2012-2013 Annual Report

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)

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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

Financial Summary

Annual results for the five yeas from 2009.

Results

	For the year ended 30 June				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**70,018**	17,718	53,977	135,213	204,494
Loss before taxation	**(20,930)**	(8,831)	(36,104)	(49,395)	(64,723)
Taxation	**(13)**	–	–	(1,231)	(562)
Loss for the year	**(20,943)**	(8,831)	(36,104)	(50,626)	(65,285)
Attributable to:					
Owners of the Company	**(21,237)**	(9,102)	(36,104)	(50,626)	(65,285)
Non-controlling interests	**294**	271	–	–	–
	(20,943)	(8,831)	(36,104)	(50,626)	(65,285)

Assets and Liabilities

	As at 30 June				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**283,370**	211,725	150,759	329,148	231,893
Total liabilities	**(40,166)**	(24,205)	(27,618)	(331,762)	(277,808)
	243,204	187,520	123,141	(2,614)	(45,915)
Owners of the Company	**239,864**	185,034	123,141	(673)	(43,974)
Non-controlling interests	**3,340**	2,486	–	(1,941)	(1,941)
	243,204	187,520	123,141	(2,614)	(45,915)

Corporate Information

Directors

Executive Directors

Shiu Stephen Junior *(Chairman)*
Sun Lap Key, Christopher
Lee Wing Ho, Albert

Independent Non-executive Directors

Chan Chi Ho
Kam Tik Lun
Tam Kwok Ming, Banny

Company Secretary

Sophie, Mak Suk Fan, *CPA(Aust.,) AHKSA, MBA*

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 Limited
Certified Public Accountants
31/F, Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Office

7th Floor
Zung Fu Industrial Building
1067 King’s Road
Quarry Bay, Hong Kong

Registrar *(in Bermuda)*

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM11
Bermuda

Principal Registrar

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 2013 (the "Year").

REVIEW OF OPERATIONS

The Group reported total revenue of approximately HK$70 million for the year ended 30 June 2013, compared with approximately HK$17.7 million for the year ended 30 June 2012. For the year ended 30 June 2013, a loss of approximately HK$21 million was recorded whilst in the last year, a loss of HK$8.8 million was recorded. The lost is mainly attributable to the loss on disposal of available-for-sales investments and impairment loss on film rights for the year ended 30 June 2013.

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

PROSPECTS

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

The Directors believe that, it will provide an opportunity for the Company to be successful in cinema's operation in the 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 to 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.

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.

Chairman's Statement (Continued)

PROSPECTS *(CONTINUED)*

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

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
26 September 2013

Management Discussion and Analysis

OPERATION REVIEW

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

In addition to its share capital and reserves, the Group also made use of cash flow generated from operations fund raising, and the borrowings, mainly including convertible bond and promissory note payable, to finance its operation. The promissory note payable is denominated in Hong Kong dollars, unsecured, interest-free and has a fixed repayment term.

Other than disclosed above, the Group has no other external borrowings. The Group's bank and cash held in hand were mainly denominated in Hong Kong dollars. The Group managed its foreign exchange risk by closely monitoring the movement of the foreign currency rates. The management conducted periodical review of foreign currency exposure and would take appropriate measures to mitigate the risk should the need arise. The Group experienced no significant exposure to foreign exchange rate fluctuation during the Year.

CHARGES ON GROUP ASSET

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

EMPLOYEES AND REMUNERATION POLICY

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

CAPITAL STRUCTURE

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

Placing of New Shares under Specific Mandate

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

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

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

Placing of New Shares under General Mandate

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

Capital Reorganisation

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

COMMITMENTS

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

CONTINGENT LIABILITIES

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

EVENT AFTER REPORTING PERIOD

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

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

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

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

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

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

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

Biographies of Directors and Senior Executives

EXECUTIVE DIRECTOR (CHAIRMAN)

SHIU STEPHEN JUNIOR, aged 38, 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 43, 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 46, 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 37, 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 37, 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 and The Association of Chartered Certified Accountants 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 50, joined the Company in November 2011. Mr. Tam is the member of Audit Committee, Remuneration Committee and Nomination Committee. Mr. Tam 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.

Directors' Report

The Board presents their annual report and the audited consolidated financial statements of the Group for the Year ended 30 June 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 19 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 27.

The Directors do not recommend the payment of a dividend (2012: 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 2.

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTY

Details of the movements in investment property of the Group during the year are set out in note 18 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 19 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 36 to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity and note 37 to the consolidated financial statements respectively.

CONVERTIBLE BOND

Details of the movements in the Company's Convertible Bond during the Year are set out in note 34 to the consolidated 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 30 and note 37 to the consolidated financial statements respectively.

As at 30 June 2013, the Company had no reserves available for distribution.

DONATION

During the Year, no donation has been made.

DIRECTORS

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

Executive Directors:

Mr. Shiu Stephen Junior *(Chairman)*
Mr. Sun Lap Key, Christopher
Mr. Lee Wing Ho, Albert

Independent Non-executive Directors:

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

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-law 87(1) and 87(2) of the Company's Bye-Laws, Mr. Lee Wing Ho, Albert and Mr. Kam Tik Lun 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 SIGNIFICANT CONTRACTS

Directors' interests in contracts

Save as disclosed in notes 42 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.

EMOLUMENT POLICY

A remuneration committee is set up for reviewing the Group's emolument policy and structure of all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2013, 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 to 5.67 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	1,344,000	0.14%

Save as disclosed above, as at 30 June 2013, 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, 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 41 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.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

So far as known to the Directors, as at 30 June 2013, the Directors were not aware of any other person (other than the Directors and chief executive of the Company as disclosed above) who had any interests or short position in the shares or underlying shares or debentures of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

Long positions in shares of the Company

Name	Capacity/ Nature of interests	Number of ordinary/ underlying shares held	Approximate percentage holding
Unlimited Creativity Holdings Limited (Note 1)	Beneficial owner	108,382,932	11.63%
Mr. Mao Hua Feng (Note 2)	Beneficiary owner	80,010,000	8.58%

Notes: (1) 108,382,932 Shares are held by Unlimited Creativity Holdings Limited (Stock Code: 8079), a Company continued in Bermuda with limited liability, the shares of which are listed on GEM.

(2) Mr. Mao Hua Feng is an independent third party.

Save as disclosed above, as at 30 June 2013, 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 70.65%. The percentage of turnover attributable to the Group's largest customer to the total turnover was 43.02%.

In the financial year under review, the percentage of purchase attributable by the Group's five suppliers to the total purchase was 48.55%. The percentage of purchase attributable to the Group's largest supplier to the total purchase was 30.58%.

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 42 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

As of the date of this report, Mr. Shiu Stephen Junior ("Mr. Shiu"), the Chairman and Executive Director of the Company, he 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. The business of ODMP 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.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 (the "Required Standard of Dealings") of the GEM Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Required Standard of Dealings throughout the period ended 30 June 2013.

As of the date of this report, the Board of Directors of the Company comprises Executive Directors who are Mr. Shiu Stephen Junior, Mr. Sun Lap Key, Christopher, Mr. Lee Wing Ho, Albert; and independent Non-executive Directors who are Mr. Chan Chi Ho, Mr. Kam Tik Lun and Mr. Tam Kwok Ming, Banny.

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 2013. Please refer to the Corporate Governance Report on page 17 to 24 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.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

There was no material acquisition or disposal of subsidiaries during the year ended 30 June 2013.

FOREIGN EXCHANGE EXPOSURE

The Group's transactions during the Year were mainly denominated in Renminbi, HK Dollars and US Dollars. Risk on exposure to fluctuation in exchange rates was insignificant to the Group.

CONTINUING CONNECTED TRANSACTIONS

On 9 October 2012, a Tenancy Agreement was jointly entered into between Wit Way Enterprises Limited, as landlord and Top Euro Limited, an indirect wholly-owned subsidiary of Unlimited Creativity Holdings Limited ("Unlimited Creativity") and Mark Glory International Enterprise Limited, an indirect wholly-owned subsidiary of the Company, both as tenants, in relation to the lease of the Premises. The term of the Tenancy Agreement is for three years commencing from 1 November 2012 to 31 October 2015, both days inclusive, with a monthly rental of HK$220,000 inclusive of management charges (equivalent to HK$2,640,000 per annum), but exclusive of government rates and all other outgoings. The rent, government rates and all outgoings of the Premises shall be paid by the Tenants in equal shares.

