,889	7,496
Gross rental income from investment property	(90)	–
Less: direct operating expenses from investment property that generated rental income during the year	34	–
	(56)	–
Auditors' remuneration		
– Current year	520	700
– Under provision in prior year	–	250
Amortisation of film rights*	2,531	21,164
Cost of inventories and music production in progress recognised as expenses*	35	10
Consultancy fee	2,700	837
Depreciation of property, plant and equipment	283	401
Impairment loss on film rights recognised*	–	9,029
Impairment loss on prepaid artiste fees	46	111
(Gain)/loss on early redemption of convertible bond	(701)	1,660
Minimum lease payments under operating leases:		
– Land and building	549	657
Written down on inventories and music production in progress**	104	90

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

** Included in "Cost of artiste management services" of the consolidated statement of comprehensive income.

12. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Directors' remuneration

For the year ended 30 June 2012, the emoluments paid or payable to each of the seven (2011: eight) directors was as follow:

	Fees		Salaries		Other benefit and allowance		Retirement benefits scheme contributions		Total	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Shiu Stephen Junior[1]	**–**	150	**639**	–	**–**	–	**11**	–	**650**	150
Sun Lap Key, Christopher[2]	**–**	–	**191**	–	**–**	–	**7**	–	**198**	–
Lee Wing Ho, Albert[3]	**47**	53	**323**	–	**–**	–	**7**	–	**377**	53
Chan Chi Ho[4]	**150**	150	**–**	–	**–**	–	**–**	–	**150**	150
Kam Tik Lun[5]	**150**	145	**–**	–	**–**	–	**–**	–	**150**	145
Tam Kwok Ming, Banny[6]	**94**	–	**–**	–	**–**	–	**–**	–	**94**	–
Tsang Pui Lan, Partick[7]	**53**	150	**–**	–	**–**	–	**–**	–	**53**	150
Leung Ge Yau[8]	**–**	76	**–**	–	**–**	–	**–**	–	**–**	76
Leung Yuk Lun, Ulric[9]	**–**	63	**–**	–	**–**	–	**–**	–	**–**	63
Wong Tak Ming, Gary[10]	**–**	51	**–**	–	**–**	–	**–**	–	**–**	51
	494	838	**1,153**	–	**–**	–	**25**	–	**1,672**	838

Notes:

1. Mr. Shiu Stephen Junior was appointed as executive director and chairman of the Company on 2 July 2010 and 3 January 2011 respectively.

2. Mr. Sun Lap Key, Christopher was appointed as executive director of the Company on 1 October 2011.

3. Mr. Lee Wing Ho, Albert was appointed as independent non-executive director of the Company on 22 February 2011 and re-designated as executive director of the Company on 24 October 2011.

4. Mr. Chan Chi Ho was appointed as independent non-executive director of the Company on 2 July 2010.

5. Mr. Kam Tik Lun was appointed as independent non-executive director of the Company on 13 July 2010.

6. Mr. Tam Kwok Ming, Banny was appointed as independent non-executive director of the Company on 15 November 2011.

7. Mr. Tsang Pui Lan, Patrick was appointed and retired as executive director of the Company on 22 January 2010 and 8 November 2011 respectively.

8. Ms. Leung Ge Yau was appointed as independent non-executive director of the Company on 20 April 2010, re-designated as executive director of the Company on 28 June 2010 and resigned as executive director of the Company on 3 January 2011.

9. Mr. Leung Yuk Lun, Ulric was appointed and resigned as non-executive director of the Company on 26 March 2010 and 2 November 2010 respectively.

10. Mr. Wong Tak Ming, Gary retired as independent non-executive director of the Company on 2 November 2010.

No directors waived any remuneration during the year (2011: Nil). No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors during the year.

For the year ended 30 June 2012

12. DIRECTORS' AND EMPLOYEES' REMUNERATION *(CONTINUED)*

(b) Employees' emoluments

The five highest paid individuals for the year included two directors (2011: one) in 2012 whose emoluments are set out in (a) above. The emoluments of the three (2011: four) individuals of which one (2011: two) is senior management are as follows:

	2012 HK$'000	2011 HK$'000
Salaries and other benefits	**1,190**	2,411
Bonus	**–**	9
Retirement benefits scheme contribution	**37**	27
	1,227	2,447

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	2012 Number of employees	2011 Number of employees
Nil – HK$1,000,000	**3**	4

During the year, no emoluments were paid by the Group to the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

13. TAXATION

Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for the year.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group and the Company has no assessable profit derived from Hong Kong for the year.

Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

As at 30 June 2012, the Group had unused tax losses of approximately HK$28,750,000 (2011: HK$23,816,000) 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.

13. TAXATION *(CONTINUED)*

A reconciliation of the tax expenses applicable to loss before tax using the statutory rates for the countries in which the Company and majority of its subsidiaries are domiciled to the tax expense at the effective tax rates are as follows:

	2012 **HK$'000**	2011 HK$'000
Loss before taxation	**(8,831)**	(36,104)
Tax credit of Hong Kong Profits Tax at 16.5% (2011: 16.5%)	**(1,457)**	(5,957)
Tax effect of share of results of a jointly controlled entity	**–**	254
Tax effect of expenses not deductible for tax purpose	**1,341**	1,925
Tax effect of income not taxable for tax purpose	**(664)**	(889)
Tax effect of tax losses not recognised	**1,234**	5,116
Tax effective of utilisation of tax losses previously not recognised	**(382)**	(481)
Effective of different tax rates of subsidiaries operating in other jurisdictions	**–**	102
Others	**(72)**	(70)
Taxation charge for the year	**–**	–

14. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group's consolidated loss for the year is approximately HK$8,831,000 (2011: HK$36,104,000) of which net loss attributable to owners of the Company for the year of approximately HK$8,379,000 (2011: HK$160,586,000) is dealt with in the financial statements of the Company.

15. DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the years ended 30 June 2012 and 2011.

16. 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$9,102,000 (2011: HK$36,104,000) and the weighted average number of 1,327,854,366 (2011: 489,570,328 (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 and bonus issue occurred during the year.

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.

For the year ended 30 June 2012

17. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvement HK$'000	Computer equipment HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:						
As at 1 July 2010	1,977	2,396	917	33	–	5,323
Exchange alignment	4	–	–	–	–	4
Additions	–	44	–	–	617	661
Disposal of subsidiaries	(1,981)	(2,440)	(917)	(33)	–	(5,371)
As at 30 June 2011 and 1 July 2011	–	–	–	–	617	617
Additions	346	83	233	57	–	719
As at 30 June 2012	**346**	**83**	**233**	**57**	**617**	**1,336**
Depreciation and impairment:						
As at 1 July 2010	1,542	2,245	899	33	–	4,719
Exchange alignment	1	–	–	–	–	1
Charge for the year	304	73	3	–	21	401
Elimination on disposal of subsidiaries	(1,847)	(2,318)	(902)	(33)	–	(5,100)
As at 30 June 2011 and 1 July 2011	–	–	–	–	21	21
Charged for the year	109	13	30	8	123	283
As at 30 June 2012	**109**	**13**	**30**	**8**	**144**	**304**
Carrying values:						
As at 30 June 2012	**237**	**70**	**203**	**49**	**473**	**1,032**
As at 30 June 2011	–	–	–	–	596	596

17. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

The Company

	Leasehold improvement HK$'000	Computer equipment HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Total HK$'000
Cost:					
As at 1 July 2010, 30 June 2011 and 1 July 2011	–	–	–	–	–
Additions	346	83	233	57	719
As at 30 June 2012	**346**	**83**	**233**	**57**	**719**
Depreciation and impairment:					
As at 1 July 2010, 30 June 2011 and 1 July 2011	–	–	–	–	–
Charged for the year	109	13	30	8	160
As at 30 June 2012	**109**	**13**	**30**	**8**	**160**
Carrying values:					
As at 30 June 2012	**237**	**70**	**203**	**49**	**559**
As at 30 June 2011	–	–	–	–	–

18. INVESTMENT PROPERTY

	HK$'000
As at 1 July 2010, 30 June 2011 and 1 July 2011	–
Additions	5,176
Fair value change recognised in the consolidated statement of comprehensive income	664
As at 30 June 2012	**5,840**

During the year ended 30 June 2012, the additions of the investment property comprised of approximately HK$3,006,000 was paid by the Group and the remaining balance of approximately HK$2,170,000 was paid by the non-controlling shareholders respectively.

18. INVESTMENT PROPERTY *(CONTINUED)*

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment property.

Property valuations as at 30 June 2012 were carried out by RHL Appraisal Limited ("RHL"), independent qualified professional valuers, in respect of the Group's investment property in Hong Kong. RHL has recent relevant experience in the valuation of similar properties in the relevant locations.

The valuation report for the investment property as at 30 June 2012 is signed by the respective directors of RHL, who are members of The Hong Kong Institute of Surveyors. The valuations were performed in accordance with The Hong Kong Institute of Surveyors Valuation Standards on Properties (1st Edition 2005) published by The Hong Kong Institute of Surveyors.

The fair value of the investment property is individually determined at the end of the reporting period based on its market value and by adopting direct comparison method. Direct comparison method assumes the property is capable of being sold in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant markets.

As at 30 June 2012, no investment property has been pledged to obtain banking facilities for the Group.

The carrying amount of the investment property shown above is property in Hong Kong held under medium-term lease.

19. AVAILABLE-FOR-SALE INVESTMENTS

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Available-for-sale investments comprised of:				
Listed shares, at fair value (note (a))	**13,466**	–	**12,340**	–
Unlisted shares, at cost (note (b))	**46,674**	46,674	**–**	–
Corporate bonds – listed (note (c))	**11,342**	1,548	**11,342**	1,548
	71,482	48,222	**23,682**	1,548

19. 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 (note 30). 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 comprehensive income for the year ended 30 June 2012 accordingly.

(c) 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% (2011: 7.25%) per annum. All of the callable corporate bonds were denominated in USD.

All of the callable corporate bonds are traded over-the-counter with maturity dates over one year and were classified as non-current assets accordingly. At the end of the reporting period, the fair values for all of the callable corporate bonds were referenced to the quoted market bid prices available on the relevant industry group.

20. INTERESTS IN SUBSIDIARIES

	The Company	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**–**	–
Amounts due from subsidiaries	**114,088**	88,215
Accumulated impairment loss	**(51,239)**	(49,618)
	62,849	38,597
	62,849	38,597

The amount due is unsecured, interest free and recoverable on demand. In the opinion of the directors of the Company, the carrying amounts of the amount due from subsidiaries approximates to their fair values.

20. INTERESTS IN SUBSIDIARIES *(CONTINUED)*

Particulars of the Company's principal subsidiaries as at 30 June 2012 and 2011 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Issued and fully paid share capital	Proportion of equity interest held by the Company				Principal activities
			2012		2011		
			Direct	**Indirect**	Direct	Indirect	
New Smart International Creation Limited	Hong Kong	HK$1	**100%**	**–**	100%	–	Production and distribution of film
Markwin Investment Limited	Hong Kong	HK$1	**–**	**100%**	–	100%	Artiste management
CineUnited Circuits Company Limited	Hong Kong	HK$1	**–**	**100%**	–	–	Cinema investment in the PRC
New Star International Develop Limited	Hong Kong	HK$1	**–**	**100%**	–	–	Production of film
New Pioneer Corporation Limited	Hong Kong	HK$1	**–**	**100%**	–	100%	Production of film
New Jumbo Corporation Limited	Hong Kong	HK$1	**–**	**100%**	–	–	Production of film
Joyful Excellence Limited	Hong Kong	HK$1	**–**	**100%**	–	–	Production of film
China 3D Digital Products Limited	Hong Kong	HK$1	**–**	**100%**	–	–	Production of film
Fantastic Union Limited	Hong Kong	HK$1	**–**	**100%**	–	–	Production of film

