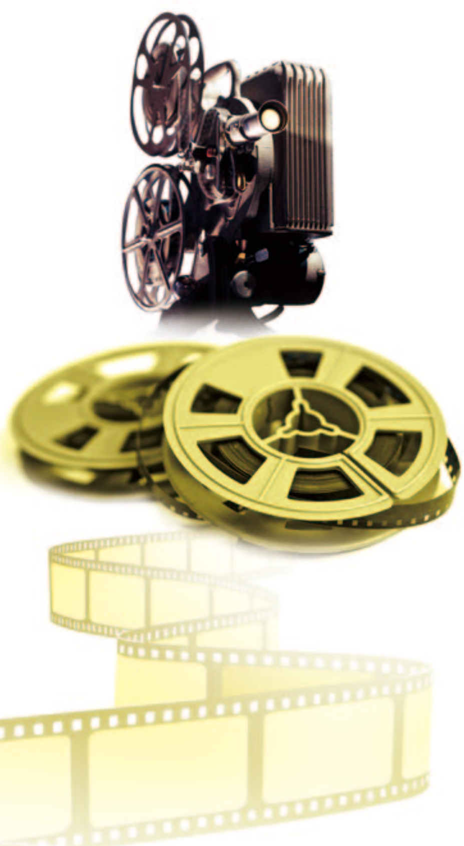
中國3D數碼娛樂有限公司
CHINA 3D DIGITAL ENTERTAINMENT LIMITED

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



2013-2014
Annual Report

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

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

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

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 years from 2010.

Results

	For the year ended 30 June				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**199,717**	70,018	17,718	53,977	135,213
Loss before taxation	**(15,672)**	(20,930)	(8,831)	(36,104)	(49,395)
Taxation	**–**	(13)	–	–	(1,231)
Loss for the year	**(15,672)**	(20,943)	(8,831)	(36,104)	(50,626)
Attributable to:					
Owners of the Company	**(15,664)**	(21,237)	(9,102)	(36,104)	(50,626)
Non-controlling interests	**(8)**	294	271	–	–
	(15,672)	(20,943)	(8,831)	(36,104)	(50,626)

Assets and Liabilities

	As at 30 June				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**415,102**	283,370	211,725	150,759	329,148
Total liabilities	**(146,926)**	(40,166)	(24,205)	(27,618)	(331,762)
	268,176	243,204	187,520	123,141	(2,614)
Owners of the Company	**267,691**	239,864	185,034	123,141	(673)
Non-controlling interests	**485**	3,340	2,486	–	(1,941)
	268,176	293,204	187,520	123,141	(2,614)

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

To Chi

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

ZHONGHUI ANDA CPA LIMITED
Unit 701, 7th Floor
Citicorp Centre
18 Whitfield Road
Causeway Bay
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)*

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08, Bermuda

Principal Registrar

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 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 2014 (the "Year").

REVIEW OF OPERATIONS

The Group reported total revenue of approximately HK$199.7 million for the year ended 30 June 2014, compared with approximately HK$70 million for the year ended 30 June 2013. For the year ended 30 June 2014, a loss of approximately HK$15.7 million was recorded whilst in the last year, a loss of approximately HK$20.9 million was recorded. The loss is mainly attributable to impairment loss on film rights and advertising expenses for the year ended 30 June 2014.

An analysis of the Group's revenues and results by reportable segments are set out in note 7 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 aiming at boosting local cultural development. In June 2013, CineUnited Circuits Company Limited ("CineUnited"), an indirect wholly-owned subsidiary of the Company entered 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 premises for development and use as cinema. The premises 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 report of Chongqing Bureau of Culture (重慶市文化委員會), the box office in Chongqing has grown by 40% in 2013, ranking number 12 and 2 amongst other cities and western district in the PRC respectively.

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 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 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. Xiamen cinema has started generating income to the Group since March 2014.

Moreover, in May 2014, the Group has entered a new operating lease agreement with an independent third party to lease a premises for development and use as cinema in Guangzhou, the PRC ("Guangzhou Cinema") for a term of 15 years. It is expected that, after renovation implemented by the Group, such cinema will become a 6-house cinema equipped with advanced Dolby atoms sound systems, comfortable electronic recliner seats, digital IMAX (an acronym for Image MAXimum) screen, 4K projection system and D-Box motion chairs. The Guangzhou Cinema is situated at Unit 303, 3rd Floor, Nan Fung The Place, No. 618 Xingang East Road, Haizhu District, Guangzhou, PRC (廣州市海珠區新港東路618號南豐匯環球展貿中心第三層303號舖) which has a gross floor area of approximately 4,600 sq. m.. Guangzhou Cinema is expected to start its operation at the end of the year 2014.

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.

PROSPECTS *(CONTINUED)*

In September 2013, a famous artist Mr. Cheung Chi Lam joined the Group and the movie version of "Triumph in the Skies" is in production at the moment. Mr. Cheung has completed his concert in July 2014 with great success and enthusiastic response.

In April 2014, a famous artist Ms. Cheng Joyce Yan Yee joined the Group. Ms. Cheng is a talented artist and a popular singer. She has won numerous awards and recognition from various prestigious award giving bodies.

The Group has also entered service contracts with two famous artists namely Mr. Babyjohn Choi and Ms. Chrissie Chau respectively for participating in the Group's movies. It is expected that recruiting new talented artists will broaden the Group's income stream, create synergies for its overall entertainment business, and enhance the Group's image and profitability,

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.

The Group planned to produce the movie namely "高登濶少踎監日記" (The Prison Diary of a Golden Toff), a black comedy movie adapted from an internet novel namely, "壹獄壹世界" (A World In An Iron Grille). The movie is at a pre-production stage and the Group has already been forming its production team and engaged movie directors, producer, actors and screenwriter. The commencement of production of this movie is anticipated to produce at the end of the year 2014.

Taking into account the stable interest income stream and the prospects of the money lending business, the Group intends to expand its money lending business, which is principally the provision of mortgage loans and personal loans for customers with good credit record in Hong Kong. The Board is optimistic to the future prospects of this business segment in view of the existing operation and developments.

OUTLOOK

While the Group has continued its existing businesses, the Group will put more focus onto the newly developed 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 business in the areas of cinema-related business 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
29 September 2014

Management Discussion and Analysis

OPERATION REVIEW

The Company and its subsidiaries (collectively the "Group") reported total revenue of approximately HK$199.7 million for the year ended 30 June 2014 (the "Year"), compared with approximately HK$70 million for the previous fiscal year. A loss of approximately HK$15.7 million was recorded (2013: approximately HK$20.9 million). The loss is mainly due to impairment loss on film rights and advertising expenses for the year ended 30 June 2014.

An analysis of the Group's revenues and results by reportable segment are set out in note 7 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 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 premises for development and use as cinema. The premises 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 report of Chongqing Bureau of Culture (重慶市文化委員會), the box office in Chongqing has grown by 40% in 2013, ranking number 12 and 2 amongst other cities and western district in the PRC respectively.

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Moreover, in May 2014, the Group entered a new operating lease agreement with an independent third party to lease a premises for development and use as cinema in Guangzhou, the PRC ("Guangzhou Cinema") for a term of 15 years. It is expected that after renovation implemented by the Group, such cinema will become a 6-house cinema equipped with advanced Dolby atoms sound systems, comfortable electronic recliner seats, digital IMAX (an acronym for Image MAXimum) screen, 4K projection system and D-Box motion chairs. The Guangzhou Cinema is situated at Unit 303, 3rd Floor, Nan Fung The Place, No. 618 Xingang East Road, Haizhu District, Guangzhou, PRC (廣州市海珠區新港東路618號南豐匯環球展貿中心第三層303號舖) which has a gross floor area of approximately 4,600 sq.m.. Guangzhou Cinema is expected to start its operation at the end of the year 2014.

Taking into account the stable interest income stream and the prospects of the money lending business, the Group intends to expand its money lending business, which is principally the provision of mortgage loans and personal loans for customers with good credit record in Hong Kong. The Board is optimistic to the future prospects of this business segment in view of the existing operation and developments.

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.

Management Discussion and Analysis (Continued)

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2014, total borrowing of the Group (excluding payables) amounted to approximately HK$73.1 million (2013: HK$23.9 million). The Group's gearing ratio (expressed as a percentage of total borrowing over total assets) increased from 8.4% in 2013 to 17.6% in 2014.

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 on hand were mainly denominated in Hong Kong dollars. The Group managed its foreign exchange risk by closely monitoring the movement of the foreign currency rates. The management conducted periodical review of foreign currency exposure and would take appropriate measures to mitigate the risk should the need arise. The Group experienced no significant exposure to foreign exchange rate fluctuation during the Year.

CHARGES ON GROUP'S ASSET

As at 30 June 2014, except for the pledged bank deposits of approximately HK$5.9 million to secure a guarantee granted by a bank in the PRC, the Group has no other asset pledged to bank to secure the bank borrowing granted to the Group (2013: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2014, the Group had 77 (2013: 28) full-time and part-time employees. The total employee remuneration, including that of the Directors, for the year ended 30 June 2014 amounted to approximately HK$11 million (2013: approximately HK$8 million). The Group remunerates its employees based on their performance, experience and the prevailing commercial practice. To provide incentives or rewards to the employees, the Company has adopted a new share option scheme in year 2014. No option was granted or outstanding during the Year.

CAPITAL STRUCTURE

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

Bonus Issue

By a special 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 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 this bonus issue, the share premium reduction during the year of approximately HK$23,303,095 was credited to share capital and the same amount was debited to the share premium account.