The Company is a substantial shareholder of Unlimited Creativity and interested in approximately 10.7% of the issued share capital of Unlimited Creativity up to 6 August 2013. Whereas, its interest has been drop down to 8.9% as a result of the placing under General Mandate on 7 August, 2013. Accordingly, the Company and Unlimited Creativity are regarded as connected person of each other under the GEM Listing Rules. Therefore, the Tenancy Agreement (including the Contingent Rental Liability, being a provision of financial assistance) constitutes continuing connected transactions for each of the Company and Unlimited Creativity under Rule 20.11(1) and 20.13(2) of the GEM Listing Rules.

The applicable percentage ratio (as defined in the GEM Listing Rules) on an annual basis for the Tenancy Agreement (including the Contingent Rental Liability, being a provision of financial assistance) for each of the Company and Unlimited Creativity exceed 5% but are less than 25% and the annual caps under the Tenancy Agreement are less than HK$10,000,000. Accordingly, pursuant to Rule 20.34 of the GEM Listing Rules, the Tenancy Agreement (including the Contingent Rental Liability, being a provision of financial assistance) is subject to reporting and announcement requirements but exempted from independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Auditor's letter on continuing connected transactions
Pursuant to Rule 20.38 of the GEM Listing Rules, the Board has engaged the auditor of the Company to report the disclosed continuing connected transactions of the Group for the Year ("Disclosed CCTs") in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's letter on continuing connected transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants and the auditor has reported to the Directors and concluded that the Disclosed CCTs:

(1) have received the approval of the Board of the Company;

(2) are entered into, in all material respects, in accordance with the pricing policies of the Company if the transactions involve provision of goods or services by the Group;

CONTINUING CONNECTED TRANSACTIONS *(CONTINUED)*

(3) have been entered into, in all material respects, in accordance with the terms of the relevant agreements governing such transactions; and

(4) have not exceeded the maximum aggregate annual value for the Year disclosed in previous announcements made by the Company in respect of each of the Disclosed CCTs.

Confirmation of Independent Non-executive Directors
The Independent Non-executive Directors have reviewed the continuing connected transactions and the report of the auditor and have confirmed that the transactions have been entered into by the Group in the ordinary and usual course of its business, on normal commercial terms, and in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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.

AUDITOR

The consolidated financial statements for the year ended 30 June 2013 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the annual general meeting. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditor of the Company for the subsequent year will be proposed at the forthcoming annual general meeting. The consolidated financial statements for the years ended 30 June 2013, 2012 and 2011 were audited by HLB Hodgson Impey Cheng. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited. Save for the above, there has been no other change in the auditor of the Company in any of the preceding three years.

On behalf of the Board
China 3D Digital Entertainment Limited

Shiu Stephen Junior
Chairman

Hong Kong
26 September 2013

Corporate Governance Report

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference adopted by the Board, which include (a) to develop and review the Company's policies and practices on corporate governance and make recommendations; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report.

The Board had reviewed and discussed the corporate governance policy of the Group and was satisfied with the effectiveness of its corporate governance policy. 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 entrusted with the overall responsibility for promoting the success of the Company by directing and supervising the Company's business and affairs. The ultimate responsibility for the day to day management of the Company is delegated to the chairman and the senior management of the Company. In practice, the Board takes responsibilities for decision making in all major matters of the Company. The day-to-day management, administration and operation of the Company are delegated to the executive directors and senior management. Approval has to be obtained from the Board prior to any significant transactions entered into by the Group and the Board has the full support of them to discharge its responsibilities.

As at 30 June 2013, 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.

Each of the Directors had attended the training session covered topics including the GEM Listing Rules, the CG Code, the disclosure of inside information and establishment of an internal control system. The Group has also been provided reading materials including the CG Code, the Inside Information Provision (as defined under the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) to all Directors to develop and refresh the Directors' knowledge and skills. The Group, together with its compliance adviser and legal advisers, continuously update the Directors on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

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 BOARD *(CONTINUED)*

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 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.

Appointment and Succession Planning of Directors

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Bye-laws.

Code A.4.1 stipulates that Non-executive Directors should be appointed for a specific term, subject to re-election and Code A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment.

All Independent Non-executive directors are appointed and entered into a letter of appointment with the Company for a term of one year and renewable automatically for successive terms of another year unless terminated by three-month notice in writing served by either party. Pursuant to the Company's Bye–laws, all Directors of the Company, regardless of his/her term of appointment, if any, are subject to retirement by rotation at least once every three years and any new director appointed to fill a casual vacancy is subject to re-election by shareholders at the first general meeting after his/her appointment. The Company in practice will observe Code A.4.2 and will ensure that any new director appointed to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after his/her appointment.

Chairman and Chief Executive Officer

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

Mr. Shiu Stephen Junior is the Chairman and Chief Executive Officer of the Company. In view of the scale of operations of the Company and the fact that daily operations of the Group's business is delegated to the senior executives and department heads, the Board considers that vesting the roles of both Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company. The Board also believes that the current structure provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. It is in the best interest of the Group to maintain the current practice for continuous efficient operations and development of the Group.

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 eleven 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	11/11	100%
Sun Lap Key, Christopher	11/11	100%
Lee Wing Ho, Albert	11/11	100%
Independent Non-executive directors:		
Chan Chi Ho	10/11	90%
Kam Tik Lun	10/11	90%
Tam Kwok Ming, Banny	10/11	90%

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.

Model Code for Securities Transactions

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 (the "Required Standard of Dealings") of the GEM Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Required Standard of Dealings throughout the year ended 30 June 2013.

The Company also has established written guidelines on no less exacting terms than the Required Standard of Dealings (the "Employees Written Guidelines) for securities transactions by employees who are likely to be in possession of any unpublished inside information of the Company.

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 auditor; 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	Director's Attendance	Attendance rate
Kam Tik Lun *(Chairman)*	13 July 2010	4/4	100%
Chan Chi Ho	2 July 2010	4/4	100%
Tam Kwok Ming, Banny	15 November 2011	4/4	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 one meeting during the Year with the attendance of each member as follows:

Name of Committee members	Director's Attendance	Attendance rate
Kam Tik Lun (Chairman)	1/1	100%
Shiu Stephen Junior	1/1	100%
Chan Chi Ho	1/1	100%
Tam Kwok Ming, Banny	1/1	100%

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.

The Nomination Committee convened one meeting during the Year with the attendance of each member as follows:

Name of Committee members	Director's Attendance	Attendance rate
Shiu Stephen Junior (Chairman)	1/1	100%
Kam Tik Lun	1/1	100%
Chan Chi Ho	1/1	100%
Tam Kwok Ming, Banny	1/1	100%

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL REPORTING

The Board is responsible for presenting a balanced, clear and understandable assessment of annual, interim and quarterly reports, price-sensitive announcements and other disclosures required under the GEM Listing Rules and other regulatory requirements.

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 30 June 2013.

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on page 25.

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.

SHAREHOLDERS' RIGHTS

The Company maintains an on-going dialogue with its shareholders through various channels including announcements and annual, interim and quarterly reports published on its website at www.china3d8078.com and the Company's general meetings. All shareholders are encouraged to attend general meetings and they may put to the Board any enquiries about the Group through its website at vwww.china3d8078.com or in writing sent to the principal office of the Company at 7th Floor, Zung Fu Industrial Building, 1067 King's Road, Quarry Bay, Hong Kong.

The directors, company secretary or other appropriate members of senior management respond to enquiries from shareholders promptly. The Chainman, chairmen of board committees (or their respective delegates) and external auditor attend the annual general meeting and are available to answer questions raised by shareholders. Shareholders may also access the Company's corporate website for the Group's information.

Pursuant to Bye-law 58 of the Company's Bye-laws, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business (including any proposals) specified in such requisition, and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in the same manner.

Under code provision A.6.7 independent non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders.

RELATIONSHIP AMONG MEMBERS OF THE BOARD

There is no relationship among members of the Board in respect of financial, business, family or other material/relevant relationship.