20. INTERESTS IN SUBSIDIARIES *(CONTINUED)*

Particulars of the Company's principal subsidiaries as at 30 June 2012 and 2011 are as follows: (Continued)

Name of subsidiary	**Place of incorporation/ registration and operation**	**Issued and fully paid share capital**	**Proportion of equity interest held by the Company**				**Principal activities**
			2012		2011		
			Direct	**Indirect**	Direct	Indirect	
Good Lead Corporation Limited	Hong Kong	HK$1	**–**	**100%**	–	–	Production of film
Source Hunter Corporation Limited	Hong Kong	HK$1	**–**	**100%**	–	–	Production of film
China 3D Digital Distribution Limited	Hong Kong	HK$1	**–**	**100%**	–	–	Distribution of films
Quick Money Finance Limited	Hong Kong	HK$1	**–**	**100%**	–	–	Money lending
Proletariate Institute Limited	Hong Kong	HK$5,500,000	**–**	**59.7%**	–	–	Property investment

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particular of excessive length.

21. FILM RIGHTS AND FILMS PRODUCTION IN PROGRESS

	Film rights HK$'000	Films production in progress HK$'000	Total HK$'000
Cost:			
As at 1 July 2010	889,663	–	889,663
Additions	39,471	–	39,471
Acquisition of a subsidiary (note 33)	12,554	–	12,554
Disposal of subsidiaries (note 34)	(917,384)	–	(917,384)
As at 30 June 2011 and 1 July 2011	24,304	–	24,304
Additions	1,223	23,787	25,010
As at 30 June 2012	**25,527**	**23,787**	**49,314**
Amortisation and impairment:			
As at 1 July 2010	704,066	–	704,066
Charge for the year	21,164	–	21,164
Impairment loss recognised	9,029	–	9,029
Elimination upon disposal of subsidiaries (note 34)	(718,683)	–	(718,683)
As at 30 June 2011 and 1 July 2011	15,576	–	15,576
Charge for the year	2,531	–	2,531
As at 30 June 2012	**18,107**	**–**	**18,107**
Carrying values:			
As at 30 June 2012	**7,420**	**23,787**	**31,207**
As at 30 June 2011	8,728	–	8,728

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 2012 and 2011. The directors of the Company determined that a number of certain film rights were impaired due to worsen marketability of respective film rights and an impairment loss of approximately HK$9,029,000 was recognised in the consolidated statement of comprehensive income for the year ended 30 June 2011 accordingly. 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. No impairment loss has been recognised in respect for the year ended 30 June 2012.

Films production in progress represents films under production. During the year ended 30 June 2012, the directors of the Company assessed of which no impairment loss has been recognised in respect of the films production in progress for the year ended 30 June 2012 (2011: Nil). 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.

22. INVENTORIES AND MUSIC PRODUCTION IN PROGRESS

(a) Inventories

	2012 HK$'000	2011 HK$'000
Finished goods	152	–

Inventories of approximately HK$99,000 (2011: Nil) are carried at net realisable value and approximately HK$53,000 (2011: Nil) are carried at cost.

(b) Music production in progress

	HK$'000
As at 1 July 2010, 30 June 2011 and 1 July 2011	–
Addition	254
As at 30 June 2012	**254**

The Group performed impairment test at 30 June 2012 by comparing the attributable carrying amounts of the music production in progress with the recoverable amounts.

No impairment loss has been recognised in respect for the year ended 30 June 2012 for the music production in progress.

23. LOANS RECEIVABLES

	2012 HK$'000	2011 HK$'000
Loans receivables	1,010	–

As at 30 June 2012, all loans receivables are denominated in Hong Kong dollars, secured by customers' pledged properties, carried at fixed effective interest ranging from 14.4% to 48% per annum and with the term ranging from 90 days to 365 days.

23. LOANS RECEIVABLES *(CONTINUED)*

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

	2012 HK$'000	2011 HK$'000
0 – 30 days	**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.

24. 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 (2011: 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 net of allowance for bad and doubtful debts presented based on the due date at the end of the reporting period:

	The Group		**The Company**	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Current	**1,340**	13,360	**117**	–

Movement in the allowance for bad and doubtful debts

	The Group		**The Company**	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
At the beginning of the year	**–**	2,036	**–**	–
Eliminated upon disposal of subsidiaries	**–**	(2,036)	**–**	–
At the end of the year	**–**	–	**–**	–

Allowance for bad and doubtful debts are trade receivables which are either aged over 1 year or individually impaired that have been placed under liquidation or in severe financial difficulties, which are generally not recoverable based on the historical experience. The Group does not hold any collateral over these balances.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments (note)	**10,690**	6,693	**6,751**	3,884
Deposits and other receivables	**5,678**	279	**766**	78
	16,368	6,972	**7,517**	3,962
Represented by:				
Receivables from related companies	**530**	–	**103**	–
Receivables from third parties	**15,838**	6,972	**7,414**	3,962
	16,368	6,972	**7,517**	3,962

The amount of prepayments, deposits and other receivables is analysed for reporting purpose as follow:

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
– Non-current portion				
Prepayments	**3,644**	3,531	**2,620**	2,000
Deposits	**2,963**	–	**–**	–
	6,607	3,531	**2,620**	2,000
– Current portion				
Prepayments	**7,046**	3,162	**4,131**	1,884
Deposits	**431**	97	**250**	6
Other receivables	**2,284**	182	**516**	72
	9,761	3,441	**4,897**	1,962
	16,368	6,972	**7,517**	3,962

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(CONTINUED)*

Note:

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

The amount of prepayments at the end of the reporting period is analysed for reporting purpose as follow:

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments for:				
– Acquisition of film distribution rights	**5,904**	2,663	**3,690**	–
– Film production costs	**2,665**	2,002	**2,620**	2,000
– Film promotion costs	**61**	1,899	**49**	1,884
– Others	**2,060**	129	**392**	–
	10,690	6,693	**6,751**	3,884
Less: Non-current portion	**(3,644)**	(3,531)	**(2,620)**	(2,000)
Current portion	**7,046**	3,162	**4,131**	1,884

Non-current portion of prepayments mainly comprised of prepayments for acquisition of film distribution rights and film production costs. In the opinion of the directors of the Company, the non-current portion of prepayments for acquisition of film distribution rights and 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.

