



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)

2014-2015 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

This report, for which the Directors of China 3D Digital Entertainment Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “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	2
Corporate Information	3
Chairman's Statement	4
Management Discussion and Analysis	6
Biographies of Directors and Senior Executives	10
Directors' Report	11
Corporate Governance Report	18
Independent Auditor's Report	25
Consolidated Statement of Profit or Loss and Other Comprehensive Income	27
Consolidated Statement of Financial Position	28
Consolidated Statement of Changes in Equity	30
Consolidated Statement of Cash Flows	32
Notes to the Consolidated Financial Statements	34

Annual results for the five years from 2011.

Results

	2015 HK\$'000	For the year ended 30 June			
		2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Revenue	111,176	199,717	70,018	17,718	53,977
Loss before taxation	(96,594)	(15,672)	(20,930)	(8,831)	(36,104)
Taxation	(36)	–	(13)	–	–
Loss for the year	(96,630)	(15,672)	(20,943)	(8,831)	(36,104)
Attributable to:					
Owners of the Company	(97,094)	(15,664)	(21,237)	(9,102)	(36,104)
Non-controlling interests	464	(8)	294	271	–
	(96,630)	(15,672)	(20,943)	(8,831)	(36,104)

Assets and Liabilities

	2015 HK\$'000	As at 30 June			
		2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Total assets	421,002	415,102	283,370	211,725	150,759
Total liabilities	(143,599)	(146,926)	(40,166)	(24,205)	(27,618)
	277,403	268,176	243,204	187,520	123,141
Owners of the Company	278,017	267,691	239,864	185,034	123,141
Non-controlling interests	(614)	485	3,340	2,486	–
	277,403	268,176	243,204	187,520	123,141

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

On behalf of the board of directors of the Company (the "Board" or the "Directors"), I hereby present to the shareholders the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2015.

REVIEW OF OPERATIONS

The Group reported total revenue of approximately HK\$111.2 million for the year ended 30 June 2015, compared with approximately HK\$199.7 million for the year ended 30 June 2014. For the year ended 30 June 2015, a loss of approximately HK\$96.6 million was recorded whilst in the last year, a loss of approximately HK\$15.7 million was recorded. The loss is mainly attributable to impairment loss on film rights, advertising expenses and administrative expenses for the year ended 30 June 2015.

An analysis of the Group's revenues and results by reportable segments are set out in note 7 to the consolidated financial statement.

PROSPECTS

The Group is operating the cinemas in Xiamen and Guangzhou, the PRC, which has started generating income to the Group. The Group expects to start the operation of cinema in Chongqing located at Shop 13, Level 1, Guotai Plaza, Chongqing, PRC at the end of 2015. The gross floor area of the Chongqing cinema is around 3,564 square meters. The Chongqing cinema was handover from the landlord in August 2015. The Group is commencing the decoration of the cinema, which is expected to take about two to three months to complete. The relevant design and construction documents have been submitted to the landlord and the relevant departments of the PRC for approval. Hence, the operation of the cinema is expected to commence during the end of 2015.

In addition, the Company intends to continue expanding its cinemas operation by: (a) expanding its existing operation by renting more space and acquiring more advance equipment etc.; and (b) setting up or acquiring additional cinemas in different provinces in the PRC. The Company intends to set up or acquire additional cinema in Quanzhou in the PRC. The movie theatre in Quanzhou is expected to have six film houses inside with an aggregate of about 840 seats.

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

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

In August 2015, a famous artist Ms. Wu Hang Yee ("Ms. Wu") joined the Group. Ms. Wu is a Hong Kong actress and singer. Before joining the Group, Ms. Wu is signed under for the Television Broadcasts Limited ("TVB"). Ms. Wu has twice won "My Favorite TV Actress" at the Astro Favorites Awards Ceremony. Ms. Wu has also won "Best Actress" for her role in Curse of the Royal Harem, a TVB grand production, "Most Favourite TV Female Character" for her role in Ghetto Justice and also won "Extraordinary Elegant Actress" at the TVB Anniversary Awards 2011, making her the first ever Triple TV Queen of the year.