INVESTOR RELATIONS

The Company maintains a website at www.china3d8078.com where information and updates on the Company's business developments and operations, list of directors, and their role and function, constitutional documents, terms of reference of the Board and its committees, procedures for nomination of directors for election, shareholders' rights and communication policy, corporate governance practices, announcements, circulars and reports released to the Stock Exchange and other information are posted. Information on the Company's website will be updated from time to time.

There was no significant change in the Company's constitutional documents during the year ended 30 June 2013.

ACCOUNTABILITY AND AUDIT

The directors acknowledge their responsibility for preparing the accounts of the Company. As at 30 June 2013, the directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the directors have prepared the financial statements of the Company on a going concern basis.

The responsibilities of the external auditor on financial reporting are set out in the Independent Auditor's Report attached to the Company's Financial Statements for the year ended 30 June 2013.

The Board has regularly reviewed the effectiveness of the Company's internal control system with an aim to safeguard the shareholders' interests and the Company's assets. The purpose is to provide reasonable, but not absolute, assurance against material misstatements, errors, losses or fraud, and to manage rather than eliminate risks of failure in achieving the Company's business objectives.

AUDITOR'S 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 Limited 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 Limited 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	
– Others	79

The Company had engaged HLB Hodgson Impey Cheng Taxation Services Limited for the preparation of tax returns during the financial year at a total fee of HK$38,000.

Independent Auditor's Report

國衛會計師事務所有限公司
HLB Hodgson Impey Cheng Limited

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

INDEPENDENT AUDITOR'S 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 27 to 101, which comprise the consolidated and company statements of financial position as at 30 June 2013, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and 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.

AUDITOR'S 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 auditor's 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 auditor considers 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 qualified audit opinion.

Independent Auditor's Report (Continued)

BASIS FOR QUALIFIED OPINION

(a) *Opening balances and corresponding figures*

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

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

(b) *Available-for-sale investments*

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

QUALIFIED OPINION

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

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Yu Chi Fat
Practising Certificate Number: P05467

Hong Kong, 26 September 2013

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2013

	Notes	2013 HK$'000	2012 HK$'000
Turnover	7	**70,018**	17,718
Other income	9	**730**	1,919
Cost of film and television programmes production and distribution		**(57,225)**	(7,327)
Cost of artiste management services and music production		**(2,326)**	(845)
Selling and distribution costs		**(4,948)**	(2,333)
Administrative expenses		**(20,473)**	(16,287)
Finance costs	10	**(1,235)**	(1,676)
Cumulative losses reclassified from equity to profit or loss upon disposal of available-for-sales investments		**(5,339)**	–
Share of results of a jointly controlled entity	20	**(132)**	–
Loss before taxation	11	**(20,930)**	(8,831)
Taxation	13	**(13)**	–
Loss for the year		**(20,943)**	(8,831)
Loss for the year attributable to:			
Owners of the Company	14	**(21,237)**	(9,102)
Non-controlling interests		**294**	271
		(20,943)	(8,831)
Other comprehensive income, net of income tax			
Item that will not be reclassified to profit or loss		**–**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**54**	–
Net loss arising on revaluation of available-for-sale investments during the year		**(16,694)**	(3,051)
Release of investment revaluation reserve upon disposal of available-for-sales investments		**5,339**	–
		(11,301)	(3,051)
Other comprehensive loss for the year, net of income tax		**(11,301)**	(3,051)
Total comprehensive loss for the year		**(32,244)**	(11,882)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(32,538)**	(12,153)
Non-controlling interests		**294**	271
		(32,244)	(11,882)
Loss per share	16		
Basic and diluted (2012: Restated)		**HK(1.16)cents**	HK(2.74) cents

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

Consolidated Statement of Financial Position

As at 30 June 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	17	**6,035**	1,032
Investment property	18	**6,380**	5,840
Interest in a jointly controlled entity	20	**118**	–
Available-for-sale investments	21	**50,203**	71,482
Prepayments, deposits and other receivables	26	**7,040**	6,607
Film rights and films production in progress	22	**87,402**	31,207
		157,178	116,168
Current assets			
Inventories	23(a)	**174**	152
Music production in progress	23(b)	**–**	254
Loans receivables	24	**13,041**	1,010
Trade receivables	25	**6,598**	1,340
Prepayments, deposits and other receivables	26	**76,814**	9,761
Bank balances and cash	28	**29,565**	83,040
		126,192	95,557
Total assets		**283,370**	211,725
Current liabilities			
Trade payables	29	**3,927**	250
Accruals, deposits received and other payables	30	**12,360**	9,948
Amount due to a jointly controlled entity	32	**40**	–
Other borrowings	33	**9,000**	–
Tax payables		**13**	–
		25,340	10,198
Net current assets		**100,852**	85,359
Total assets less current liabilities		**258,030**	201,527
Non-current liabilities			
Convertible bond	34	**1,790**	1,649
Promissory note payable	35	**13,036**	12,358
		14,826	14,007
Net assets		**243,204**	187,520
Capital and reserves attributable to owners of the Company			
Share capital	36	**4,660**	20,212
Reserves	37	**235,204**	164,822
		239,864	185,034
Non-controlling interests		**3,340**	2,486
Total equity		**243,204**	187,520

Approved by the Board of Directors on 26 September 2013 and signed on its behalf by:

Shiu Stephen Junior	**Lee Wing Ho, Albert**
Director	*Director*

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

Statement of Financial Position

As at 30 June 2013

	Notes	**2013 HK$'000**	2012 HK$'000
Non-current assets			
Property, plant and equipment	17	**1,822**	559
Interests in subsidiaries	19	**–**	–
Available-for-sale investments	21	**3,204**	23,682
Prepayments, deposits and other receivables	26	**2,000**	2,620
Film rights and films production in progress	22	**6,050**	–
		13,076	26,861
Current assets			
Trade receivables	25	**406**	117
Prepayments, deposits and other receivables	26	**15,403**	4,897
Amounts due from subsidiaries	27	**192,408**	62,849
Bank balances and cash	28	**14,029**	69,809
		222,246	137,672
Total assets		**235,322**	164,533
Current liabilities			
Trade payables	29	**791**	–
Accruals, deposits received and other payables	30	**1,557**	3,213
Amount due to a subsidiary	31	**98**	–
		2,446	3,213
Net current assets		**219,800**	134,459
Total assets less current liabilities		**232,876**	161,320
Non-current liabilities			
Convertible bond	34	**1,790**	1,649
Promissory note payable	35	**13,036**	12,358
		14,826	14,007
Net assets		**218,050**	147,313
Capital and reserve attributable to owners of the Company			
Share capital	36	**4,660**	20,212
Reserves	37	**213,390**	127,101
Total equity		**218,050**	147,313

Approved by the Board of Directors on 26 September 2013 and signed on its behalf by:

Shiu Stephen Junior	**Lee Wing Ho, Albert**
Director	*Director*

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

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

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

Consolidated Statement of changes in Equity (Continued)

For the year ended 30 June 2013

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

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.

By a special resolution dated 19 November 2012, the nominal value of each share in issued was reduced from HK$0.1 to HK$0.005 by cancelling paid up capital to the extent of HK$0.095 on each issued share. The credit of approximately HK$26,327,000 arising from the capital reduction was credited to the contributed surplus account of the Company accordingly.

Translation Reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollars). We recognised directly in other comprehensive income and accumulated in translation reserve are reclassified to profit or loss on the disposal of the foreign operations.