Placing of New Shares under General Mandate

On 14 November 2013, the Company completed the placing of 1,118,520,000 new shares of the Company at the placing price of HK$0.0249 per placing share. The net proceeds from the placing amount to approximately HK$27 million.

On 16 April 2014, the Company completed the placing of 134,100,000 new shares of the Company at the placing price of HK$0.128 per placing share. The net proceeds from the placing amount to approximately HK$16.60 million.

Capital Reorganisation

By a special resolution dated 6 January 2014, the Company implemented the capital reorganisation which involved the share consolidation and the capital reduction. The share consolidation involved the consolidation of every ten (10) issued and unissued shares of HK$0.005 each in the share capital of the Company into one (1) consolidated share of HK$0.05 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$0.045 on each of the then issued Consolidated Shares such that the nominal value of each issued Consolidated Share will be reduced from HK$0.05 to HK$0.005 (Adjusted Shares"). The subdivision involved the subdivision of each authorized but unissued Consolidated Share into 10 adjusted shares of HK$0.005 each.

COMMITMENTS

Total commitments of the Group as at 30 June 2014 was approximately HK$392.8 million (2013: approximately HK$261.3 million).

CONTINGENT LIABILITIES

As at 30 June 2014, the Group and the Company did not have any significant contingent liabilities (2013: Nil).

EVENTS AFTER THE REPORTING PERIOD

On 31 July 2014, the Company completed the placing of 1,500,000,000 new shares of the Company under specific mandate at the placing price of HK$0.07 per placing share. The net proceeds from the placing amount to approximately HK$102 million.

On 1 September 2014, the ordinary resolutions were passed by the shareholders to approve the Company to implement the share consolidation, increase in authorised share capital, capitalisation of share premium, the bonus issue and the change in board lot size.

The share consolidation involved the consolidation of every five (5) issued and unissued Shares of par value of HK$0.005 each have been consolidated into one (1) consolidated share ("Consolidated Share") of par value of HK$0.025.

After the share consolidation became effective on 2 September 2014, the authorised share capital of the Company increased from HK$100,000,000 divided into 4,000,000,000 Consolidated Shares to HK$200,000,000 divided into 8,000,000,000 Consolidated Shares by the creation of an additional 4,000,000,000 Consolidated Shares.

After the share consolidation and the increase in authorised share capital became effective on 2 September 2014, the Company was approved to implement the bonus issue of new Consolidated Shares on the basis of ten (10) bonus shares for every one (1) Consolidated Share held. The issued share capital of the Company therefore increased from 461,045,257 shares of HK$0.025 each to 5,071,497,827 shares of HK$0.025 each after completion of share consolidation and bonus issue.

Upon the completion of the bonus issue, the bonus shares will be credited as fully paid at par by way of capitalisation of share premium of an amount of HK$115,261,314.25.

The bonus shares have been dispatched to the shareholders on 22 September 2014. Details of the share consolidation, increase in authorised share capital, capitalisation of share premium, the bonus issue and the change in board lot size were set out in the Company's announcement dated 18 July 2014 and 7 August 2014 and circular dated 15 August 2014 respectively.

Biographies of Directors and Senior Executives

EXECUTIVE DIRECTOR (CHAIRMAN)

SHIU STEPHEN JUNIOR, aged 39, 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 15 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 44, 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 21 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 47, 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 27 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 38, 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 15 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 38, 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 51, 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 2014 (the "Year").

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 42 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 26.

The Directors do not recommend the payment of any dividend (2013: 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 16 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 17 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 42 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the Year are set out in note 33 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 on page 28 and note 34 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 31 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

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 on page 28 and note 34 to the consolidated financial statements respectively.

As at 30 June 2014, the Company had no reserves available for distribution.

DONATION

During the Year, no donation has been made (2013: Nil).

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. Sun Lap Key, Christopher and Mr. Tam Kwok Ming, Banny shall retire at the forthcoming annual general meeting ("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 has entered 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 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 note 39 to the consolidated 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 2014, 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	806,400*	0.10%

* 806,400 shares were changed to 1,774,080 shares, representing 0.03% of the issued share capital of the Company after completion of share consolidation and bonus issue on 2 September 2014 and 22 September 2014 respectively.

Save as disclosed above, as at 30 June 2014, 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 special general meeting of the Company held on 9 July 2014, the shareholders of the Company approved the adoption of a new share option scheme which became effective from 9 July 2014. Details of the share option scheme are set out in note 38 to the consolidated financial statements.

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

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

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 2014, 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	77,881,758	9.67%

Note: (1) 77,881,758 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. 77,881,758 shares were changed to 171,339,861 shares, representing 3.38% of the issued share capital of the Company after completion of share consolidation and bonus issue on 2 September 2014 and 22 September 2014 respectively.

Save as disclosed above, as at 30 June 2014, 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 76.76%. The percentage of turnover attributable to the Group's largest customer to the total turnover was 47.31%.

In the financial year under review, the percentage of purchase attributable by the Group's five suppliers to the total purchase was 78.48%. The percentage of purchase attributable to the Group's largest supplier to the total purchase was 45.28%.

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 40 to the consolidated financial statements, no other connected transactions were entered by 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, holds directorship in One Dollar Movies Productions Limited ("ODMP"), a company engaged in the production of movies, and together with his associate(s) hold directly as to 60% 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 Year.

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 ("Code") throughout the Year. Please refer to the Corporate Governance Report on page 17 to 23 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.

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 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 ("Tenancy Agreement"). 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 annual cap of the aggregate rental expenses could be paid by the Company up to a maximum amount of HK$2.64 million, HK$2.64 million and HK$0.88 million for the year ended 30 June 2014 and the year ending 2015 and the period from 1 July 2015 to 31 October 2015 respectively.

The Company is a substantial shareholder of Unlimited Creativity and has interests in approximately 13.67% of the issued share capital of Unlimited Creativity up to 11 September 2014. 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.

The annual cap of the continuing connected transaction for the year was HK$2.64 million and the actual transaction amount was HK$1.21 million, which was within the annual cap as set out in the Company's announcement dated 9 October 2012.

CONTINUING CONNECTED TRANSACTIONS *(CONTINUED)*

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

(3) 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

HLB Hodgson Impey Cheng Limited resigned as auditor of the Company with effect from 17 July 2014 and ZHONGHUI ANDA CPA LIMITED was appointed as the new auditor of the Company with effect from 23 July 2014 to fill the vacancy arising from the resignation of HLB Hodgson Impey Cheng Limited.

The consolidated financial statements for the year ended 30 June 2014 were audited by ZHONGHUI ANDA CPA LIMITED whose term of office will expire upon the annual general meeting. A resolution for the re-appointment of ZHONGHUI ANDA CPA 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 and 2012 were audited by 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
29 September 2014

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 2014, 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 9 of this report under the "Biographies of Directors and Senior Executives" section.

All Directors should participate in continuing professional development to develop and refresh their skills to ensure that they have appropriate understanding of the business and operations of the Group and that they are sufficiently aware of their responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements.

The existing Directors are continually updated with legal and regulatory developments, the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development for Directors will be arranged where necessary.

The Company has also continually updated Directors on the latest development regarding the GEM Listing Rules and other 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 a letter of appointment with the Company for a term of two years and renewable automatically for successive terms of one 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 sixteen meetings during the Year with the attendance of each Director as follows:

Name of Directors	Attendance/Number of board meetings held during the Year	Attendance/Number of general meetings held during the Year
Executive Directors:		
Shiu Stephen Junior	15/16	3/3
Sun Lap Key, Christopher	16/16	3/3
Lee Wing Ho, Albert	16/16	2/3
Independent Non-executive Directors:		
Chan Chi Ho	16/16	3/3
Kam Tik Lun	16/16	2/3
Tam Kwok Ming, Banny	16/16	3/3

There were 3 additional Board meetings held for normal course of business during the Year.

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.

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 consolidated financial statements of the Company for the year ended 30 June 2014.

The statement of the external auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on page 24.

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 to safeguard the interests of the shareholders and the assets of the Company. The system can only provide reasonable but not absolute assurance against misstatements or losses. During the Year, the Board has conducted a review of the effectiveness of the internal control system of the Company.

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 www.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 Chairman, chairman 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.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the accounts of the Company. As at 30 June 2014, 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 2014.

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, ZHONGHUI ANDA CPA LIMITED is independent and recommended to the Board to re-appoint it as the Company's external auditor at the forthcoming annual general meeting.

ZHONGHUI ANDA CPA 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:

	Fee	
	HK$'000	HK$'000
Statutory audit services:		
– Current		500
Non-statutory audit services:		
– Tax advisory services	80	
– Others	–	80
Total		580

Independent Auditor's Report

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 26 to 81, which comprise the consolidated statement of financial position as at 30 June 2014, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 ("the Directors") are responsible for the preparation of 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 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 the consolidated financial statements based on our audit and to report our opinion solely to you, as a body 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 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, 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.

BASIS FOR QUALIFIED OPINION

(a) *Opening balances and corresponding figures*

The consolidated financial statements of the Group for the year ended 30 June 2013, which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was qualified by the preceding auditor because of the significance of the possible effect of the limitation on the scope of the audit in relation to the investment in Dragonlott Holdings Limited ("DHL") of approximately HK$46,674,000 as at 30 June 2013. Details of the qualified audit opinion were set out in the independent auditor's report dated 26 September 2013 issued by the preceding auditor and included in the Company's annual report for the year ended 30 June 2013. 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 2013.