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.

The Group has also planned to produce a movie which is expected to be starred by Mr. Wong Chung Yiu, Gregory, Mr. Cheung Chi Lam and Ms. Chrissie Chau. The storyline is based on a popular television program launched at Hong Kong Television Network Limited previously. The Group is forming its production team and recruit for suitable actors in and around September 2015. The estimated commencement date will be started around the fourth quarter of 2015.

Chairman's Statement (Continued)

PROSPECTS (CONTINUED)

Besides the above movie, the Group has also planned to produce two more movies and/or acquire more distribution rights of movies from overseas. One of the movies as mentioned above is a romance/drama movie. The Group has engaged a famous movie director Mr. Cheng Tan Shui to produce the movie and the movie script is under creating and writing. The Group expects to form its production team and recruit for suitable actors in and around the fourth quarter of 2015 and the commencement of production of such movie will be around the first quarter of 2016. The expected time for launching the movie will be around the fourth quarter of 2016.

The other movie is suspense movie. The Group has acquired the film right and engaged a screenwriter. The Group expects to form its production team and recruit for suitable actors in and around the fourth quarter of 2015 and the commencement of production of such movie will be in around the first quarter of 2016. The expected time for launching the movie will be around the third quarter of 2016.

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 4 May 2015, the Group and GME Innotainment, Inc. (formerly known as Great China Mania Holdings Inc.) entered a share exchange agreement in relation to the acquisition of 55% of the issued share capital of GME Holdings Limited ("GME") ("Acquisition") which satisfied by the allotment and issue of 20% of the issued share capital of GME China Entertainment Limited (formerly known as Direct Success Group Limited), one of the subsidiaries of the Group, as the consideration of the Acquisition. GME is principally engaged in the business of artist management in the entertainment sector and related businesses. GME also has several famous artists. The Company believes the Acquisition will allow both GME and the Group to leverage on each other's expertise to further develop their respective business activities and therefore be beneficial to both parties.

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
30 September 2015

OPERATION REVIEW

The Company and its subsidiaries (collectively the “Group”) reported total revenue of approximately HK\$111.2 million for the year ended 30 June 2015 (the “Year”), compared with approximately HK\$199.7 million for the previous fiscal year. A loss of approximately HK\$96.6 million was recorded (2014: approximately HK\$15.7 million). The loss is mainly due to impairment loss on film rights, advertising expenses and administrative expenses for the year ended 30 June 2015.

An analysis of the Group’s revenues and results by reportable segment are set out in note 7 to the consolidated financial statements.

Artiste Management Services and Music Production

The revenue of this business segment for the Year was approximately HK\$84.5 million in 2015 and HK\$36.5 million in 2014.

Production of Films and Television Programmes

The revenue of this business segment for the Year was approximately HK\$12.4 million in 2015 and HK\$159 million in 2014.

Distribution of Films and Television Programmes

The revenue of this business segment for the Year was approximately HK\$0.72 million in 2015 and HK\$0.06 million in 2014.

Money Lending

The revenue of this business segment for the Year was approximately HK\$4.2 million in 2015 and HK\$2.7 million in 2014.

Operation of Cinemas

The revenue of this business segment for the Year was approximately HK\$9.3 million in 2015 and HK\$1.5 million in 2014.

Property Investment

The revenue of this business segment for the Year was HK\$Nil in 2015 and approximately HK\$0.02 million in 2014.

Management Discussion and Analysis (Continued)

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2015, total borrowing of the Group (excluding payables) amounted to approximately HK\$68.1 million (2014: HK\$73.1 million). The Group's gearing ratio (expressed as a percentage of total borrowing over total assets) decreased from 17.6% in 2014 to 16.20% in 2015.

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, promissory note payable and finance lease payables), 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 2015, except for the pledged bank deposits of approximately HK\$6 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 (2014: HK\$5.9 million).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2015, the Group had 93 (2014: 77) full-time and part-time employees. The total employee remuneration, including that of the Directors, for the year ended 30 June 2015 amounted to approximately HK\$19.9 million (2014: approximately HK\$11 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 on 9 July 2014. No option was outstanding as at the Year.