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 2013

	2013 HK$'000	2012 HK$'000
Cash flows from operating activities		
Loss before income tax	**(20,930)**	(8,831)
Adjustments for:		
Amortisation of film rights	**18,334**	2,531
Depreciation of property, plant and equipment	**1,183**	283
Finance costs	**1,235**	1,676
Impairment loss recognised in respect of film rights	**5,281**	–
Impairment loss recognised in respect of prepaid artiste fees	**–**	46
Impairment loss recognised in respect of other receivables	**103**	–
Gain on early redemption of convertible bond	**–**	(701)
Loss arising on written down of inventories and music production in progress	**248**	104
Loss arising on written off of property, plant and equipment	**147**	–
Bank interest income	**(40)**	(239)
Bonds interest income	**(588)**	(293)
Gain arising on change in fair value of an investment property	**(540)**	(664)
Cumulative losses reclassified from equity to profit or loss upon disposal of available-for-sales investments	**5,339**	–
Gain arising on change in fair value of financial assets designated as fair value through profit or loss	**(189)**	(1,723)
Share of results of a jointly controlled entity	**132**	–
Operating cash flows before movements in working capital	**9,715**	(7,811)
Increase in inventories and music production in progress	**(16)**	(510)
Increase in loan receivables	**(12,031)**	(1,010)
(Increase)/decrease in trade receivables	**(5,258)**	12,020
Increase in prepayments, deposits and other receivables	**(64,620)**	(9,443)
Increase in trade payables	**3,677**	250
Increase in accruals, deposits received and other payables	**2,412**	6,829
Increase in amount due to a jointly controlled entity	**40**	–
Net cash (used in)/generated from operating activities	**(66,081)**	325
Cash flows from investing activities		
Addition costs incurred in film rights and films production in progress	**(82,776)**	(25,010)
Purchase of investment property	**–**	(3,006)
Purchase of property, plant and equipment	**(6,329)**	(719)
Acquisition of available-for-sale investments	**(16,738)**	(24,682)
Proceeds on disposal of available-for-sale investments	**21,323**	–
Acquisition of financial assets designated as fair value through profit or loss	**(6,131)**	(533)
Proceeds on disposal of financial assets designated as fair value through profit or loss	**6,320**	627
Investment in a jointly controlled entity	**(250)**	–
Bank interest received	**40**	239
Bonds interest received	**588**	293
Net cash used in investing activities	**(83,953)**	(52,791)

Consolidated Statement of Cash Flows (Continued)

For the year ended 30 June 2013

	2013 HK$'000	2012 HK$'000
Cash flows from financing activities		
Proceeds from other borrowing	**9,000**	–
Capital contribution from non-controlling interests	**–**	45
Proceeds on disposal of partial interest in a subsidiary	**500**	–
Proceeds from issue of shares, net of transaction costs	**87,428**	77,774
Early redemption of convertible bond	**–**	(15,000)
Interest paid	**(415)**	(194)
Net cash generated from financing activities	**96,513**	62,625
Net (decrease)/increase in cash and cash equivalents	**(53,521)**	10,159
Effect of foreign exchange rate changes	**46**	–
Cash and cash equivalents at the beginning of the year	**83,040**	72,881
Cash and cash equivalents at the end of the year	**29,565**	83,040
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**29,565**	83,040

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2013

1. GENERAL

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

The Company is an investment holding company.

The consolidated financial statements are presented in Hong Kong dollars ("HKD"), which is the same as the functional currency of the Company. The principal activities of its principal subsidiaries are set out in note 19.

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

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

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

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

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

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

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

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

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

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

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 January 2014
3 Effective for annual periods beginning on or after 1 January 2015

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

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

HKFRS 9 "Financial Instruments"

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

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flow, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

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

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

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

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

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

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

Key requirements of these five standards are described below:

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

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

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

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

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

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

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

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

HKFRS 13 "Fair Value Measurement"

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

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

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

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

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

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

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

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

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

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

HKAS 19 "Employee Benefits"

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

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

Annual Improvements to HKFRSs 2009 – 2011 Cycle

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

- amendments to HKAS 16 "Property, Plant and Equipment"; and
- amendments to HKAS 32 "Financial Instruments: Presentation".

Amendments to HKAS 16

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

Amendments to HKAS 32

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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.

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

(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.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries 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.

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)*

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 "Financial Instruments: Recognition and Measurement" 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 assets or liabilities 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.

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

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

When a business combination is achieved in stages, the Group's previously held equity interest in the 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.

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

(d) Investments in subsidiaries

Subsidiaries are those entities in which the Company has control over the operations. 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.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less any identified impairment loss. Results of the subsidiaries are accounted for by the Company on the basis of dividends received or receivable during the year.

(e) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's 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 when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount, 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 on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. 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 profit or loss on disposal.

(f) Interest in a joint venture

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

When a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venture has an interest are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of jointly controlled entities used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

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

(g) 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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(h) Investment property

Investment property is property held to earn rentals and/or for capital appreciation. Investment property is measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured at fair values. Gain or loss arising from changes in the fair value of investment property is 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 disposal. 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 property is derecognised.

(i) 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 profit or loss and other comprehensive income using a method that reasonably relates the carrying amount of film rights to the net revenue expected to be realised. Additional amortisation or impairment loss is made if future estimated projected are adversely different from the previous estimation. 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.

An impairment loss is made when there has been a change in the estimate used to determine the recoverable amount and the carrying amount exceeds the recoverable amount.

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

(j) 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 impairment losses.

(k) Financial instruments

Financial assets and financial liabilities are recognised 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

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 debt instrument 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 debt instrument, 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 other than those financial assets classified as at FVTPL.

For the year ended 30 June 2013

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

(k) Financial instruments *(continued)*

Financial assets (continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in near term; or
- on initial recognition it is a part of a portfolio of identified 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.

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 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial asset at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "turnover" line item.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including loans receivables, trade receivables, deposits and other receivables, and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

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

(k) Financial instruments *(continued)*

Financial assets (continued)

Available-for-sale financial assets

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

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of the reporting period. Changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy in respect of impairment loss on financial assets below).

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 are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy in respect of impairment loss on financial assets below).

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 available-for-sale equity investments, a significant or prolonged decline in the fair value of the security 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 counter party; 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
- the 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, as well as 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.

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

(k) Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (continued)

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 (see the accounting policy below).

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. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in 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.

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 investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of 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

Classification as debt or equity

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.

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

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

(k) Financial instruments *(continued)*

Financial liabilities and equity instruments (continued)

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.

Other financial liabilities

Other financial liabilities (including trade payables, accruals and other payables, amount due to a jointly controlled entity, other borrowings, convertible bond and promissory note payable) are subsequently measured at amortised cost, using the effective interest method.

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.

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

(k) Financial instruments *(continued)*

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 they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(l) Impairment of tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives 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.

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

(l) Impairment of tangible and intangible assets other than goodwill *(continued)*

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.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 immediately in profit or loss.

(m) 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.

(n) 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.

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

(n) Revenue recognition *(continued)*

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.

Revenue arising from money lending is recognised on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Handling charge revenue is recognised when earned.

(o) Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and 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

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 deferred tax 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.

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

(o) Taxation *(continued)*

Deferred tax (continued)

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.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax for the year

Current and deferred tax are 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.

(p) Foreign currency

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 HKD, which is the Company's functional and the Group's presentation currency.

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 profit or loss and other 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.

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

(p) Foreign currency *(continued)*

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 profit or loss and other 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.

(q) Employee benefits

Retirement benefits scheme

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

Share-based compensation

The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the consolidated statement of profit or loss and other comprehensive income. The total amount to be expensed over the vesting period is determined with reference to the fair value of the share options 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. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of profit or loss and other 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 vested.

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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

(s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

(t) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised 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 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. 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.

(u) 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.

For the year ended 30 June 2013

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

(v) 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; or

(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); or

(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); or

(3) both entities are joint ventures of the same third party; or

(4) one entity is a joint venture of a third entity and the other entity is an associate of the third entity; or

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

(6) the entity is controlled or jointly controlled by a person identified in (i); or

(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.

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.

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

(a) Income tax expense

The Group is subject to Profits Tax in Hong Kong. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) 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.

(c) Amortisation and impairment on film rights

The Group is required to estimate the projected revenue of the film rights based on their economic lives in order to ascertain the amount of amortisation charges for each reporting period. The appropriateness of the amortisation estimate requires the use of judgement and assumptions with reference to the prevailing and future market conditions to estimate total projected revenue over their economic lives. Changes in these estimates and assumptions could have a material effect on the amortisation expenses.

(d) Impairment loss in respect of film rights and films production in progress

The management of the Group reviews an aging 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.

(e) 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 aging 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.