(b) *Available-for-sale investments*

Included in the Group's available-for-sale investments of approximately HK$54,516,000 as at 30 June 2014 was an investment in DHL of an amount of approximately HK$46,674,000 in which the Group holds 13.28% equity interests. As explained in note 19 to the consolidated financial statements, the Directors of the Company have not been provided with any financial or other relevant information of DHL 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. There were no 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 2014. Any adjustments found to be necessary would affect the state of the Group's affair as at 30 June 2014 and the loss for the year then ended.

Any adjustments to the matters as described in the basis for qualified opinion paragraphs (a) and (b) might have a consequential effect on the Group's results for the two years ended 30 June 2013 and 2014, and the financial position of the Group as at 30 June 2013 and 2014, and the related disclosures thereof in the consolidated financial statements.

(c) *Investment revaluation reserves*

As disclosed in note 19 to the consolidated financial statements, an equity security listed in Hong Kong of approximately HK$7,842,000 (2013: approximately HK$3,529,000) has been recognised as an available-for-sale investment. Changes in fair value of such available-for-sale investment have been recognised as investment revaluation reserve as included in the consolidated statement of changes in equity. No sufficient evidence has been provided to satisfy ourselves that the investment revaluation reserve of approximately HK$14,423,000 and HK$14,591,000 as at 30 June 2013 and 2014 respectively are properly accounted for and that no impairment of this available-for-sale investment is required to be recorded in consolidated profit or loss for the year ended 30 June 2013 in accordance with Hong Kong Accounting Standard 39 "Financial Instruments: Recognition and Measurement".

Any adjustments to the matter as described in the basis for qualified opinion paragraph (c) might have a consequential effect on the Group's result for the year ended 30 June 2013, and the proper classification of investment revaluation reserve and accumulated losses as at 30 June 2013 and 2014, and the related disclosures thereof in the consolidated financial statements.

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 the Group's affairs as at 30 June 2014, and of the Group's results 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.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

Ng Ka Lok
Practising Certificate Number P06084

Hong Kong, 29 September 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2014

	Notes	2014 HK$'000	2013 HK$'000
Turnover	8	**199,717**	70,018
Other income	9	**1,600**	730
Cost of film and television programmes production and distribution		**(138,896)**	(57,225)
Cost of artiste management services and music production		**(30,689)**	(2,326)
Cost of cinema operation		**(588)**	–
Selling and distribution costs		**(12,308)**	(4,948)
Administrative expenses		**(31,775)**	(20,473)
Finance costs	10	**(1,563)**	(1,235)
Change in fair value of financial assets at fair value though profit or loss		**(1,137)**	–
Cumulative losses reclassified from equity to profit or loss upon disposal of available-for-sale investments		**–**	(5,339)
Share of results of a joint venture	18	**(33)**	(132)
Loss before taxation	11	**(15,672)**	(20,930)
Taxation	13	**–**	(13)
Loss for the year		**(15,672)**	(20,943)
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**55**	54
Net loss arising on revaluation of available-for-sale investments during the year		**(168)**	(16,694)
Release of investment revaluation reserve upon disposal of available-for-sale investments		**–**	5,339
Total other comprehensive loss for the year, net of tax		**(113)**	(11,301)
Total comprehensive loss for the year		**(15,785)**	(32,244)
Loss for the year attributable to:			
Owners of the Company		**(15,664)**	(21,237)
Non-controlling interests		**(8)**	294
		(15,672)	(20,943)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(15,777)**	(32,538)
Non-controlling interests		**(8)**	294
		(15,785)	(32,244)
Loss per share			(Restated)
Basic and diluted	15	**HK(1.08) cents**	HK(4.41) cents

Consolidated Statement of Financial Position

As at 30 June 2014

	Notes	30 June 2014 HK$'000	30 June 2013 HK$'000
Non-current assets			
Property, plant and equipment	16	**6,040**	6,035
Investment property	17	**–**	6,380
Interest in a joint venture	18	**85**	118
Available-for-sale investments	19	**54,516**	50,203
Prepayments, deposits and other receivables	20	**52,040**	7,040
Film rights and films production in progress	21	**165,466**	87,402
Loans receivables	22	**4,380**	–
		282,527	157,178
Current assets			
Inventories	23	**141**	174
Loans receivables	22	**9,657**	13,041
Trade receivables	24	**12,623**	6,598
Prepayments, deposits and other receivables	20	**85,309**	76,814
Amount due from a joint venture	25	**20**	–
Financial assets at fair value through profit or loss	26	**5,079**	–
Pledged bank deposits	27	**5,860**	–
Bank and cash balances	27	**13,886**	29,565
		132,575	126,192
Current liabilities			
Trade payables	28	**11,991**	3,927
Accruals, deposits received and other payables	29	**61,788**	12,360
Amount due to a joint venture	25	**–**	40
Other borrowings	30	**57,434**	9,000
Convertible bond	31	**1,947**	–
Promissory note payable	32	**13,753**	–
Tax payables		**13**	13
		146,926	25,340
Net current (liabilities)/assets		**(14,351)**	100,852
Total assets less current liabilities		**268,176**	258,030
Non-current liabilities			
Convertible bond	31	**–**	1,790
Promissory note payable	32	**–**	13,036
		–	14,826
NET ASSETS		**268,176**	243,204
Capital and reserves			
Share capital	33	**4,026**	4,660
Reserves		**263,665**	235,204
Equity attributable to owners of the Company		**267,691**	239,864
Non-controlling interests		**485**	3,340
TOTAL EQUITY		**268,176**	243,204

The consolidated financial statements on pages 26 to 81 were approved and authorised for issue by the board of directors on 29 September 2014 and are signed on its behalf by:

Approved by:	**Shiu Stephen Junior** Director	**Lee Wing Ho, Albert** Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

		Attributable to owners of the Company									
	Notes	Share capital HK$'000	Share premium* HK$'000	Investment revaluation reserve* HK$'000	Contributed surplus* HK$'000	Foreign currency translation reserve* HK$'000	Convertible bond equity reserve* HK$'000	Retained earnings/ (Accumulated losses)* HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2012		20,212	91,295	(3,068)	45,652	–	766	30,177	185,034	2,486	187,520
Total comprehensive loss for the year		–	–	(11,355)	–	54	–	(21,237)	(32,538)	294	(32,244)
Disposal of partial interest in a subsidiary	40(a)	–	–	–	–	–	–	(60)	(60)	560	500
Capital reduction	33	(26,327)	–	–	26,327	–	–	–	–	–	–
Issue of shares upon placing	33	10,775	79,040	–	–	–	–	–	89,815	–	89,815
Transaction cost attributable to issue of shares		–	(2,387)	–	–	–	–	–	(2,387)	–	(2,387)
At 30 June 2013 and 1 July 2013		4,660	167,948	(14,423)	71,979	54	766	8,880	239,864	3,340	243,204
Total comprehensive loss for the year		–	–	(168)	–	55	–	(15,664)	(15,777)	(8)	(15,785)
Issue of shares upon placing	33	6,264	38,752	–	–	–	–	–	45,016	–	45,016
Transaction cost attributable to issue of shares		–	(1,516)	–	–	–	–	–	(1,516)	–	(1,516)
Bonus issue	33	23,303	(23,303)	–	–	–	–	–	–	–	–
Capital reorganisation	33	(30,201)	–	–	30,201	–	–	–	–	–	–
Acquisition of partial interest in a subsidiary	40(b)	–	–	–	–	–	–	104	104	(2,847)	(2,743)
At 30 June 2014		4,026	181,881	(14,591)	102,180	109	766	(6,680)	267,691	485	268,176

Notes:

* These reserve accounts comprise the consolidated reserves of approximately HK$263,665,000 (2013: approximately HK$235,204,000) in the consolidated statement of financial position.

Consolidated Statement of changes in Equity (Continued)

For the year ended 30 June 2014

Share Premium

According to the Bermuda Companies Act 1981, the funds in the share premium account of the Company are not distributable to the shareholders of the Company. The share premium account may be applied by the Company in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares; or in writing off the preliminary expenses of the Company, or the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; or in providing for the premiums payable on redemption of any shares or of any debentures of the Company.

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 represents 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.

Foreign Currency 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) are recognised directly in other comprehensive income. Accumulated foreign currency translation reserve is reclassified to profit or loss upon the disposal of the foreign operations.

Convertible Bond Equity Reserve

Under HKAS 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 retained earnings).