Non-current portion of deposit comprised of rental deposit, management deposit, and interior design deposit of the cinema invested in the PRC. The anticipated lease term of the cinema is 20 years and the initial deposit is non-refundable until the end of the lease.

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.

26. BANK BALANCES AND CASH

Cash and bank deposits are denominated in the following currencies:

	The Group		The Company	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Cash and bank balances:				
RMB	**51**	–	**12**	–
USD	**1,785**	2	**1,608**	2
Hong Kong dollars	**81,204**	72,879	**68,189**	64,821
	83,040	72,881	**69,809**	64,823

RMB is currently not a freely convertible currency in the international market. The conversion of RMB into foreign currencies and remittance of RMB out of the PRC are subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

Bank balances carry interest at market rates at approximately 0.01% (2011: 0.01%) per annum.

27. TRADE PAYABLES

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

	2012 HK$'000	2011 HK$'000
Current	**250**	–

28. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	The Group		The Company	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Accruals	**1,181**	1,517	**795**	1,239
Deposits received	**7,977**	1,263	**2,152**	–
Other payables	**790**	275	**266**	275
	9,948	3,055	**3,213**	1,514

29. CONVERTIBLE BOND

On 21 October 2009, the Company issued convertible bond with a nominal value of HK$100,000,000 to Surplus Way Profits Limited, the then substantial shareholder of the Company. The bond bears interest from the date of issue at a rate of the HIBOR plus 2% per annum and will mature on 20 October 2014.

It is transferable and may be converted into ordinary shares of the Company at an initial conversion price of HK$0.70 per ordinary share, subject to anti-dilutive adjustments. The Company is entitled to redeem the convertible bond at 100% of its aggregated principal amount and accrued contractual interest at any time after six months from the date of issue of the convertible bond until the maturity date.

The convertible bond was split into liability (including the value of closely-related early redemption option held by the Company) and equity components of approximately HK$61,720,000 and HK$38,280,000 respectively upon initial recognition by recognising the liability component at its fair value and attributing the residual amount to the equity component. The liability component is subsequently carried at amortised cost and the equity component is recognised in the convertible bond equity reserve. The initial effective interest of the liability component is 12.74% per annum.

The conversion price of the convertible bond has been adjusted from HK$0.70 per ordinary share to HK$0.35 ordinary share as a result of share subdivision effective from 21 September 2010.

The conversion price of the convertible bond has been adjusted from HK$0.35 per ordinary share to HK$0.331 ordinary share as a result of placing of shares effective from 29 October 2010.

The conversion price of the convertible bond has been adjusted from HK$0.331 per ordinary share to HK$0.055 ordinary share as a result of rights issue effective from 30 March 2011.

The conversion price of the convertible bond has been adjusted from HK$0.055 per ordinary share to HK$1.375 ordinary share as a result of capital reorganisation effective from 19 December 2011.

The conversion price of the convertible bond has been adjusted from HK$1.375 per ordinary share to HK$0.871 ordinary share as a result of placing of new shares effective from 22 March 2012.

The conversion price of the convertible bond has been adjusted from HK$0.871 per ordinary share to HK$0.290 ordinary share as a result of bonus issue effective from 1 June 2012.

29. CONVERTIBLE BOND *(CONTINUED)*

The movement of the liability component of the convertible bond for the years ended 30 June 2011 and 2012 is set out below:

	The Group and the Company	
	2012	2011
	HK$'000	HK$'000
At the beginning of the year	**12,851**	50,099
Interest charged (note 10)	**1,025**	5,023
Interest paid	**(253)**	(1,495)
Conversion during the year	**–**	(9,994)
Early redemption during the year	**(11,974)**	(30,782)
At the end of the year	**1,649**	12,851

During the year ended 30 June 2011, the convertible bond with principal amount of HK$7,000,000 was converted at adjusted conversion price of HK$0.35 per ordinary share and HK$7,000,000 was converted at adjusted conversion price of HK$0.331 per ordinary share.

During the year ended 30 June 2011, the convertible bond with principal amount of HK$41,000,000 was early redeemed at HK$41,000,000. The excess of the fair value of the consideration to settle the convertible bond over the carrying value of the liability portion of the redeemed portion of the convertible bond of approximately HK$1,660,000 was recognised by the Group as a redemption loss of convertible bond and credited to the consolidated statement of comprehensive income for the year ended 30 June 2011.

During the year ended 30 June 2012, the convertible bond with principal amount of HK$15,000,000 was early redeemed at HK$15,000,000. The excess of the fair value of the consideration to settle the convertible bond over the carrying value of the liability portion of the redeemed portion of the convertible bond of approximately HK$701,000 was recognised by the Group as a redemption gain of convertible bond and credited to the consolidated statement of comprehensive income for the year ended 30 June 2012.

30. PROMISSORY NOTE PAYABLE

On 18 January 2010, the Company issued a promissory note (the "Note") to settle part of the consideration in the acquisition of the available-for-sale investment.

The amount is unsecured and non-interest bearing. The principal sum of HK$14,160,000 is to be repaid on the date falling five years from 18 January 2010. The fair value of HK$10,834,000 on initial recognition is measured by computing the present value of estimated future cash flows at the effective interest rate of 5.5%.