(f) 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 properties will change in future.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group	2013 HK$'000	2012 HK$'000
Financial assets		
Loans and receivables		
Loans receivables	**13,041**	1,010
Trade receivables	**6,598**	1,340
Deposits and other receivables	**33,538**	5,678
Bank balances and cash	**29,565**	83,040
	82,742	91,068
Available-for-sale investments	**50,203**	71,482
Financial liabilities		
At amortised cost		
Trade payables	**3,927**	250
Accruals and other payables	**1,728**	1,971
Amount due to a jointly controlled entity	**40**	–
Other borrowings	**9,000**	–
Convertible bond	**1,790**	1,649
Promissory note payable	**13,036**	12,358
	29,521	16,228

The Company	2013 HK$'000	2012 HK$'000
Financial assets		
Loans and receivables		
Trade receivables	**406**	117
Deposits and other receivables	**62**	766
Amounts due from subsidiaries	**192,408**	62,849
Bank balances and cash	**14,029**	69,809
	206,905	133,541
Available-for-sale investments	**3,204**	23,682
Financial liabilities		
At amortised cost		
Trade payables	**791**	–
Accruals and other payables	**807**	1,061
Amount due to a subsidiary	**98**	–
Convertible bond	**1,790**	1,649
Promissory note payable	**13,036**	12,358
	16,522	15,068

5. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk factors

The Group and the Company are exposed to a variety of financial risks such as market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk, which result from both its operating and investing activities. The Group and the Company have 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 and the Company's exposure to these financial risks. The Group's and the Company's exposure to market risk is kept to a minimum. The Group and the Company have not used any derivatives or other instruments for hedging purpose.

Market risk

(i) Foreign currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 17% (2012: 42%) of the Group's sales are denominated in currencies other than the functional currency of the respective group entities.

The Company's transactions and balances are denominated in HKD, Renminbi ("RMB") and United States dollars ("USD"), of which RMB and USD are currencies other than the functional currencies of the Company.

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

The Group

	Liabilities		**Assets**	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
RMB	**–**	–	**35,873**	51
Euro ("EUR")	**–**	–	**5**	–
USD	**–**	–	**2,932**	13,127

The Company

	Liabilities		**Assets**	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
RMB	**–**	–	**397**	12
USD	**–**	–	**411**	12,950

5. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk factors *(continued)*

Market risk (continued)

(i) Foreign currency risk (continued)

Sensitivity analysis

The Group and the Company are mainly exposed to the effect of fluctuation in HKD against RMB.

As Hong Kong dollars is pegged to USD, the currency risk associated with USD and HKD is considered minimal. The directors of the Company are of the opinion that the Group's exposures to currency risk associated with EUR is minimal. Accordingly, no sensitivity analysis is presented.

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.

The Group

	Profit before tax	
	2013	2012
	HK$'000	HK$'000
RMB	**1,794**	3

The Company

	Profit before tax	
	2013	2012
	HK$'000	HK$'000
RMB	**20**	1

The Group and the Company currently do 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.

5. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk factors *(continued)*

Market risk (continued)

(ii) Interest rate risk

The Group and the Company are also exposed to cash flow interest risk relating primarily to variable-rate bank balances and convertible bond. The Group and the Company currently do 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 and the Company's cash flow interest risk is mainly concentrated on the fluctuation of the Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's and the Company's convertible bond.

The Group's and the Company's sensitivity to cash flow interest rate risk have 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 points (2012: 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 (2012: 100 basis points) with all other variables held constant, the Group's and the Company's:

- loss for the year would increase or decrease by approximately HK$20,000 (2012: HK$20,000). This is mainly attributable to the Group's and the Company's exposure to interest rates on its variable rate borrowings; and

- other comprehensive loss for the year would increase or decrease by approximately HK$nil (2012: HK$113,000) mainly as a result of the changes in the fair value of available-for-sale fixed rate instruments.

(iii) Price risk

The Group's and the Company's investments classified as available-for-sale investments are measured at fair value at the end of each reporting period and expose the Group and the Company's to price risk. The managements of the Group manage this exposure by maintaining a portfolio of investments with different risk profiles.

5. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk factors *(continued)*

Market risk (continued)

(iii) Price risk (continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to price risk at the end of the reporting period.

If prices had been 5% higher/lower, the Group's:

- other components of equity for the year ended 30 June 2013 would increase/decrease by approximately HK$176,000 (2012: HK$1,240,000) as a result of the changes in fair value of available-for-sale investments.

If prices had been 5% higher/lower, the Company's:

- other components of equity for the year ended 30 June 2013 would increase/decrease by approximately HK$160,000 (2012: HK$1,184,000) as a result of the changes in fair value of available-for-sale investments.

Credit risk

The Group's and the Company's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 30 June 2013 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 and the Company review 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 and the Company'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 and the Company have 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.

5. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk factors *(continued)*

Liquidity risk

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

The following table details the Group's and the Company's remaining contractual maturities at the end of the reporting period of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payment computed using contractual rates) and the earliest date the Group and the Company 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$'000	Total carrying amounts HK$'000
The Group						
At 30 June 2013						
Trade payables	3,927	–	–	–	3,927	3,927
Accruals and other payables	1,728	–	–	–	1,728	1,728
Amount due to a jointly controlled entity	40	–	–	–	40	40
Other borrowings	11	285	9,072	–	9,368	9,000
Convertible bond	–	–	51	2,016	2,067	1,790
Promissory note payable	–	–	–	14,160	14,160	13,036
	5,706	285	9,123	16,176	31,290	29,521

5. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk factors *(continued)*

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$'000	Total carrying amounts HK$'000
The Group						
At 30 June 2012						
Trade payables	250	–	–	–	250	250
Accruals and other payables	1,971	–	–	–	1,971	1,971
Convertible bond	–	–	51	2,067	2,118	1,649
Promissory note payable	–	–	–	14,160	14,160	12,358
	2,221	–	51	16,227	18,499	16,228
The Company						
At 30 June 2013						
Trade payables	**791**	**–**	**–**	**–**	**791**	**791**
Accruals and other payables	**807**	**–**	**–**	**–**	**807**	**807**
Amount due to a subsidiary	**98**	**–**	**–**	**–**	**98**	**98**
Convertible bond	**–**	**–**	**51**	**2,016**	**2,067**	**1,790**
Promissory note payable	**–**	**–**	**–**	**14,160**	**14,160**	**13,036**
	1,696	**–**	**51**	**16,176**	**17,923**	**16,522**
At 30 June 2012						
Accruals and other payables	1,061	–	–	–	1,061	1,061
Convertible bond	–	–	51	2,067	2,118	1,649
Promissory note payable	–	–	–	14,160	14,160	12,358
	1,061	–	51	16,227	17,339	15,068

5. FINANCIAL INSTRUMENTS *(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 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:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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
At 30 June 2013				
Available-for-sale investments				
Listed equity securities	**3,529**	**–**	**–**	**3,529**
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

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 other borrowings, 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 of the Company 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

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

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

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 and music production		Production of films and television programmes		Distribution of films and television programmes		Money lending		Securities and bonds investment		Property investment		Total	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Segment revenue														
Revenue from external customers	**2,125**	1,869	**65,897**	13,139	**22**	508	**1,077**	96	**777**	2,016	**120**	90	**70,018**	17,718
Segment results	**(3,079)**	(1,624)	**4,951**	5,775	**(2,641)**	(1,945)	**635**	75	**777**	2,016	**504**	629	**1,147**	4,926
Bank interest income													**40**	239
Cumulative losses reclassified from equity to profit or loss upon disposal of available-for-sale investments													**(5,339)**	–
Unallocated corporate expenses													**(15,411)**	(12,320)
Finance costs													**(1,235)**	(1,676)
Share of results of a jointly controlled entity													**(132)**	–
Loss before taxation													**(20,930)**	(8,831)
Taxation													**(13)**	–
Loss for the year													**(20,943)**	(8,831)

The accounting policies on segment reporting are the same as the Group's accounting policies 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 CODM for the purpose of resource allocation and performance assessment.