Consolidated Statement of Cash Flows

For the year ended 30 June 2014

	2014 HK$'000	2013 HK$'000
Cash flows from operating activities		
Loss before tax	**(15,672)**	(20,930)
Adjustments for:		
Amortisation of film rights	**27,657**	18,334
Depreciation of property, plant and equipment	**2,245**	1,183
Finance costs	**1,563**	1,235
Impairment loss recognised in respect of film rights	**6,633**	5,281
Impairment loss recognised in respect of other receivables	**–**	103
Loss arising on written down of inventories and music production in progress	**–**	248
Loss arising on written off of property, plant and equipment	**–**	147
Loss on disposal of financial assets at fair value through profit or loss	**955**	–
Acquisition of financial assets at fair value through profit or loss	**(7,171)**	(6,131)
Proceeds on disposal of financial assets at fair value through profit or loss	**–**	6,320
Bank interest income	**(150)**	(40)
Bonds interest income	**–**	(588)
Gain arising on change in fair value of an investment property	**–**	(540)
Gain on disposal of property, plant and equipment	**(82)**	–
Cumulative losses reclassified from equity to profit or loss upon disposal of available-for-sales investments	**–**	5,339
Loss/(gain) arising on change in fair value of financial assets at fair value through profit or loss	**1,137**	(189)
Share of results of a joint venture	**33**	132
Operating profit before working capital change	**17,148**	9,904
Change in inventories and music production in progress	**33**	(16)
Change in loans receivables	**(996)**	(12,031)
Change in trade receivables	**(6,025)**	(5,258)
Change in prepayments, deposits and other receivables	**(53,495)**	(64,620)
Change in trade payables	**8,064**	3,677
Change in accruals, deposits received and other payables	**49,428**	2,412
Change in amount due from/to a joint venture	**(60)**	40
Net cash generated from/(used in) operating activities	**14,097**	(65,892)
Cash flows from investing activities		
Additions costs incurred in film rights and films production in progress	**(112,354)**	(82,776)
Purchases of property, plant and equipment	**(4,013)**	(6,329)
Proceeds from disposal of property, plant and equipment	**1,850**	–
Proceeds from disposal of an investment property	**6,380**	–
Acquisition of available-for-sale investments	**(4,481)**	(16,738)
Proceeds on disposal of available-for-sale investments	**–**	21,323
Investment in a joint venture	**–**	(250)
Bank interest received	**150**	40
Bonds interest received	**–**	588
Increase in pledged bank deposits	**(5,860)**	–
Net cash used in investing activities	**(118,328)**	(84,142)

Consolidated Statement of Cash Flows (Continued)

For the year ended 30 June 2014

	2014 HK$'000	2013 HK$'000
Cash flows from financing activities		
Proceeds from other borrowings	**57,434**	9,000
Repayment of other borrowings	**(9,000)**	–
Proceeds on disposal of partial interest in a subsidiary	**–**	500
Proceeds from issue of shares, net of transaction costs	**43,500**	87,428
Interest paid	**(689)**	(415)
Acquisition of partial interest in a subsidiary	**(2,743)**	–
Net cash generated from financing activities	**88,502**	96,513
Net decrease in cash and cash equivalents	**(15,729)**	(53,521)
Effect of changes in foreign exchange rate	**50**	46
Cash and cash equivalents at beginning of year	**29,565**	83,040
Cash and cash equivalents at end of year	**13,886**	29,565
Analysis of cash and cash equivalents		
Bank and cash balances	**13,886**	29,565

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

1. GENERAL INFORMATION

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 registered office and its principal place of business of the Company are 7th Floor, Zung Fu Industrial Building, 1067 King's Road, Quarry Bay, Hong Kong.

The Company is an investment holding company.

The principal activities of the Group are set out in the Segment information in note 7 to the consolidated financial statements.

2. GOING CONCERN

During the year ended 30 June 2014, the Group has net current liability of approximately HK$14,351,000 (2013: net current assets of approximately HK$100,852,000). As at 30 June 2014, the Group's cash and bank balances were approximately HK$13,886,000 (2013: approximately HK$29,565,000). The decrease was mainly attributable to payments for film productions. In addition, as at 30 June 2014, the Group has total operating lease and capital commitments of approximately HK$392,820,000, out of which approximately HK$66,462,000 would require cash outflows in the coming year. In order to improve the Group's operating performance and alleviate its liquidity risk, management is implementing measures to control costs and contain capital expenditures. With the anticipated positive cash flows from the films broadcasting and licensing of the corresponding rights and artiste management services fee, the Directors expect that the Group's cash flows and financial position will be improved in the coming twelve months. In the opinion of the Directors, the Group will have sufficient financial resources in the coming twelve months to meet its financial obligations as and when they fall due. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 July 2013. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRSs"); Hong Kong Accounting Standards ("HKASs"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years except as stated below.

(a) HKFRS 12 "Disclosure of Interests in Other Entities"

HKFRS 12 "Disclosure of Interests in Other Entities" specifies the disclosure requirements for subsidiaries, joint arrangements and associates, and introduces new disclosure requirements for unconsolidated structured entities.

The adoption of HKFRS 12 only affects the disclosures relating to the Group's subsidiaries, and joint arrangements in the consolidated financial statements. HKFRS 12 has been applied retrospectively.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(CONTINUED)*

(b) HKFRS 13 "Fair Value Measurement"

HKFRS 13 "Fair Value Measurement" establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of HKFRS 13 only affects disclosures on fair value measurements in the consolidated financial statements. HKFRS 13 has been applied prospectively.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs issued and the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property and certain financial instruments which are carried at their fair values. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the Directors to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements are disclosed in note 5 to these financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Consolidation (continued)

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. 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 the owners of the Company.

In the Company's statement of financial position the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Joint arrangement

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has joint control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a joint venture's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses 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 exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2014

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The principal annual rates are as follows:

Leasehold improvements	Over the shorter of unexpired lease term or 20%
Computer equipment	33.33%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

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.

Amortization of film rights is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are three to five years.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Leases

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

The Group as lessor
Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments (continued)

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment losses.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the carrying amount of the receivables and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the recoverable amount of the receivables can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Convertible bond

Convertible bond which entitles the holder to convert the loans into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bond and the fair value assigned to the liability component, representing the embedded option for the holder to convert the loans into equity of the Group, is included in equity as capital reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible bond based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

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

(b) 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.

(c) 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.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Revenue recognition (continued)

(f) 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.

(g) 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.

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

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

(j) Handling charge revenue is recognised when earned.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

The Group also participates in a defined contribution retirement scheme organized by the government in the People's Republic of China (the "PRC"). The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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 capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

Taxation

Income tax represents the sum of the current tax and deferred tax.

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Taxation (continued)

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company.

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

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) 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).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) 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).

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to and assess the performance of the Group's various lines of business in different geographical locations.

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 productions 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.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except investment, investment properties, inventories and receivables 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 any impairment loss. Where 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.

Recoverable amount is the higher of fair value less costs of disposal 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.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where 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 (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

5. KEY ESTIMATES AND CRITICAL JUDGEMENTS

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) *Impairment loss in respect of 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 is no longer proceeded.

(b) *Amortisation and impairment on film rights*

The Group determines the estimated useful lives, residual values and related amortization charges for the Group's film rights. This estimate is based on the historical experience of the actual useful lives and residual values of film rights. The Group will revise the amortization charge where useful lives and residual values are different to those previously estimated. The Group tests annually whether the film rights have suffered any impairment. The recoverable amount of the film rights has been determined on the basis of their fair value less costs of disposal using discounted cash flow method.

(c) *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.

(d) *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.

5. KEY ESTIMATES AND CRITICAL JUDGEMENTS *(CONTINUED)*

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

(a) *Artiste management services fee income*

Certain artiste contracts for services are contracted for a period and include general terms which artistes are required to comply during the contract periods. In the opinion of directors, it is not propable that the artistes will breach the general terms. As such, revenue is recognised when the artistes provide the services.

(b) The investment in DHL classified as available-for-sale as at 30 June 2014 and 2013 does not have a quoted market price in an active market. As such, the fair value of the investment in DHL are measured at cost less impairment losses.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, interest rate risk, price risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars ("HK$") and United States dollars ("US$") and Renminbi ("RMB"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The Group mainly exposes to the effect of fluctuation in HK$ against RMB.

As Hong Kong dollars is pegged to US$, the currency risk associated with US$ and HK$ is considered minimal. The Directors of the Company are of the opinion that the Group's exposures to currency risk associated with US$ 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.

	2014 HK$'000	2013 HK$'000
RMB	**2,636**	1,794

6. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(b) Interest rate risk

The Group's other borrowings of approximately HK$56,146,000 (2013: HK$9,000,000) bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

As the Group has no significant interest-bearing assets and liabilities, the Group's operating cash flows are substantially independent of changes in market interest rates.

(c) Price risk

The Group's investments classified as available-for-sale investments and financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period and expose the Group to price risk. The management of the Group manages this exposure by maintaining a portfolio of investments with different risk profiles.

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:

– The consolidated profit after tax for the year would increase/decrease by approximately HK$254,000 (2013: Nil) as a result of the price of financial assets at fair value through profit or loss of approximately HK$5,079,000 (2013: Nil) had been 5% higher/lower. The consolidated other comprehensive income would increase/decrease approximately HK$392,000 (2013: HK$176,000) as a result of the price of available-for-sale investments of approximately HK$7,842,000 (2013: HK$3,529,000) at each of the relevant period end had been 5% higher/lower.

(d) Credit risk

The carrying amount of the loans receivables, trade and other receivables, investments and cash and bank balances included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on cash and bank balances and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The credit risk on investments is limited because the counterparty is a well-established securities broker firm in Hong Kong.