During the year, imputed interest of approximately HK$645,000 (2011: HK$610,000) was charged to the consolidated statement of comprehensive income.

For the year ended 30 June 2012

31. SHARE CAPITAL

	Number of shares		Par value	
	2012	2011	**2012**	2011
	'000	'000	**HK$'000**	HK$'000
Ordinary shares of HK$0.005 each (2011: HK$0.005 each)				
Authorised:				
At the beginning of the year	**20,000,000**	10,000,000	**100,000**	100,000
Share consolidation (note (e))	**(19,200,000)**	–	**–**	–
Subdivision of shares (note (a) and (g))	**19,200,000**	10,000,000	**–**	–
At the end of the year	**20,000,000**	20,000,000	**100,000**	100,000

	Number of shares		Par value	
	2012	2011	**2012**	2011
	'000	'000	**HK$'000**	HK$'000
Ordinary shares of HK$0.005 each (2011: HK$0.005 each)				
Issued and fully paid:				
At the beginning of the year	**8,687,552**	352,000	**43,438**	3,520
Subdivision of shares (note (a))	**–**	422,398	**–**	–
Share consolidation (note (e))	**(8,340,050)**	–	**–**	–
Capital reduction (note (f))	**–**	–	**(41,700)**	–
Issue of shares upon bonus issue (note (i))	**2,694,984**	–	**13,474**	–
Issue of shares upon placing (note (b) and (h))	**999,990**	270,398	**5,000**	1,704
Issue of shares upon conversion of convertible bond (note (c))	**–**	41,148	**–**	206
Issue of shares upon rights issue (note (d))	**–**	7,601,608	**–**	38,008
At the end of the year	**4,042,476**	8,687,552	**20,212**	43,438

Notes:

For the year ended 30 June 2011

(a) Pursuant to approval in a special general meeting of the Company held on 20 September 2010, the Company subdivided each issued or unissued share at HK$0.01 each into two subdivided shares of HK$0.005 each.

(b) On 6 August 2010, the Company issued and allotted 70,398,000 ordinary shares of HK$0.01 each to independent third parties at placing price of HK$0.38 each. The net proceeds of approximately HK$26,151,000 were used as the Company's general working capital and future business development. Details of the placing were set out in the Company's announcement dated 29 July 2010.

On 28 October 2010, the Company issued and allotted 200,000,000 ordinary shares of HK$0.005 each to independent third parties at placing price of HK$0.125 each. The net proceeds of approximately HK$24,427,000 were used as the Company's general working capital and future business development of 3D movie production. Details of the placing were set out in the Company's announcement dated 10 September 2010.

31. SHARE CAPITAL *(CONTINUED)*

Note: (continued)

For the year ended 30 June 2011 (continued)

(c) In October and November 2010, convertible bond with principal amount of HK$7,000,000 was converted into 20,000,000 ordinary share of the Company and HK$7,000,000 was converted into 21,148,036 ordinary share of the Company at adjusted conversion price of HK$0.35 and HK$0.331 per ordinary share respectively. An aggregate of 41,148,036 ordinary shares were issued upon conversion of convertible bond.

(d) In April 2011, the Company issued and allotted 7,601,608,210 ordinary shares of HK$0.005 each to the then existing qualifying shareholders on the basis of 7 rights shares for every 1 share held (the "Rights Issue") at a subscription price of HK$0.015 per rights share. The net proceeds of approximately HK$110,462,000 will be used by the Company in production of 3D movie and acquisition of cinema in Hong Kong and/or in the PRC. The new shares issued rank pari passu in all respects with the existing shares. Details of the rights issue were set out in a prospectus of the Company dated 30 March 2011

For the year ended 30 June 2012

(e) By a special resolution dated 16 December 2011, authorised share capital of the Company for ordinary share of HK$0.005 each (the "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 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 "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 Consolidated Issued Shares of HK$0.125 each accordingly.

(f) 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.

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

(h) 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.

(i) 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 during the year, 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 2012

32. RESERVES

(a) The Group

Movement of the Group's reserves for the current and prior years is presented in the consolidated statement of changes in equity on pages 25 to 26 of the consolidated financial statements.

(b) The Company

	Share premium HK$'000	Investment revaluation reserve HK$'000	Contributed surplus HK$'000	Convertible bond equity reserve HK$'000	Accumulated loss HK$'000	Total HK$'000
As at 1 July 2010	171,489	–	3,952	27,562	(125,543)	77,460
Net loss arising on revaluation of available-for-sale investments during the year	–	(17)	–	–	–	(17)
Loss for the year	–	–	–	–	(160,586)	(160,586)
Total comprehensive loss for the year	–	(17)	–	–	(160,586)	(160,603)
Issue of shares upon placing	50,047	–	–	–	–	50,047
Issue of shares upon rights issues	76,016	–	–	–	–	76,016
Transaction cost attributable to issue of shares	(4,735)	–	–	–	–	(4,735)
Issue of shares upon conversion of convertible bond	15,147	–	–	(5,359)	–	9,788
Early redemption of convertible bond	–	–	–	(15,695)	7,137	(8,558)
As at 30 June 2011 and 1 July 2011	307,964	(17)	3,952	6,508	(278,992)	39,415
Net loss arising on revaluation of available-for-sale investments during the year	–	(1,207)	–	–	–	(1,207)
Loss for the year	–	–	–	–	(8,379)	(8,379)
Total comprehensive loss for the year	–	(1,207)	–	–	(8,379)	(9,586)
Capital reduction	–	–	41,700	–	–	41,700
Share premium reduction	(275,969)	–	–	–	275,969	–
Issue of shares upon placing	74,999	–	–	–	–	74,999
Issue of shares upon bonus issue	(13,474)	–	–	–	–	(13,474)
Transaction cost attributable to issue of shares	(2,225)	–	–	–	–	(2,225)
Early redemption of convertible bond	–	–	–	(5,742)	2,014	(3,728)
As at 30 June 2012	**91,295**	**(1,224)**	**45,652**	**766**	**(9,388)**	**127,101**

33. ACQUISITION OF A SUBSIDIARY

On 8 October 2010, the Group acquired the entire issued share capital and the outstanding shareholder's loan ("Sale Loan") of New Smart International Creation Limited for total consideration of approximately HK$12,558,000. New Smart International Creation Limited is a company engaged in the business of 3D motion picture production and investment holding. Completion of the transaction was taken place on the same date.