For the year ended 30 June 2013

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 and music production		Production of films and television programmes		Distribution of films and television programmes		Money lending		Securities and bonds investment		Property investment		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**9,283**	2,480	**158,685**	119,671	**3,392**	3,916	**13,309**	1,020	**3,529**	24,808	**6,732**	6,173	**194,930**	158,068
Other non-current financial assets													**46,674**	46,674
Interest in a jointly controlled entity													**118**	–
Unallocated corporate assets													**41,648**	6,983
Total assets													**283,370**	211,725
Segment liabilities	**979**	430	**12,369**	9,048	**244**	47	**9,018**	5	**–**	–	**10**	45	**22,620**	9,575
Amount due to a jointly controlled entity													**40**	–
Unallocated corporate liabilities													**17,506**	14,630
Total liabilities													**40,166**	24,205

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

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

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 and music production		Production of films and television programmes		Distribution of films and television programmes		Money leading		Securities and bonds investment		Property investment		Total	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Capital expenditure	**2,087**	–	**–**	–	**195**	–	**–**	–	**–**	–	**–**	5,176	**2,282**	5,176
Depreciation of property, plant and equipment	**194**	123	**–**	–	**58**	160	**–**	–	**–**	–	**–**	–	**252**	283
Amortisation of film rights	**–**	–	**18,334**	1,782	**–**	749	**–**	–	**–**	–	**–**	–	**18,334**	2,531
Impairment loss recognised in respect of film rights	**–**	–	**5,281**	–	**–**	–	**–**	–	**–**	–	**–**	–	**5,281**	–
Loss arising on written down of inventories and music production in progress	**248**	104	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**248**	104
Gain arising on change in fair value of an investment property	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(540)**	(664)	**(540)**	(664)

Reconciliation of other segment information

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

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

Information about major customers

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

Geographical information

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

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

8. SEGMENT INFORMATION *(CONTINUED)*

Geographic information *(continued)*

	Revenue from customers		Non-current assets	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (place of domicile)	**57,910**	10,285	**110,227**	69,494
The PRC	**2,378**	927	**277**	–
Taiwan	**1,153**	–	**–**	–
Japan	**–**	381	**–**	–
Other Asian countries (note (a))	**7,080**	905	**–**	–
Oceania (note (b))	**327**	–	**–**	–
North America (note (c))	**234**	1,555	**–**	–
European countries (note (d))	**–**	3,478	**–**	–
Other areas	**936**	187	**–**	–
	70,018	17,718	**110,504**	69,494

Notes:

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

(b) Oceania included Australia and New Zealand.

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

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

9. OTHER INCOME

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

10. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interest on other borrowings wholly repayable within five years	**364**	–
Interest on bank overdraft	**–**	6
Interest on convertible bond (note 34)	**192**	1,025
Imputed interest on promissory note payable	**679**	645
	1,235	1,676

11. LOSS BEFORE TAXATION

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

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

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

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12. DIRECTORS', SENIOR MANAGEMENTS' AND EMPLOYEES' REMUNERATION

(a) Directors' remuneration

For the year ended 30 June 2013, the emoluments paid or payable to each of the six (2012: seven) directors was as follow:

	Fees		Salaries		Other benefit and allowance		Retirement benefits scheme contributions		Total	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Shiu Stephen Junior#	**–**	–	**600**	639	**73**	–	**15**	11	**688**	650
Sun Lap Key, Christopher[1]	**150**	–	**210**	191	**–**	–	**15**	7	**375**	198
Lee Wing Ho, Albert[2]	**150**	47	**330**	323	**–**	–	**15**	7	**495**	377
Chan Chi Ho	**150**	150	**–**	–	**–**	–	**–**	–	**150**	150
Kam Tik Lun	**150**	150	**–**	–	**–**	–	**–**	–	**150**	150
Tam Kwok Ming, Banny[3]	**150**	94	**–**	–	**–**	–	**–**	–	**150**	94
Tsang Pui Lan, Partick[4]	**–**	53	**–**	–	**–**	–	**–**	–	**–**	53
	750	494	**1,140**	1,153	**73**	–	**45**	25	**2,008**	1,672

Notes:

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

2. 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.

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

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

\# Chief executive of the Company

No directors waived any remuneration during the year (2012: Nil). No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors during the year.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2013

12. DIRECTORS', SENIOR MANAGEMENTS' AND EMPLOYEES' REMUNERATION *(CONTINUED)*

(b) Employees' emoluments

The five highest paid individuals for the year included three directors (2012: two) in 2013 whose emoluments are set out in (a) above. The emoluments of the two (2012: three) individuals of which one (2012: one) is senior management are as follows:

	2013 HK$'000	2012 HK$'000
Salaries and other benefits	**690**	1,190
Retirement benefits scheme contributions	**15**	37
	705	1,227

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

	2013 Number of employees	2012 Number of employees
Nil – HK$1,000,000	**2**	3

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

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

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

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

13. TAXATION *(CONTINUED)*

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

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

14. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group's consolidated loss for the year attributable to owners of the Company of approximately HK$21,237,000 (2012: HK$9,102,000) of which net loss attributable to owners of the Company for the year of approximately HK$5,802,000 (2012: HK$8,379,000) 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 2013 and 2012.

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$21,237,000 (2012: HK$9,102,000) and the weighted average number of 1,825,550,573 (2012: 331,963,591 (restated)) ordinary shares of the Company in issue during the year.

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

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

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:						
At 1 July 2011	–	–	–	–	617	617
Additions	346	83	233	57	–	719
At 30 June 2012 and 1 July 2012	346	83	233	57	617	1,336
Additions	2,647	643	935	24	2,080	6,329
Written off	(346)	–	(4)	–	–	(350)
Effect of foreign exchange differences	6	–	–	–	–	6
At 30 June 2013	**2,653**	**726**	**1,164**	**81**	**2,697**	**7,321**
Accumulated depreciation and impairment:						
At 1 July 2011	–	–	–	–	21	21
Charge for the year	109	13	30	8	123	283
At 30 June 2012 and 1 July 2012	109	13	30	8	144	304
Charge for the year	765	73	139	13	193	1,183
Elimination upon written off	(202)	–	(1)	–	–	(203)
Effect of foreign exchange differences	2	–	–	–	–	2
At 30 June 2013	**674**	**86**	**168**	**21**	**337**	**1,286**
Carrying values:						
At 30 June 2013	**1,979**	**640**	**996**	**60**	**2,360**	**6,035**
At 30 June 2012	237	70	203	49	473	1,032

For the year ended 30 June 2013

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:					
At 1 July 2011	–	–	–	–	–
Additions	346	83	233	57	719
At 30 June 2012 and 1 July 2012	346	83	233	57	719
Additions	182	636	935	20	1,773
Written off	(346)	–	(4)	–	(350)
At 30 June 2013	**182**	**719**	**1,164**	**77**	**2,142**
Accumulated depreciation and impairment:					
At 1 July 2011	–	–	–	–	–
Charge for the year	109	13	30	8	160
At 30 June 2012 and 1 July 2012	109	13	30	8	160
Charge for the year	139	72	139	13	363
Elimination upon written off	(202)	–	(1)	–	(203)
At 30 June 2013	**46**	**85**	**168**	**21**	**320**
Carrying values:					
At 30 June 2013	**136**	**634**	**996**	**56**	**1,822**
At 30 June 2012	237	70	203	49	559

For the year ended 30 June 2013

18. INVESTMENT PROPERTY

	HK$'000
At 1 July 2011	–
Additions	5,176
Fair value change recognised in the consolidated statement of profit or loss	664
At 30 June 2012 and 1 July 2012	5,840
Additions	–
Fair value change recognised in the consolidated statement of profit or loss	540
At 30 June 2013	**6,380**

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 2013 and 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 reports for the investment property as at 30 June 2013 and 2012 are signed by the respective directors of RHL, who are members of The Hong Kong Institute of Surveyors.

The valuations as at 30 June 2013 were performed in accordance with The Hong Kong Institute of Surveyors Valuation Standards on Properties (2nd Edition 2012) (2012: 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.

At 30 June 2013 and 2012, no investment property has been pledged to obtain banking facilities for the Group.