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 30 June 2014 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade receivables and loan receivables. In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

6. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(e) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	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 flows HK$'000**	**Total carrying amounts HK$'000**
At 30 June 2014						
Trade payables	**11,991**	**–**	**–**	**–**	**11,991**	**11,991**
Accruals and other payables	**18,234**	**–**	**–**	**–**	**18,234**	**18,234**
Other borrowings	**7,839**	**10,762**	**40,964**	**–**	**59,565**	**57,434**
Convertible bond	**–**	**–**	**2,015**	**–**	**2,015**	**1,947**
Promissory note payable	**–**	**–**	**14,160**	**–**	**14,160**	**13,753**
	38,064	**10,762**	**57,139**	**–**	**105,965**	**103,359**

	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 flows HK$'000	Total carrying amounts HK$'000
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 joint venture	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

(f) Categories of financial instruments

	At 30 June	
	2014 HK$'000	2013 HK$'000
Financial assets:		
Available-for-sale financial assets	**54,516**	50,203
Financial assets at fair value through profit or loss:		
– Held for trading	**5,079**	–
Loans and receivables (including bank and cash balances)	**113,360**	82,742
Financial liabilities:		
Financial liabilities at amortised costs	**103,359**	29,521

6. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(g) Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy

Fair value measurements using:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 30 June 2014				
Recurring fair value measurements:				
Financial assets at fair value through profit or loss				
Listed equity securities in Hong Kong	**5,079**	**–**	**–**	**5,079**
Available-for-sale investments				
Listed equity securities in Hong Kong	**7,842**	**–**	**–**	**7,842**
	12,921	**–**	**–**	**12,921**
At 30 June 2013				
Recurring fair value measurements:				
Available-for-sale investments				
Listed equity securities in Hong Kong	3,529	–	–	3,529

7. SEGMENT INFORMATION

The Group has seven reportable segments as follows:

– Artiste management services and music production

– Production of films and television programmes

– Distribution of films and television programmes

– Money lending

– Operation of cinemas

– Securities and bonds investment

– Property investment

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. The operating segments are identified by senior management who is designated as "Chief Operating Decision Maker" ("CODM") to make decisions about resource allocation to the segments and assess their performance.

Information regarding the above segment is reported below.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2014

7. SEGMENT INFORMATION *(CONTINUED)*

(a) Segment revenue and results

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

	Artiste management services and music production		Production of films and television programmes		Distribution of films and television programmes		Money lending		Operation of cinemas		Securities and bonds investment		Property investment		Total	
	2014 HK'000	2013 HK'000	**2014 HK'000**	2013 HK'000	**2014 HK'000**	2013 HK'000	**2014 HK'000**	2013 HK'000	**2014 HK'000**	2013 HK'000	**2014 HK'000**	2013 HK'000	**2014 HK'000**	2013 HK'000	**2014 HK'000**	2013 HK'000
TURNOVER:																
Revenue from external customers	**36,509**	2,125	**158,956**	65,897	**60**	22	**2,667**	1,077	**1,504**	–	**-**	777	**21**	120	**199,717**	70,018
RESULTS:																
Segment profit/(loss)	**936**	(3,079)	**15,305**	4,951	**(17)**	(2,641)	**1,871**	635	**(2,025)**	–	**(2,092)**	777	**(29)**	504	**13,949**	1,147
Bank interest income															**150**	40
Cumulative losses reclassified from equity to profit or loss upon disposal of available-for-sale investment															**-**	(5,339)
Unallocated corporate expenses															**(28,175)**	(15,411)
Finance costs															**(1,563)**	(1,235)
Share of results of a joint venture															**(33)**	(132)
Loss before taxation															**(15,672)**	(20,930)
Taxation															**-**	(13)
Loss for the year															**(15,672)**	(20,943)

The accounting policies on segment reporting are the same as the Group's accounting policies. Segment results represent the profit earned by or loss incurred from each segment without allocation of unallocated corporate expenses, bank interest income, finance costs, share of results of a joint venture 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 2014

7. SEGMENT INFORMATION *(CONTINUED)*

(b) Segment assets and liabilities

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

	Artiste management services and music production		Production of films and television programmes		Distribution of films and television programmes		Money lending		Operation of cinemas		Securities and bonds investment		Property investment		Consolidated total	
	2014 HK'000	2013 HK'000	**2014 HK'000**	2013 HK'000	**2014 HK'000**	2013 HK'000	**2014 HK'000**	2013 HK'000	**2014 HK'000**	2013 HK'000	**2014 HK'000**	2013 HK'000	**2014 HK'000**	2013 HK'000	**2014 HK'000**	2013 HK'000
ASSETS:																
Segment assets	**12,467**	9,283	**275,952**	158,685	**5,228**	3,392	**14,551**	13,309	**27,839**	–	**12,921**	3,529	**-**	6,732	**348,958**	194,930
Other non-current financial assets															**46,674**	46,674
Interest in a joint venture															**85**	118
Unallocated corporate assets															**19,385**	41,648
Total assets															**415,102**	283,370
LIABILITIES:																
Segment liabilities	**12,135**	979	**56,385**	12,369	**76**	244	**50**	9,018	**2,584**	–	**-**	–	**-**	10	**71,230**	22,620
Amount due to a joint venture															**-**	40
Unallocated corporate liabilities															**75,696**	17,506
Total liabilities															**146,926**	40,166

For the purposes of monitoring segment performances and allocating resources between segments:

– all assets are allocated to reportable segments other than other non-current financial asset, 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2014

7. SEGMENT INFORMATION *(CONTINUED)*

(c) Other segment information

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

	Artiste management services and music production		Production of films and television programmes		Distribution of films and television programmes		Money lending		Operation of cinemas		Securities and bonds investment		Property investment		Consolidated total	
	2014 HK'000	2013 HK'000	**2014 HK'000**	2013 HK'000	**2014 HK'000**	2013 HK'000	**2014 HK'000**	2013 HK'000	**2014 HK'000**	2013 HK'000	**2014 HK'000**	2013 HK'000	**2014 HK'000**	2013 HK'000	**2014 HK'000**	2013 HK'000
Capital expenditure	**444**	2,087	**-**	–	**-**	195	**-**	–	**3,392**	–	**-**	–	**-**	–	**3,836**	2,282
Depreciation of property, plant and equipment	**418**	194	**-**	–	**-**	58	**-**	–	**168**	–	**-**	–	**-**	–	**586**	252
Amortisation of film rights	**-**	–	**27,657**	18,334	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**27,657**	18,334
Impairment loss recognised in respect of film rights	**-**	–	**6,633**	5,281	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**6,633**	5,281
Loss arising on written down of inventories and music production in progress	**-**	248	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	248
Gain arising on change in fair value of an investment property	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	(540)	**-**	(540)

(d) Geographical information

The Group's operations are located in Hong Kong and the PRC.

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

	Revenue from customers		Non-current assets	
	2014 HK'000	2013 HK'000	**2014 HK'000**	2013 HK'000
Hong Kong (place of domicile)	**35,043**	57,910	**235,707**	110,227
The PRC	**144,520**	2,378	**146**	277
Taiwan	**1,160**	1,153	**–**	–
Japan	**70**	–	**–**	–
Other Asian countries (note (a))	**10,974**	7,080	**–**	–
Oceania (note (b))	**183**	327	**–**	–
North America (note (c))	**215**	234	**–**	–
European countries (note (d))	**6,229**	–	**–**	–
Other areas	**1,323**	936	**–**	–
	199,717	70,018	**235,853**	110,504

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7. SEGMENT INFORMATION *(CONTINUED)*

(d) Geographical information (continued)

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.

(e) Information about major customers

Revenue from two (2013: 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 2014 which amounted to approximately HK$94,488,000 and HK$33,388,000 respectively (2013: approximately HK$30,152,000 and HK$7,464,000 for two largest customers).

8. TURNOVER

	2014 HK$'000	2013 HK$'000
Artiste management services fee income and music productions	**36,509**	2,125
Films and television programmes production and licensing of the corresponding rights	**158,956**	65,897
Distribution of films and television programmes	**60**	22
Gain arising on change in fair value of financial assets at fair value through profit or loss	**–**	189
Rental income	**21**	120
Interest income and handling fee income from money lending	**2,667**	1,077
Cinema operation income	**1,504**	–
Bonds interest income	**–**	588
	199,717	70,018

9. OTHER INCOME

	2014 HK$'000	2013 HK$'000
Bank interest income	**150**	40
Gain arising on change in fair value of an investment property	**–**	540
Gain on disposal of property, plant and equipment	**82**	–
Others	**1,368**	150
	1,600	730

10. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interest on other borrowings wholly repayable within one year	**495**	364
Interest on bank overdraft	**143**	–
Interest on convertible bond	**208**	192
Imputed interest on promissory note payable	**717**	679
	1,563	1,235

11. LOSS BEFORE TAXATION

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

	2014 HK$'000	2013 HK$'000
Staff costs (including Directors' remuneration):		
Salaries, allowances and other benefits in kind	**10,639**	7,799
Retirement benefits scheme contributions	**337**	245
Total staff costs	**10,976**	8,044
Gross rental income from an investment property	**(21)**	(120)
Less: direct operating expenses from an investment property that generated rental income during the year	**8**	40
	(13)	(80)
Auditor's remuneration	**500**	520
Amortisation of film rights*	**27,657**	18,334
Cost of inventories and music production in progress recognised as expenses**	**30**	561
Depreciation of property, plant and equipment	**2,245**	1,183
Impairment loss recognised in respect of film rights*	**6,633**	5,281
Impairment loss recognised in respect of other receivables	**–**	103
Minimum lease payments under operating leases:		
– Land and building	**2,126**	2,470
Loss arising on written down of inventories and music production in progress**	**–**	248
Loss arising on written off of property, plant and equipment	**–**	147
Exchange loss	**1,612**	54
Fair value loss/(gain) on financial assets at fair value through profit or loss	**1,137**	(189)
Loss on disposal of financial assets at fair value through profit or loss	**955**	–
Gain on disposal of property, plant and equipment	**(82)**	–

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

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

12. DIRECTORS', SENIOR MANAGEMENT'S AND EMPLOYEES' REMUNERATION

(a) Directors' emoluments

	For the year ended 30 June 2014				
	Fees HK$'000	Salaries HK$'000	Other benefit and allowance HK$'000	Retirement benefits scheme HK$'000	Total emoluments HK$'000
Shiu Stephen Junior#	**–**	**1,000**	**–**	**15**	**1,015**
Sun Lap Key, Christopher	**150**	**227**	**–**	**11**	**388**
Lee Wing Ho, Albert	**150**	**358**	**–**	**15**	**523**
Chan Chi Ho	**150**	**–**	**–**	**–**	**150**
Kam Tik Lun	**150**	**–**	**–**	**–**	**150**
Tam Kwok Ming, Banny	**150**	**–**	**–**	**–**	**150**
	750	**1,585**	**–**	**41**	**2,376**

	For the year ended 30 June 2013				
	Fees HK$'000	Salaries HK$'000	Other benefit and allowance HK$'000	Retirement benefits scheme HK$'000	Total emoluments HK$'000
Shiu Stephen Junior#	–	600	73	15	688
Sun Lap Key, Christopher	150	210	–	15	375
Lee Wing Ho, Albert	150	330	–	15	495
Chan Chi Ho	150	–	–	–	150
Kam Tik Lun	150	–	–	–	150
Tam Kwok Ming, Banny	150	–	–	–	150
	750	1,140	73	45	2,008

Chief executive of the Company

No directors waived any remuneration during the year (2013: Nil). No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors during the year (2013: Nil).