	HK$'000
Assets acquired and liabilities recognised at the date of acquisition:	
Film rights (note 21)	12,554
Prepayments and other receivables	117
Other payables and accrued charges	(113)
Amount due to a shareholder	(12,557)
Net asset acquired	1
Assignment of the Sale Loan	12,557
	12,558
Satisfied by:	
Cash consideration	12,558
Net cash outflow arising on acquisition:	
Cash consideration paid	12,558

The acquired subsidiary contributed approximately HK$42,144,000 to the Group's turnover and approximately HK$7,073,000 to the Group's loss for the period between the date of acquisition and 30 June 2011.

Had the acquisition been completed on 1 July 2010, the Group's revenue for the year would have been approximately HK$53,977,000 and loss for the year would have been approximately HK$36,104,000. The pro forma information is for illustrative purpose only and is not necessarily an indicative revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 July 2010, nor is it intended to be a projection of future results.

For the year ended 30 June 2012

34. DISPOSAL OF SUBSIDIARIES

	Speedy Champion Group HK$'000	Bright Win Group HK$'000	Recelead Group HK$'000	Mile Oak HK$'000	Total HK$'000
Gain on disposal of subsidiaries:					
Cash consideration	100	100	50	15	265
Net liabilities/(assets) disposed of	1,882	(89)	(18)	–	1,775
Non-controlling interest	(1,941)	–	–	–	(1,941)
Release of translation reserve upon disposal of subsidiaries	2,509	2	34	–	2,545
Gain on disposal of subsidiaries	2,550	13	66	15	2,644
Net cash inflow/(outflow) arising from disposal of subsidiaries:					
Cash consideration received	100	100	50	15	265
Less: Bank and cash balances	(23,215)	(1,048)	(756)	–	(25,019)
	(23,115)	(948)	(706)	15	(24,754)

Analysis of the assets and liabilities of the disposed subsidiaries:

(a) Disposal of Speedy Champion Investment Limited ("Speedy Champion") and its subsidiaries (the "Speedy Champion Group")

On 1 September 2010, the Group entered into an agreement to dispose of 100% equity interest in Speedy Champion, a wholly owned subsidiary of the Group immediate before the transaction, and its subsidiaries at a consideration of HK$100,000. The transaction was completed on 19 October 2010. Details of the assets and liabilities of the Speedy Champion Group were set out as follow:

	HK$'000
Property, plant and equipment	2
Interest in jointly controlled entities	3,742
Film rights	83,854
Inventories	32
Trade receivables	8,606
Prepayments and other receivables	32,567
Loan to a jointly controlled entity	12,466
Bank balance and cash	23,215
Trade payables	(9,945)
Accruals, deposit received and other payables	(40,512)
Loan from a non-controlling shareholder of a subsidiary	(2,000)
Amount due to a substantial shareholder of the Company/ former immediate holding company	(113,909)
	(1,882)

34. DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

Analysis of the assets and liabilities of the disposed subsidiaries: (continued)

(b) Disposal of Bright Win Group Limited ("Bright Win") and its subsidiaries (the "Bright Win Group")

On 26 October 2010, the Group entered into an agreement to dispose of 100% equity interest in Bright Win, a wholly owned subsidiary of the Group immediate before the transaction, and its subsidiaries at a consideration of HK$100,000. The transaction was completed on 2 December 2010. Details of the assets and liabilities of the Bright Win Group were set out as follow:

	HK$'000
Property, plant and equipment	1
Film rights	114,847
Trade receivables	6,220
Prepayments and other receivables	292
Bank balance and cash	1,048
Trade payables	(610)
Accruals, deposit received and other payables	(37,328)
Amount due to a substantial shareholder of the Company/ former immediate holding company	(84,381)
	89

(c) Disposal of Racelead Limited ("Racelead") and its subsidiaries (the "Racelead Group")

On 31 January 2011, the Group entered into an agreement to dispose of 100% equity interest in Racelead, a wholly owned subsidiary of the Group immediate before the transaction, at a consideration of HK$50,000. The transaction was completed on 31 January 2011. Details of the assets and liabilities of the Racelead Group were set out as follow:

	HK$'000
Property, plant and equipment	267
Prepayments and other receivables	3,063
Bank balance and cash	756
Trade payables	(86)
Accruals, deposit received and other payables	(1,571)
Amount due to a substantial shareholder of the Company/ former immediate holding company	(2,411)
	18

(d) Disposal of Mile Oak

On 30 March 2011, the Group entered into an agreement to dispose of 100% equity interest in Mile Oak, a wholly owned subsidiary of the Group immediate before the transaction, at a consideration of HK$15,000. The transaction was completed on 30 March 2011 and no assets or liabilities were incurred as at the date of completion of disposal.

For the year ended 30 June 2012

35. RETIREMENT BENEFITS SCHEME

Prior to 1 December 2000, the Group operated a defined contribution retirement benefits scheme ("Defined Contribution Scheme") for its qualifying employees in Hong Kong. The assets of the scheme were held separately from those of the Group in funds under the control of an independent trustee.

Where there are employees who leave the Defined Contribution Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions would be used to reduce the contributions payable by the Group. The Defined Contribution Scheme was terminated on 1 December 2000.