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

19. INTERESTS IN SUBSIDIARIES

	The Company	
	2013 **HK$'000**	2012 HK$'000
Unlisted shares, at cost	**–**	–

19. INTERESTS IN SUBSIDIARIES *(CONTINUED)*

Particulars of the Company's principal subsidiaries at 30 June 2013 and 2012 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
			2013		2012		
			Direct	**Indirect**	Direct	Indirect	
New Smart International Creation Limited	Hong Kong	HK$1	**100%**	**–**	100%	–	Production and distribution of film
Champion Peak Corporation Limited	Hong Kong	HK$1	**–**	**100%**	–	100%	Production of film
China 3D Digital Products Limited	Hong Kong	HK$1	**–**	**100%**	–	100%	Production of film
Eastern Master Corporation Limited	Hong Kong	HK$1	**–**	**100%**	–	100%	Production of film
Fantastic Union Limited	Hong Kong	HK$1	**–**	**100%**	–	100%	Production of film
Good Lead Corporation Limited	Hong Kong	HK$1	**–**	**100%**	–	100%	Production of film
Good Time Investment Limited	Hong Kong	HK$1	**–**	**100%**	–	100%	Production of film
Joyful Excellence Limited	Hong Kong	HK$1	**–**	**100%**	–	100%	Production of film

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2013

19. INTERESTS IN SUBSIDIARIES *(CONTINUED)*

Particulars of the Company's principal subsidiaries at 30 June 2013 and 2012 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 2013 Direct	2013 Indirect	2012 Direct	2012 Indirect	Principal activities
New Jumbo Corporation Limited	Hong Kong	HK$1	**–**	**100%**	–	100%	Production of film
New Modern Corporation Limited	Hong Kong	HK$1	**–**	**100%**	–	100%	Production of film
New Noble Corporation Limited	Hong Kong	HK$1	**–**	**100%**	–	100%	Production of film
New Pioneer Corporation Limited	Hong Kong	HK$1	**–**	**100%**	–	100%	Production of film
New Star International Develop Limited	Hong Kong	HK$1	**–**	**100%**	–	100%	Production of film
Source Hunter Corporation Limited	Hong Kong	HK$1	**–**	**100%**	–	100%	Production of film
China 3D Digital Distribution Limited	Hong Kong	HK$1	**–**	**100%**	–	100%	Distribution of films
Red Rich Investment Limited	Hong Kong	HK$1	**–**	**100%**	–	100%	Distribution of films
Smooth Success Development Limited	Hong Kong	HK$1	**–**	**100%**	–	100%	Distribution of films

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19. INTERESTS IN SUBSIDIARIES *(CONTINUED)*

Particulars of the Company's principal subsidiaries at 30 June 2013 and 2012 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 2013 Direct	2013 Indirect	2012 Direct	2012 Indirect	Principal activities
CineUnited Circuits Company Limited	Hong Kong	HK$1	**–**	**100%**	–	100%	Cinema investment in the PRC
Markwin Investment Limited	Hong Kong	HK$1	**–**	**100%**	–	100%	Artiste management
Quick Money Finance Limited	Hong Kong	HK$1	**–**	**100%**	–	100%	Money lending
Proletariate Institute Limited	Hong Kong	HK$5,500,000	**–**	**50.6%**	–	59.7%	Property investment
Beijing Hua Hao Ying An Yule Consulting Company* 北京華浩盈安娛樂咨詢有限公司	The PRC	RMB4,032,190	**–**	**100%**	–	–	Provision for consultancy service

* For identification purpose only

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.

20. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2013 HK$'000	2012 HK$'000
Cost of unlisted investment in a jointly controlled entity	250	–
Share of post-acquisition loss and other comprehensive expenses, net of dividends received	(132)	–
	118	–

The summarised financial information in respect of the Group's jointly controlled entity which is accounted for using equity method is set out below:

	2013 HK$'000	2012 HK$'000
Non-current asset	–	–
Current assets	236	–
Current liability	–	–
Non-current liability	–	–

	2013 HK$'000	2012 HK$'000
Income	80	–
Expenses	(344)	–
	(264)	–
Other comprehensive income	–	–

Particulars of the Company's jointly controlled entity at 30 June 2013 and 2012 are as follows:

Name of entity	Place of incorporation/ registration and operation	Issued and fully paid share capital	Proportion of equity interest held by the Company				Principal activities
			2013		2012		
			Direct	Indirect	Direct	Indirect	
Mustard Seed Entertainment Company Limited	Hong Kong	HK$500,000	–	50%	–	–	Provision for consultancy service

21. AVAILABLE-FOR-SALE INVESTMENTS

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Available-for-sale investments comprised of:				
Listed shares, at fair value (note (a))	**3,529**	13,466	**3,204**	12,340
Unlisted shares, at cost (note (b))	**46,674**	46,674	**–**	–
Corporate bonds – listed (note (c))	**–**	11,342	**–**	11,342
	50,203	71,482	**3,204**	23,682

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 35). The directors of the Company have not been provided financial or other relevant information from the management of DHL in order to determine of any impairment in respect of the investment in DHL was necessary at the end of the reporting period and therefore no impairment was recognised in the consolidated statements of profit or loss for the year ended 30 June 2013 and 2012 accordingly.

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

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

22. FILM RIGHTS AND FILMS PRODUCTION IN PROGRESS

The Group

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

22. FILM RIGHTS AND FILMS PRODUCTION IN PROGRESS

The Company

	Film rights
	HK$'000
Cost:	
At 1 July 2011, 30 June 2012 and 1 July 2012	–
Additions	7,486
At 30 June 2013	**7,486**
Accumulated amortisation and impairment:	
At 1 July 2011, 30 June 2012 and 1 July 2012	–
Charge for the year	1,436
At 30 June 2013	**1,436**
Carrying values:	
At 30 June 2013	**6,050**
At 30 June 2012	–

Notes:

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

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

23. INVENTORIES AND MUSIC PRODUCTION IN PROGRESS

(a) Inventories

	2013 HK$'000	2012 HK$'000
Finished goods	**174**	152

Inventories of HK$88,000 (2012: HK$99,000) are carried at net realisable value and HK$86,000(2012: HK$53,000) are carried at cost.

(b) Music production in progress

	HK$'000
At 1 July 2011	–
Addition	254
At 30 June 2012 and 1 July 2012	254
Addition	–
Transfer to inventories	(254)
At 30 June 2013	**–**

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 had been recognised in this respect for the year ended 30 June 2012 for the music production in progress.

24. LOANS RECEIVABLES

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

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

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

24. LOANS RECEIVABLES *(CONTINUED)*

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

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

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

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

25. TRADE RECEIVABLES

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

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

	The Group		The Company	
	2013 **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000
Current	**6,598**	1,340	**406**	117

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments (note (a))	**50,316**	10,690	**17,341**	6,751
Deposits and other receivables (note (d))	**33,538**	5,678	**62**	766
	83,854	16,368	**17,403**	7,517

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

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
– Non-current portion				
Prepayments (note (a))	**2,000**	3,644	**2,000**	2,620
Deposits (note (b))	**5,040**	2,963	**–**	–
	7,040	6,607	**2,000**	2,620
– Current portion				
Prepayments	**48,316**	7,046	**15,341**	4,131
Deposits	**3,034**	431	**62**	250
Other receivables (note (c))	**25,464**	2,284	**–**	516
	76,814	9,761	**15,403**	4,897
	83,854	16,368	**17,403**	7,517

Notes:

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

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

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

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

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

Notes: (continued)

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

	The Group		The Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Receivables from a related company*	**139**	530	**–**	103
Receivables from third parties	**33,399**	5,148	**62**	663
	33,538	5,678	**62**	766

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

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

	The Group		The Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Prepayments for:				
– Acquisition of film distribution rights	**8,850**	5,904	**386**	3,690
– Film production costs	**25,580**	2,665	**15,978**	2,620
– Film promotion costs	**2,440**	61	**–**	49
– Artiste fee	**6,043**	904	**–**	–
– Equipment	**1,128**	–	**–**	–
– Others	**6,275**	1,156	**977**	392
	50,316	10,690	**17,341**	6,751
Less: Non-current portion	**(2,000)**	(3,644)	**(2,000)**	(2,620)
Current portion	**48,316**	7,046	**15,341**	4,131

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.

27. AMOUNTS DUE FROM SUBSIDIARIES

	The Company	
	2013 HK$'000	2012 HK$'000
Amounts due from subsidiaries	**243,663**	114,088
Accumulated impairment loss	**(51,255)**	(51,239)
	192,408	62,849

The amounts due from subsidiaries are unsecured, interest-bearing and recoverable on demand. In the opinion of the directors of the Company, the carrying amounts of the amounts due from subsidiaries are approximate to their fair values.

28. BANK BALANCES AND CASH

Bank deposits and cash are denominated in the following currencies:

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank balances and cash:				
RMB	**5,607**	51	**12**	12
USD	**2,284**	1,785	**5**	1,608
EUR	**5**	–	**–**	–
HKD	**21,669**	81,204	**14,012**	68,189
	29,565	83,040	**14,029**	69,809

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% (2012: 0.01%) per annum.