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

(b) Employees' emoluments

The five highest paid individuals for the year included three directors (2013: three) in 2014 whose emoluments are set out in (a) above. The emoluments of the two (2013: two) individuals of which one (2013: one) is senior management are as follows:

	2014 HK$'000	2013 HK$'000
Salaries and other benefits	**707**	690
Retirement benefits scheme contributions	**35**	15
	742	705

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

	2014 HK$'000	2013 HK$'000
Nil – HK$1,000,000	**2**	2

During the year, no emoluments (2013: Nil) 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

	2014 HK$'000	2013 HK$'000
Current tax:		
Hong Kong		
– Charged for the year	**–**	13

Hong Kong Profits Tax is calculated at 16.5% (2013: 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 2014, the Group had unused tax losses of approximately HK$124,125,000 (2013: approximately HK$132,300,000) 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 as follows:

	2014 **HK$'000**	2013 HK$'000
Loss before taxation	**(15,672)**	(20,930)
Tax credit of Hong Kong Profits Tax at 16.5% (2013: 16.5%)	**(2,586)**	(3,454)
Tax effect of share of results of a joint venture	**5**	22
Tax effect of expenses non-deductible for tax purpose	**6,470**	561
Tax effect of income not taxable for tax purpose	**(2,860)**	(595)
Tax effect of tax losses not recognised	**4,916**	3,644
Tax effective of utilisation of tax losses previously not recognised	**(5,756)**	(28)
Effect of different tax rate of subsidiaries operating in other jurisdictions	**(189)**	(137)
Tax charge for the year	**–**	13

14. DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the years ended 30 June 2014 and 2013.

15. 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$15,664,000 (2013: approximately HK$21,237,000) and the weighted average number of 1,446,218,659 (2013: 481,945,351 (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/share consolidation occurred subsequent to the end of each reporting period.

As the exercise of the Group's outstanding convertible bonds for both years would be anti-dilutive, no diluted earnings per share was presented in both years.

16. PROPERTY, PLANT AND EQUIPMENT

	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 2012	346	83	233	57	617	1,336
Exchange realignment	6	–	–	–	–	6
Additions	2,647	643	935	24	2,080	6,329
Written off during the year	(346)	–	(4)	–	–	(350)
At 30 June 2013 and 1 July 2013	2,653	726	1,164	81	2,697	7,321
Exchange realignment	6	–	–	–	–	6
Additions	39	334	209	2,986	445	4,013
Disposals	–	–	–	–	(2,080)	(2,080)
At 30 June 2014	2,698	1,060	1,373	3,067	1,062	9,260
ACCUMULATED DEPRECIATION AND IMPAIRMENT:						
At 1 July 2012	109	13	30	8	144	304
Exchange realignment	2	–	–	–	–	2
Provided during the year	765	73	139	13	193	1,183
Eliminated on disposals	(202)	–	(1)	–	–	(203)
At 30 June 2013 and 1 July 2013	674	86	168	21	337	1,286
Exchange realignment	1	–	–	–	–	1
Provided during the year	1,241	162	258	166	418	2,245
Eliminated on disposals	–	–	–	–	(312)	(312)
At 30 June 2014	1,916	248	426	187	443	3,220
CARRYING AMOUNTS:						
At 30 June 2014	782	812	947	2,880	619	6,040
At 30 June 2013	1,979	640	996	60	2,360	6,035

17. INVESTMENT PROPERTY

	2014 HK$'000	2013 HK$'000
At 1 July	**6,380**	5,840
Change in fair value	**–**	540
Disposal	**(6,380)**	–
At 30 June	**–**	6,380

18. INTEREST IN A JOINT VENTURE

	2014 HK$'000	2013 HK$'000
Unlisted investments in Hong Kong:		
Share of net assets	**85**	118

Details of the Group's joint venture at 30 June 2014 and 2013 are as follows:

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

Name	Place of incorporation	Issued and fully paid share capital	Percentage of ownership interest/ voting power/ profit sharing	Principal activities
Mustard Seed Entertainment Company Limited	Hong Kong	HK$500,000	50%	Provision for consultancy service

The following table shows the Group's share of the amount of the individually immaterial joint venture that is accounted for using the equity method.

	2014 HK$'000	2013 HK$'000
At 30 June:		
Carrying amount of interest	**85**	118
Year ended 30 June:		
Loss for the year	**(64)**	(264)
Total comprehensive income	**(64)**	(264)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2014

19. AVAILABLE-FOR-SALE INVESTMENTS

	Notes	2014 HK$'000	2013 HK$'000
Listed securities, at fair value			
– Equity securities listed in Hong Kong	(a)	**7,842**	3,529
Unlisted equity securities, at cost	(b)	**46,674**	46,674
		54,516	50,203

Notes:

(a) The fair values of listed securities are based on current bid prices.

(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. At 30 June 2014 and 2013, the carrying amounts of the Group's holdings in DHL exceeded 10% of the total assets of the Group.

The amount is measured at cost less any identified impairment loss at the end of the reporting period as the range of reasonable fair value estimates is so significant that it cannot be measured reliably. The fair value on initial recognition during the year ended 30 June 2010 is measured by an aggregation of (1) cash consideration of HK$35,840,000 and (2) fair value of a promissory note of HK$10,834,000. The directors of the Company have not been provided with the financial or other relevant information from the management of DHL in order to determine whether 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 years ended 30 June 2014 and 2013 accordingly.

For the year ended 30 June 2014

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2014 HK$'000	2013 HK$'000
Prepayments	(a)	**70,415**	50,316
Deposits and other receivables		**66,934**	33,538
		137,349	83,854

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

	Notes	2014 HK$'000	2013 HK$'000
Non-current portion			
Prepayments	(a)	**45,913**	2,000
Deposits	(b)	**6,127**	5,040
		52,040	7,040
Current portion			
Prepayments	(a)	**24,502**	48,316
Deposits		**4,154**	3,034
Other receivables	(c)	**56,653**	25,464
		85,309	76,814
		137,349	83,854

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

Notes:

(a) Prepayments mainly represent upfront payments for film productions, distribution rights and prepaid administrative expenses. As at 30 June 2014 and 2013, 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.

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

	2014 **HK$'000**	2013 HK$'000
Prepayments for:		
Acquisition of film distribution rights	**14,800**	8,850
Film production costs	**27,134**	25,580
Film promotion costs	**2,701**	2,440
Artiste fee	**11,475**	6,043
Song productions	**402**	–
Equipment	**95**	1,128
Opening of cinemas	**10,254**	–
Others	**3,554**	6,275
	70,415	50,316
Less: Non-current portion	**(45,913)**	(2,000)
Current portion	**24,502**	48,316

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.

(b) Non-current portion of deposits comprised of rental deposits for cinemas leased by the Group 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$52,161,000 (2013: approximately HK$24,698,000) receivable from an independent third party for the joint film production. During the year ended 30 June 2014, an impairment loss on other receivables of approximately HK$Nil (2013: approximately HK$103,000) has been recognised in the consolidated statement of profit or loss.

Other receivables of approximately HK$52,161,000 (2013: approximately 24,698,000) are denominated in RMB.

21. FILM RIGHTS AND FILMS PRODUCTION IN PROGRESS

	Film rights	Films production in progress	Total
	HK$'000	HK$'000	HK$'000
Cost:			
At 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 and 1 July 2013	61,560	67,564	129,124
Additions	9,232	103,122	112,354
Transfer to film rights	76,460	(76,460)	–
At 30 June 2014	147,252	94,226	241,478
Accumulated amortisation and impairment:			
At 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 and 1 July 2013	41,722	–	41,722
Charge for the year	27,657	–	27,657
Impairment loss recognised	6,633	–	6,633
At 30 June 2014	76,012	–	76,012
Carrying values:			
At 30 June 2014	71,240	94,226	165,466
At 30 June 2013	19,838	67,564	87,402

21. FILM RIGHTS AND FILMS PRODUCTION IN PROGRESS *(CONTINUED)*

(a) The Group carried out reviews of the recoverable amount of its film rights with average useful life of three to five years in 2014 with regard to the market conditions of the Group's products. These assets are used in the Group's production of films and television programmes segment. The review led to the recognition of an impairment loss of approximately HK$6,633,000 (2013: HK$5,281,000) that have been recognised in profit or loss. The recoverable amount of the relevant assets has been determined on the basis of their fair value using discounted cash flow method (Level 3 fair value measurement). The discount rate used was 16.33% (2013: 16.07%).