Effective from 1 December 2000, the Group joined the Mandatory Provident Fund Scheme (the "MPF Scheme") for all of its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Authority under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee.

Under the rules of the MPF Scheme, the Group and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. No forfeited contribution is available to reduce the contribution payable in the future years.

36. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group has outstanding commitments for future lease payments under non-cancellable operating lease in respect of rented premises which fall due as follow:

	2012 **HK$'000**	2011 HK$'000
Within one year	**2,104**	–
In the second to fifth year, inclusive	**3,740**	–
	5,844	–

The Group is the lessee in respect of a number of office premises held under operating leases. The leases typically run for one to five years.

Rentals are fixed over the lease term and no arrangement has been entered into for contingent rental payments.

37. OTHER COMMITMENTS

	2012 HK$'000	2011 HK$'000
Amount contracted for but not provided in the consolidated financial statements in respect of:		
Film production cost	**38,274**	2,350
Guaranteed sum to be paid under various distributor agreements	**7,035**	7,559
	45,309	9,909

38. SHARE OPTION SCHEME

On 26 August 2004, the shareholders of the Company approved the adoption of a share option scheme (the "Share Option Scheme") which became effective upon the listing committee of the Stock Exchange granted approval of listing of, and permission to deal in the shares to be issued under the scheme ("Approval"). The Approval was granted on 11 November 2004 and the Share Option Scheme became effective pursuant to resolution of the directors of the Company on the same date. The Share Option Scheme is valid and effective for a period of ten years from 11 November 2004. The purpose of the Share Option Scheme is to provide incentives or rewards to participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest ("Invested Entity"). The Share Option Scheme permits the Company to grant options to any employee or proposed employee (whether full-time or part-time employee, including any executive director) and non-executive director (including independent non-executive directors) of the Company, its subsidiaries or any Invested Entity, any supplier of goods or services, any customer, any person or entity that provides research, development or other technological support, any shareholders or any participants who contribute to the development and growth of the Group or any Invested Entity. Under the Share Option Scheme, the subscription price for the shares will be a price determined by the directors of the Company, but shall not be lower than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant, which must be a trading day; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the grant; and (iii) the nominal value of a share. An offer for the grant of options must be accepted within 28 days from the date of the offer and a nominal consideration of HK$1 is payable on acceptance of the offer of options.

The total number of shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of total number of shares on the adoption date unless the shareholders approve to refresh the 10% limit. The overall limit in the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes shall not exceed 30% of the shares of the Company in issue from time to time.

For the year ended 30 June 2012

38. SHARE OPTION SCHEME *(CONTINUED)*

Each grant of options to any director, chief executive, management shareholder or substantial shareholder of the Company, or any of their respective associates, shall be subject to approval by the independent non-executive directors of the Company. Where any grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares of the Company issued and to be issued upon exercise of all options already granted or to be granted to such person in the 12-month period representing in aggregate over 0.1% of the shares of the Company in issue and having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5,000,000, such further grant of options must be approved by the shareholders with the connected persons of the Company abstaining from voting.

Subject to the aforesaid, the total number of shares issued and to be issued upon exercise of the options granted and to be granted to each grantee (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue. Any further grant of options in excess of the limit shall be subject to the shareholders' approval with such grantee abstaining from voting in favour at such general meeting.

The Company had not granted any option under the Share Option Scheme since its adoption.

39. RELATED PARTY TRANSACTIONS

(a) Save as disclosed elsewhere in the consolidated financial statements, the Group has entered into the following significant related party transactions, which in the opinion of the directors of the Company, were conducted under commercial terms and in the normal course of the Group's business.

	2012 **HK$'000**	2011 HK$'000
Transaction with a substantial shareholder of the Company/former immediate holding company		
Interest income (note (i))	–	3,653
Transactions with related companies		
Film production cost (note (iii) and (iv))	**1,000**	–
Accounting service income (note (iii))	–	36
Distribution and promotion income (note (iii))	–	86
Income from sales of goods (note (iii))	–	111
Sponsorship fee income (note (iii))	–	243
Advertising and promotion expenses (note (iii))	–	15
Artiste management fee (note (ii))	–	2,748
Corporate secretarial expenses (note (iii))	–	385
Distribution commission expense (note (iii))	–	12
Operating lease rental expenses (note (ii))	–	348
Professional fee (note (iii))	–	354
Sharing of administrative expenses (note (iii))	–	414
Transactions with directors		
Film production cost (note (iii) and (iv))	**1,060**	–

39. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) *(continued)*

The transaction with related company for the year ended 30 June 2012 was entered with Able Rich Consultants Limited, of which the director of Able Rich Consultants Limited is the connected person of the Company.

The transaction with related companies for the year ended 30 June 2011 were entered with companies ultimately owned by The Albert Yeung Discretionary Trust, of which Dr. Yeung Sau Shing, Albert ("Dr. Yeung") is the founder and substantial shareholder of the Company, and/or by certain directors of the Company.

Since 31 December 2010, Dr. Yeung ceased to be a substantial shareholder of the Company and the related companies were no longer to be related parties of the Company thereafter.

Notes:

(i) This transaction involved the payment of interest to the substantial shareholder of the Company/former immediate holding company, a connected person of the Company, which provided financial assistance to the Group on normal commercial terms and no security over the assets of the Group was granted in respect of the financial assistance. The transaction is an exempted continuing connected transaction fall under Chapter 20.65(4) of the GEM Listing Rules.

On 31 December 2010, Dr. Yeung disposed of his equity interest in the Company and ceased to be a substantial shareholder of the Company thereafter. The interest expenses as disclosed above were therefore covered the period from 1 July 2010 and up to the aforesaid cessation date of its being a substantial shareholder of the Company.

(ii) The transaction is a continuing connected transaction as defined under Chapter 20.14 of the GEM Listing Rules, details of which are set out in the section headed "Directors' Interest in Contracts of Significance and Connected Transactions" of the Directors' Report.