29. TRADE PAYABLES

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

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current	**3,927**	250	**791**	–

30. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accruals	**1,462**	1,181	**541**	795
Deposits received (note)	**10,632**	7,977	**750**	2,152
Other payables	**266**	790	**266**	266
	12,360	9,948	**1,557**	3,213

Note:

The amount represents mainly the deposits received for film distribution.

31. AMOUNT DUE TO A SUBSIDIARY

	The Company	
	2013	2012
	HK$'000	HK$'000
Amount due to a subsidiary	**98**	–

The amount due to a subsidiary is unsecured, interest free and repayable on demand.

32. AMOUNT DUE TO A JOINTLY CONTROLLED ENTITY

	2013	2012
	HK$'000	HK$'000
Amount due to a jointly controlled entity	**40**	–

The amount due to a jointly controlled entity is unsecured, interest free and repayable on demand.

33. OTHER BORROWINGS

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

Note:

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

34. 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 per 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 per 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 per 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 per 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 per ordinary share as a result of placing of new shares effective from 22 March 2012.

34. CONVERTIBLE BOND *(CONTINUED)*

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

The conversion price of the convertible bond has been adjusted from HK$0.290 per ordinary share to HK$0.259 per ordinary share as a result of placing of new shares effective from 6 September 2012.

The conversion price of the convertible bond has been adjusted from HK$0.259 per ordinary share to HK$5.180 per ordinary share as a result of capital reorganisation effective from 19 November 2012.

The conversion price of the convertible bond has been adjusted from HK$5.180 per ordinary share to HK$4.160 per ordinary share as a result of placing of new shares effective from 14 January 2013.

The conversion price of the convertible bond has been adjusted from HK$4.160 per ordinary share to HK$3.108 per ordinary share as a result of placing of new shares effective from 9 April 2013.

The conversion price of the convertible bond has been adjusted from HK$3.108 per ordinary share to HK$1.551 per ordinary share as a result of placing of new shares effective from 21 June 2013.

The movement of the liability component of the convertible bond for the years ended 30 June 2013 and 2012 is set out below:

	The Group and the Company	
	2013	2012
	HK$'000	HK$'000
At the beginning of the year	**1,649**	12,851
Interest charged (note 10)	**192**	1,025
Interest paid	**(51)**	(253)
Early redemption during the year	**–**	(11,974)
At the end of the year	**1,790**	1,649

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 profit or loss for the year ended 30 June 2012.

35. 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 interest free. 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$679,000 (2012: HK$645,000) was charged to the consolidated statement of profit or loss.

36. SHARE CAPITAL

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

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

Notes:

For the year ended 30 June 2012

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

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

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

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

36. SHARE CAPITAL *(CONTINUED)*

Note: (continued)

For the year ended 30 June 2012 (continued)

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

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

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

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

For the year ended 30 June 2013

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

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

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

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

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

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

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

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

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

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

37. 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 page 30 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 losses HK$'000	Total HK$'000
At 1 July 2011	307,964	(17)	3,952	6,508	(278,992)	39,415
Item that will not be reclassified to profit or loss	–	–	–	–	–	–
Items that may be reclassified subsequently to profit or loss:						
Net loss arising on revaluation of available-for-sale investments during the year	–	(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)

For the year ended 30 June 2013

37. RESERVES *(CONTINUED)*

(b) The Company (continued)

	Share premium HK$'000	Investment revaluation reserve HK$'000	Contributed surplus HK$'000	Convertible bond equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 30 June 2012 and 1 July 2012	91,295	(1,224)	45,652	766	(9,388)	127,101
Item that will not be reclassified to profit or loss	–	–	–	–	–	–
Items that may be reclassified subsequently to profit or loss:						
Net loss arising on revaluation of available-for-sale investments during the year	–	(16,118)	–	–	–	(16,118)
Release of investment revaluation reserve upon disposal of available-for-sale investments	–	5,229	–	–	–	5,229
Loss for the year	–	–	–	–	(5,802)	(5,802)
Total comprehensive loss for the year	–	(10,889)	–	–	(5,802)	(16,691)
Capital reduction	–	–	26,327	–	–	26,327
Transaction cost attributable to capital reduction	(239)	–	–	–	–	(239)
Issue of shares upon placing	79,040	–	–	–	–	79,040
Transaction cost attributable to issue of shares	(2,148)	–	–	–	–	(2,148)
At 30 June 2013	**167,948**	**(12,113)**	**71,979**	**766**	**(15,190)**	**213,390**

38. 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.

39. OPERATING LEASE COMMITMENTS

The Group as lessee

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:

	2013 HK$'000	2012 HK$'000
Within one year	**4,990**	2,104
In the second to fifth year, inclusive	**40,341**	3,740
Over five years	**165,693**	–
	211,024	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 twenty years.

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

The Group as lessor

Property rental income earned during the year was HK$120,000 (2012: HK$90,000). The Group's investment property is held for rental purpose and is expected to generate rental yields of 2% (2012: 2%) on an ongoing basis.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2013 HK$'000	2012 HK$'000
Within one year	**30**	120
In the second to fifth year, inclusive	**–**	30
	30	150

40. OTHER COMMITMENTS

	2013 HK$'000	2012 HK$'000
Amount contracted for but not provided in the consolidated financial statements in respect of:		
Film production cost	**28,555**	38,274
Guaranteed sum to be paid under various distributors' agreements	**14,729**	7,035
Promotion	**44**	–
Equipment	**1,384**	–
Others	**5,532**	–
	50,244	45,309

41. 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.

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.

42. MATERIAL 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.

	2013 HK$'000	2012 HK$'000
Transactions with a jointly controlled entity		
Consultancy fee (note (i))*	**80**	–
Transactions with related companies		
Film production cost (note (ii))*	**–**	1,000
Consultancy fee (note (iii))*	**150**	–
Transactions with directors		
Film production cost (note (iv))*	**240**	1,060

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

The balances with related parties at the end of the reporting period are as follows:

	2013 HK$'000	2012 HK$'000
Balances with a jointly controlled entity		
Amount due to a jointly controlled entity	**40**	–
Balances with related companies		
Prepayments	**1,150**	1,000
Balances with directors		
Prepayments	**500**	–
Film rights	**200**	–
Films production in progress	**100**	1,060

Notes:

(i) The amount represents consultancy service provided by Mustard Seed Entertainment Company Limited, a jointly controlled entity of the Company.

(ii) The amount represents upfront payment for film productions paid to Able Rich Consultants Limited ("Able Rich"), of which the director of Able Rich is the connected person of the Company.

(iii) The amount represents upfront payment for consultancy service provided by Pixelboys Company ("Pixelboys"), of which Mr. Lee Wing Ho, Albert is a common director of the Company and Pixelboys.

(iv) The amount represents upfront payment for film productions paid to the directors of the Company.

(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).

43. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Disposal of part of its interest to non–controlling interests

During the year ended 30 June 2013, Peak Lion Group Limited, a directly wholly-owned subsidiary of the Company, disposed of 9.1% interest in Proletariate Institute Limited ("Proletariate") at a consideration of HK$500,000. The carrying amount of the 9.1% interests in Proletariate on the date of disposal was approximately HK$560,000. The Group recognised an increase in non-controlling interests of approximately HK$560,000 and a decrease in equity attributable to owners of the parent of approximately HK$60,000. The effect of change in the ownership interests of Proletariate on the equity attributable to owners of the Company during the year is summarised as follows:

	HK$'000
Carrying amount of non-controlling interest disposed of	560
Consideration received	500
Movement in parent equity	(60)

44. EVENTS AFTER THE REPORTING PERIOD

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

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

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

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

44. EVENTS AFTER THE REPORTING PERIOD *(CONTINUED)*

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

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

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

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

* for identification purposes only

45. COMPARATIVE FIGURES

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

46. AUTHORISATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 26 September 2013.

Particulars of Investment Property

The particulars of the Group's investment property as at 30 June 2013 are as follows:

PARTICULARS OF INVESTMENT PROPERTY

	Location	Lot number	Usage	Category of the lease term	Group's interest
1.	3rd Floor, Shanghai Centre Nos. 473-475 Shanghai Street Kowloon	The remaining portion of Kowloon Inland Lot No. 10627 and the extension thereto	Commercial	Medium	50.6%