(b) Film production in progress represents films under production. The Directors of the Company assess its recoverability and no impairment loss has been recognised for the years ended 30 June 2014 and 2013. The estimated recoverable amount was determined based on the best estimation of the management on expected future revenue less the relevant costs arising from the distribution and sub-licensing of the film products.

22. LOANS RECEIVABLES

	2014	2013
	HK$'000	HK$'000
Loans receivables	**14,037**	13,041

	2014	2013
	HK$'000	HK$'000
Analysed as:		
Current assets	**9,657**	13,041
Non-current assets	**4,380**	–
	14,037	13,041

As at 30 June 2014, certain term loans with principal amount of approximately HK$12,628,000 (2013: HK$9,000,000) are secured by customers' pledged properties at fair value of approximately HK$28,600,000 (2013: approximately HK$24,000,000).

All loans receivables are denominated in Hong Kong dollars and carried at fixed effective interest ranging from 3% to 24% (2013: 3% to 13.39%) per annum and with the term ranging from 240 days to 20 years (2013: 180 days to 365 days).

22. LOANS RECEIVABLES *(CONTINUED)*

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

	2014 **HK$'000**	2013 HK$'000
0 to 30 days	**209**	41
31 to 60 days	**–**	4,000
61 to 90 days	**–**	–
Over 90 days	**13,828**	9,000
	14,037	13,041

At the end of the reporting period, the aging analysis of loans receivables that were neither individually nor collectively considered to be impaired is as follow:

	2014 **HK$'000**	2013 HK$'000
Neither past due nor impaired	**13,983**	13,041
Less than 60 days past due	**54**	–
	14,037	13,041

23. INVENTORIES

	2014 **HK$'000**	2013 HK$'000
Finished goods	**141**	174

24. TRADE RECEIVABLES

	2014 HK$'000	2013 HK$'000
Trade receivables	**12,623**	6,598

(a) 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 (2013: 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.

(b) At the end of the reporting period, the aging analysis of the trade receivables, based on invoice date and net of impairment losses, is as follows:

	2014 HK$'000	2013 HK$'000
0 to 90 days	**12,623**	6,598

(c) The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2014 HK$'000	2013 HK$'000
RMB	**3,338**	–
HK$	**3,669**	5,948
US$	**5,616**	650
	12,623	6,598

25. AMOUNT DUE FROM/TO A JOINT VENTURE

The amount due from/to a joint venture is unsecured, interest free and repayable on demand.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014 HK$'000	2013 HK$'000
Equity securities listed in Hong Kong, at fair value	**5,079**	–

The carrying amounts of the above financial assets are classified as held for trading.

The fair values of the financial assets are based on current bid prices.

27. BANK AND CASH BALANCES

The carrying amounts of the Group's bank and cash balances are denominated in the following currencies:

	2014 HK$'000	2013 HK$'000
RMB	**9,405**	5,607
US$	**3,219**	2,284
EUR	**6**	5
HK$	**7,116**	21,669
	19,746	29,565
Less: Pledged bank deposits	**(5,860)**	–
	13,886	29,565

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Regulations.

Bank balances carry interest at market rates at approximately 0.01% (2013: 0.01%) per annum.

At 30 June 2014, the Group pledged fixed deposit of approximately HK$5,860,000 (2013: Nil) to a bank to secure a guarantee of RMB4,500,000 provided by the bank. The deposits are in RMB and at fixed interest rate of 2.1% per annum and therefore are subject to foreign currency risk and fair value interest rate risk.

28. TRADE PAYABLES

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

	2014 HK$'000	2013 HK$'000
Current	**11,991**	3,927

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2014 HK$'000	2013 HK$'000
RMB	**619**	–
HK$	**11,372**	3,927
	11,991	3,927

29. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	2014 HK$'000	2013 HK$'000
Accruals	**6,581**	1,462
Deposits received (note)	**43,554**	10,632
Other payables	**11,653**	266
	61,788	12,360

Note:

The amount represents mainly the deposits received for film distribution. Deposits received of HK$6,000,000 is guaranteed by a Director of the Company.

30. OTHER BORROWINGS

The borrowings are repayable as follows:

	2014 HK$'000	2013 HK$'000
On demand or within one year	**57,434**	9,000

At 30 June 2014 and 2013, the loans are denominated in Hong Kong dollars and are borrowed from independent third parties.

Other borrowings of HK$50,000,000 (2013: Nil) are guaranteed by a Director, secured by post dated cheques of approximately HK$52,131,000, bearing interest rate of 10% per annum and repayable within one year.

Other borrowings of approximately HK$6,146,000 (2013: HK$9,000,000) are unsecured, bearing an interest rate of 11% (2013: 13%) and repayable within one year (2013: one year).

Other borrowings of approximately HK$1,288,000 (2013: Nil) are unsecured, non-interest bearing and repayable within one year.

31. 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 adjusted price at 30 June 2014 was HK$2.452 (2013: HK$1.551)

The movement of the liability component of the convertible bond for the years ended 30 June 2014 and 2013 is set out below:

	2014 **HK$'000**	2013 HK$'000
At 1 July	**1,790**	1,649
Interest charged for the year	**208**	192
Interest paid for the year	**(51)**	(51)
At 30 June	**1,947**	1,790

The interest charged for the year is calculated by applying an effective interest rate of 11.37% to the liability component for the years ended 30 June 2014 and 2013.

The Directors estimate the fair values of the liability component of the convertible loan notes at 30 June 2014 and 2013 approximate the carrying values.

32. 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$717,000 (2013: approximately HK$679,000) was charged to the consolidated statement of profit or loss.

33. SHARE CAPITAL

	Number of shares		Par value	
	2014	2013	**2014**	2013
	'000	'000	**HK$'000**	HK$'000
Ordinary shares of HK$0.005 each (2013: HK$0.005 each)				
Authorised:				
At the beginning of the year	**20,000,000**	20,000,000	**100,000**	100,000
Share consolidation (note (b))	**–**	(19,000,000)	**–**	–
Subdivision of shares (note (d))	**–**	19,000,000	**–**	–
At the end of the year	**20,000,000**	20,000,000	**100,000**	100,000

Ordinary shares of HK$0.005 each
(2013: HK$0.005 each)

	Number of shares		Par value	
	2014	2013	**2014**	2013
	'000	'000	**HK$'000**	HK$'000
Issued and fully paid:				
At the beginning of the year	**932,124**	4,042,476	**4,660**	20,212
Share consolidation (note (b))	**–**	(5,265,352)	**–**	–
Capital reduction (note (c))	**–**	–	**–**	(26,327)
Issue of shares upon placing (note (a), (e), (f), (h), (j))	**1,252,620**	2,155,000	**6,264**	10,775
Bonus issue (note (g))	**4,660,619**	–	**23,303**	–
Capital reorganisation (note (i))	**(6,040,137)**	–	**(30,201)**	–
At the end of the year	**805,226**	932,124	**4,026**	4,660

33. SHARE CAPITAL *(CONTINUED)*

Notes:

For the year ended 30 June 2013

(a) 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.

(b) 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.

(c) 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.

(d) By a special resolution dated 19 November 2012, each authorised share capital after the share consolidation as stated in (b) 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.

(e) 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.

(f) 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.

33. SHARE CAPITAL *(CONTINUED)*

Notes: (continued)

For the year ended 30 June 2014

(g) By a special resolution dated 6 September 2013, the Company issued 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.

On 26 September 2013, the Company completed the bonus issue, in which, the share premium reduction for the year ended 30 June 2014, approximately, HK$23,303,000 was credited to share capital and the same amount was debited to the share premium account.

(h) On 4 November 2013, the Company entered into a placing agreement to place a maximum number of 1,118,520,000 placing shares to not fewer than six placees who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons at the placing price of HK$0.0249 per placing share.

On 14 November 2013, the Company completed the placing, in which 1,118,520,000 placing shares were issued at a placing price of HK$0.0249 each. The net proceeds of approximately HK$27,212,000 were raised from the placing.

(i) By a special resolution dated 6 January 2014, the Company implemented capital reorganisation which involves (i) every ten issued and unissued shares of HK$0.005 each be consolidated into one consolidated share of HK$0.05; (ii) the existing issued share capital of the Company be reduced through a cancellation of the paid-up capital of the Company to the extent of HK$0.045 on each of the issued consolidated shares such that the nominal value of each issued consolidated share will be reduced from HK$0.05 to HK$0.005 and to round down the total number of issued consolidated shares to a whole number by eliminating any fraction of a consolidated share in the issued share capital of the Company following the share consolidation; (iii) each of the authorised but unissued consolidated shares of HK$0.05 each (including those arising from the capital reduction) be sub-divided into 10 adjusted shares of HK$0.005 each; and the credit arising in the books of the Company from the capital reduction of approximately HK$30,200,682.91 be credited to the contributed surplus account of the Company.

(j) On 4 April 2014, the Company entered into a maximum of 134,100,000 placing shares to not fewer than six placees who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons at the placing price of HK$0.128 per placing share.

On 16 April 2014, the Company completed the placing, in which 134,100,000 placing shares were issued at a placing price of HK$0.128 each. The net proceeds of approximately HK$16,602,000 were raised from the placing.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, non-controlling interests, retained profits and other reserves) and includes some forms of subordinated debts.