(iii) These transactions are connected transactions exempted from reporting, announcement and independent shareholders' approval requirements under Chapter 20.31 of the GEM Listing Rules.

(iv) The transactions were carried at price agreed between the parties.

(b) Key management personnel

The key management personnel of the Company are directors of the Company. Details of the remunerations are set out in note 12(a).

40. CONTINGENT LIABILITIES

On 13 June 2011, a writ of summon and an indorsement of claim (the "Writ") was issued by Green Giant Investment Limited ("Green Giant") against the Company in which the Writ alleged that the Company refused and/or unreasonably withheld to register a transfer of the Note or issue a new promissory note as request upon transfer of the Note by Dragonlott Holdings Limited to Green Giant. The Company had sought legal advice and acknowledgement of service has been filled on behalf of the Company on 27 June 2011 indicating that the Company intends to contest the allegation in the Writ. Details of the litigation were set out in the Company announcement date 5 August 2011.

During the year ended 30 June 2012, the Writ was resolved, and the Group and the Company did not have any significant contingent liabilities at the end of reporting period.

41. EVENTS AFTER THE REPORTING PERIOD

(a) On 5 June 2012, a conditional supplemental agreement (the "First SA") was entered into between the Company and the placing agent, in respect of, inter alia, the proposed amendments to the terms of the placing agreement (the "Placing Agreement") dated 10 January 2012 as a result of the bonus issue which took place on 7 June 2012.

In light of the recent unstable market and the weak market sentiment, and in order to facilitate and maintain the attractiveness of the placing (as detailed in the Company's announcement dated 10 January 2012, 5 March 2012 and 22 March 2012 and with supplemented by the First SA) (the "Placing") to potential investors and to raise approximately the same amount of gross proceeds as proposed in the placing circular dated 13 February 2012, on 22 June 2012 (after trading hours), the Company and the placing agent entered into a second conditional supplemental agreement (the "Second SA") in respect of, inter alia, the proposed further amendments to the terms of the Placing Agreement (as supplemented by the First SA), including the placing price, the number of placing shares and the number of proposed tranches for the remaining placing shares under the Placing (as supplemented by the First SA). Details of the above amendments were set out in the Company's announcement dated 22 June 2012 and the Company's circular dated 23 July 2012 respectively.

The above amendments to the terms of the supplementary agreements were subject to the approval of the special general meeting dated 9 August 2012.

On 6 September 2012, the second tranche of the Placing (as supplemented by the First SA and the Second SA collectively the "Supplemental Agreements") (the "Second Tranche Placing"), in which 1,500,000,000 new shares to be placed at the placing price of HK$0.015 per placing share under the Placing (as amended by the Supplemental Agreements) and pursuant to the Second SA, have been placed to not fewer than six placees. Details of the Second Tranche Placing were set out in the Company's announcement dated 5 September 2012.

(b) On 27 March 2012, the CineUnited Circuits Company Limited as a tenant, an indirect wholly-owned subsidiary of the Company, and ChongQing PengRun Real Estate Development Company Limited (重慶鵬潤房地產開發有限公司) as a landlord entered into a letter of intent in relation to the possible long-term lease of a premises for development and use as cinema (the "Premises"). The Premises is situated at Guotai Plaza, ChongQing, the PRC. It is expected that a formal tenancy agreement (the "Formal Tenancy Agreement") will be entered into on or before the end of June 2012, details of which are set out in the Company's announcement dated 27 March 2012. The Formal Tenancy Agreement is not yet entered on the date when the consolidated financial statements are authorised for issue.

(c) On 21 August 2012 (after trading hours), the Company entered into (i) a memorandum of understanding (the "CASS MOU") with 中國社會科學院社會科學成果開發中心 (Social Science Development Centre of Chinese Academy of Social Sciences) ("CASS Social Science Development Centre"); and (ii) a memorandum of understanding (the "CCPH MOU") with 中國人文科學發展公司 (Chinese Corporation For Promotion Humanities) ("CCPH") regarding their potential investment and co-operation.

The potential investment covered the areas, included (i) set up an investment fund; (ii) development of related projects after completion of the construction of the headquarter of 燕郊"中國學者之家" (Yanjiao Home of Chinese Scholar); (iii) establishment of cultural club in Beijing, the PRC, by the Company with the assistance of CASS Social Science Development Centre; and (iv) the marketing operation in co-ordination with 社科院人文公司影視中心 (CASS Humanity Company Movie Centre) under the CASS MOU and film production under the CCPH MOU.

Details of the above co-operation were set out in the Company's announcement dated 21 August 2012.

42. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

43. AUTHORISATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 24 September 2012.

Financial Summary

Results

		For the year ended 30 June			Period from 1 April 2007 to 30 June
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**17,718**	53,977	135,213	204,494	156,229
(Loss) profit before taxation	**(8,831)**	(36,104)	(49,395)	(64,723)	(78,256)
Taxation	**–**	–	(1,231)	(562)	(219)
(Loss) profit for the year/period	**(8,831)**	(36,104)	(50,626)	(65,285)	(78,475)
Attributable to:					
Owners of the Company	**(9,102)**	(36,104)	(50,626)	(65,285)	(78,469)
Non-controlling interests	**271**	–	–	–	(6)
	(8,831)	(36,104)	(50,626)	(65,285)	(78,475)

Assets and Liabilities

		As at 30 June			
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**211,725**	150,759	329,148	231,893	315,307
Total liabilities	**(24,205)**	(27,618)	(331,762)	(277,808)	(297,519)
	187,520	123,141	(2,614)	(45,915)	17,788
Owners of the Company	**185,034**	123,141	(673)	(43,974)	19,729
Non-controlling interests	**2,486**	–	(1,941)	(1,941)	(1,941)
	187,520	123,141	(2,614)	(45,915)	17,788