For the year ended 30 June 2014

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of Financial Position of the Company

	30 June 2014 HK$'000	30 June 2013 HK$'000
Non-current assets		
Property, plant and equipment	**1,419**	1,822
Interests in subsidiaries	**–**	–
Available-for-sale investments	**7,120**	3,204
Prepayments, deposits and other receivables	**17,689**	2,000
Film rights and films production in progress	**4,492**	6,050
	30,720	13,076
Current assets		
Inventories	**103**	–
Trade receivables	**39**	406
Prepayments, deposits and other receivables	**5,235**	15,403
Amounts due from subsidiaries	**309,615**	192,408
Financial assets at fair value through profit or loss	**5,079**	–
Bank and cash balances	**2,305**	14,029
	322,376	222,246
Current liabilities		
Trade payables	**–**	791
Accruals, deposits received and other payables	**3,026**	1,557
Amount due to a subsidiary	**24,304**	98
Other borrowings	**57,434**	–
Convertible bond	**1,947**	–
Promissory note payable	**13,753**	–
	100,464	2,446
Net current assets	**221,912**	219,800
Total assets less current liabilities	**252,632**	232,876
Non-current liabilities		
Convertible bond	**–**	1,790
Promissory note payable	**–**	13,036
	–	14,826
NET ASSETS	**252,632**	218,050
Capital and reserves attributable to owners of the Company		
Share capital	**4,026**	4,660
Reserves	**248,606**	213,390
TOTAL EQUITY	**252,632**	218,050

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(CONTINUED)*

(b) Statement of reserves of the Company

	Share premium	Investment revaluation reserve	Contributed surplus	Convertible bond equity reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 July 2012	91,295	(1,224)	45,652	766	(9,388)	127,101
Total comprehensive loss for the year	–	(10,889)	–	–	(5,802)	(16,691)
Capital reduction	–	–	26,327	–	–	26,327
Issue of shares upon placing	79,040	–	–	–	–	79,040
Transaction cost attributable to issue of shares	(2,387)	–	–	–	–	(2,387)
At 30 June 2013 and 1 July 2013	167,948	(12,113)	71,979	766	(15,190)	213,390
Total comprehensive loss for the year	–	(152)	–	–	(8,766)	(8,918)
Issue of shares upon placing	38,752	–	–	–	–	38,752
Transaction cost attributable to issue of shares	(1,516)	–	–	–	–	(1,516)
Bonus issue	(23,303)	–	–	–	–	(23,303)
Capital reorganisation	–	–	30,201	–	–	30,201
At 30 June 2014	181,881	(12,265)	102,180	766	(23,956)	248,606

35. RETIREMENT BENEFITS SCHEME

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

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

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

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

36. OPERATING LEASE COMMITMENTS

The Group as lessee

At 30 June 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2014 HK$'000	2013 HK$'000
Within one year	7,340	4,990
In the second to fifth years inclusive	60,640	40,341
After five years	265,718	165,693
	333,698	211,024

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for an average term of one to twenty two years (2013: one to twenty years) and rentals are fixed over the lease terms and do not include contingent rentals.

The Group as lessor

Property rental income earned during the year was HK$21,000 (2013: HK$120,000). The Group's investment property was disposed during the year ended 30 June 2014.

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

	2014 HK$'000	2013 HK$'000
Within one year	–	30

37. OTHER COMMITMENTS

	2014 HK$'000	2013 HK$'000
Amount contracted for but not provided in the consolidated financial statements in respect of:		
Film production cost	19,965	28,555
Guaranteed sum to be paid under various distributors' agreements	35,231	14,729
Promotion	–	44
Equipment	–	1,384
Others	3,926	5,532
	59,122	50,244

38. SHARE OPTION SCHEME

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

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

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 nonexecutive 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.

On 9 July 2014 the shareholder of the Company approved the adoption of a new share option scheme ("New Share Option Scheme") at a general special meeting.

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

39. MATERIAL RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions with its related parties during the year:

	2014 HK$'000	2013 HK$'000
Transactions with a joint venture		
Consultancy fee (note (i))	**270**	80
Transactions with related companies		
Consultancy fee (note (ii))	**150**	150
Transactions with directors		
Film production cost (note (iii))	**500**	240

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

	2014 HK$'000	2013 HK$'000
Balances with a joint venture		
Amount due from/(to) a jointly controlled entity	**20**	(40)
Prepayments	**150**	–
Balances with related companies		
Prepayments	**1,000**	1,150
Balances with directors		
Prepayments	**1,500**	500
Film rights	**700**	200
Films production in progress	**1,000**	100
Balances with a related person		
Prepayments	**1,000**	–

Notes:

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

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

(iii) 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2014

40. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Disposal of part of its interests 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% interests 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)

(b) Acquisition of interests from non-controlling interests

During the year ended 30 June 2014, Peak Lion Group Limited, a directly wholly-owned subsidiary of the Company, and Joyful Excellence Limited, indirectly wholly-owned subsidiary of the Company acquired 41.9% and 0.55% interests in Proletariate at a consideration of approximately HK$2,707,000 and HK$35,000 from independent third parties. The carrying amount of the 42.45% interests in Proletariate on the date of acquisition was approximately HK$2,846,000. The Group recognised an decrease in non-controlling interests of approximately HK$2,846,000 and a increase in equity attributable to owners of the parent of approximately HK$104,000. The effect of chanage 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 interests acquired	2,847
Consideration paid	(2,743)
Movement in parent equity	104

41. EVENTS AFTER THE REPORTING PERIOD

(a) On 5 June 2014, the Company entered a placing agreement, pursuant to which the placing agent has conditionally agreed to place a maximum number of 1,500,000,000 placing shares in a maximum of 4 tranches (in which each tranche shall not be less than 375,000,000 placing shares, save for the last tranche) on a best effort basis, to currently expected to be not fewer than six independent placee at a price of HK$0.07 per placing share.

On 31 July 2014, the Company completed the placing, in which 1,500,000,000 placing shares were placed to not fewer than six placees at HK$0.07 per Placing Share by one single tranche. The net proceeds of approximately HK$102 million were raised from the placing.

(b) On 15 August 2014, the Board of Directors proposes (i) share consolidation whereby every five issued and unissued share of par value of HK$0.005 each will be consolidated into one share ("Consolidated Share") of par value of HK$0.025; (ii) to increase the authorised share capital of the Company from HK$100,000,000 divided into 4,000,000,000 Consolidated Shares to HK$200,000,000 divided into 8,000,000,000 Consolidated Shares by the creation of an additional 4,000,000,000 Consolidated Shares and (iii) bonus issue of new Consolidated Shares on the basis of ten bonus shares for every one Consolidated Share.

On 1 September 2014, share consolidation, increase in authorised share capital and bonus issue were approved by the shareholders of the Company by way of poll at Special General Meeting.

The share consolidation and increase in authorised share capital were become effective on 2 September 2014.

On 22 September 2014, the Company completed the bonus issue. The Company issued ten bonus shares for every one share held. The issued share capital of the Company was therefore increased from 461,045,257 shares of HK$0.025 each to 5,071,497,827 shares of HK$0.025 each accordingly.

Details of the share consolidation, increase in authorised share capital and bonus issue were set out in the Company's circular dated 15 August 2014.

42. INTERESTS IN SUBSIDIARIES

	2014 HK$'000	2013 HK$'000
Unlisted shares, at cost	–	–

Particulars of the Company's principal subsidiaries at 30 June 2014 is as follows:

Name of subsidiary	Place of incorporation/ registration/ operations	Issued and fully paid share capital	Proportion of equity interest held by the Company	Principal activities
New Smart International Creation Limited	Hong Kong	HK$1	100%	Production and distribution of film
Champion Peak Corporation Limited	Hong Kong	HK$1	100%	Production of film
China 3D Digital Products Limited	Hong Kong	HK$1	100%	Production of film
Eastern Master Corporation Limited	Hong Kong	HK$1	100%	Production of film
Fantastic Union Limited	Hong Kong	HK$1	100%	Production of film
Good Lead Corporation Limited	Hong Kong	HK$1	100%	Production of film
Good Time Investment Limited	Hong Kong	HK$1	100%	Production of film
Joyful Excellence Limited	Hong Kong	HK$1	100%	Production of film
New Jumbo Corporation Limited	Hong Kong	HK$1	100%	Production of film
New Modern Corporation Limited	Hong Kong	HK$1	100%	Production of film
New Noble Corporation Limited	Hong Kong	HK$1	100%	Production of film
New Pioneer Corporation Limited	Hong Kong	HK$1	100%	Production of film
New Star International Develop Limited	Hong Kong	HK$1	100%	Production of film
Source Hunter Corporation Limited	Hong Kong	HK$1	100%	Production of film
China 3D Digital Distribution Limited	Hong Kong	HK$1	100%	Distribution of films
Red Rich Investment Limited	Hong Kong	HK$1	100%	Distribution of films
Smooth Success Development Limited	Hong Kong	HK$1	100%	Distribution of films

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2014

42. INTERESTS IN SUBSIDIARIES *(CONTINUED)*

Particulars of the Company's principal subsidiaries at 30 June 2014 is as follows: (Continued)

Name of subsidiary	Place of incorporation/ registration/ operations	Issued and fully paid share capital	Proportion of equity interest held by the Company	Principal activities
CineUnited Circuits Company Limited	Hong Kong	HK$1	100%	Cinema investment in the PRC
Markwin Investment Limited	Hong Kong	HK$1	100%	Artiste management
Quick Money Finance Limited	Hong Kong	HK$1	100%	Money lending
Proletariate Institute Limited	Hong Kong	HK$1	100%	Property investment
Beijing Hua Hao Ying An Yule Conulting 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
Ying Lian Cinema (Chong Qing) Company Limited* 映聯影業（重慶）有限公司	The PRC	RMB3,066,533	100%	Operation of cinema in the PRC

* For identification purpose only

43. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Board of Directors on 29 September 2014.