CAPITAL STRUCTURE

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

Placing of New Shares under Specific Mandate announced on 5 June 2014

On 31 July 2014, the Company completed the placing of 1,500,000,000 new shares of the Company at the placing price of HK\$0.07 per placing share.

The reasons of the placing are for (i) expansion of the money lending business of the Company; (ii) the initial set up cost of a new cinema leased by the Group located in Guangzhou, the PRC; (iii) production of new TV series movie; (iv) production of new movie; and (v) investing in Mr. Cheung Chi Lam's concert in July 2014.

The closing price per share as quoted on the Stock Exchange on 5 June 2014 was HK\$0.123. The net proceeds from the placing amount to approximately HK\$102 million and were applied as approximately (i) HK\$55 million was used for expansion of the money lending business of the Group; (ii) HK\$17 million was used for the initial set up cost of a new cinema leased by the Group located in Guangzhou, the PRC and for possible future investments in other cinema; (iii) HK\$15 million was used for production of new TV series movie; and (iv) HK\$15 million was used for investing in Mr. Cheung Chi Lam's concert in July 2014.

Share Consolidation, Increase of Authorized Share Capital and Bonus Issue announced on 18 July 2014 and 7 August 2014

On 1 September 2014, the ordinary resolutions were passed by the shareholders to approve the Company to implement a share consolidation ("Share Consolidation"), increased in authorized share capital ("Increased in Authorized Share Capital") and bonus issue ("Bonus Issue"). The Share Consolidation and the Increase in Authorised Share Capital became effective on 2 September 2014.

The Share Consolidation involved the consolidation of every five (5) issued and unissued shares of HK\$0.005 each in the share capital of the Company into one (1) consolidated share such that the par value of HK\$0.025 each ("Consolidated Shares").

The authorised share capital of the Company be 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.

The Company was approved to issue ten (10) bonus shares for every one (1) Consolidated Share held. The issued share capital of the Company therefore increased from 461,045,257 Consolidated Shares of HK\$0.025 each to 5,071,497,827 Consolidated Shares of HK\$0.025 each in issue as enlarged by the Bonus Issue.

Placing of New Shares under General Mandate announced on 1 December 2014

On 12 December 2014, the Company completed the placing of 1,013,100,000 new shares of the Company at the placing price of HK\$0.027 per placing share. The reasons of the placing are for (i) production of movie(s); and (ii) recruiting new talented artists.

The closing price per share as quoted on the Stock Exchange on 1 December 2014 was HK\$0.031. The net proceeds from the placing amount to approximately HK\$26.5 million and were applied as approximately (i) HK\$24 million were used for production of movie(s); and (ii) HK\$2.5 million was remained in the bank and will be reserved for recruiting new talented artists.

Exercise of share options

On 29 December 2014, the Company issued and allotted 304,128,000 new shares to the allottees at a subscription price of HK\$0.025 per share option under the new share option scheme.

Capital Reorganisation announced on 1 December 2014

On 13 January 2015, the special resolution was passed by the shareholders to approve the Company to implement the Capital Reorganisation, which involved the share consolidation, the capital reduction and the share sub-division ("Capital Reorganisation"). The share consolidation involved the consolidation of every ten (10) issued and unissued shares of HK\$0.025 each in the share capital of the Company into one (1) consolidated share of HK\$0.25 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\$0.24 on each of the issued Consolidated Shares such that the par value of each issued Consolidated Share reduced from HK\$0.25 to HK\$0.01. The share sub-division involved the subdivision of each authorized but unissued Consolidated Share of HK\$0.25 each be sub-divided into 25 adjusted shares of HK\$0.01 each. The Capital Reorganisation became effective on 14 January 2015.

Exercise of share options

On 2 February 2015, the Company issued and allotted 20,275,200 new shares (after the Capital Reorganisation effective on 14 January 2015) to the allottees at a subscription price of HK\$0.25 per share option under the new share option scheme.

Management Discussion and Analysis (Continued)

Placing of New Shares under General Mandate announced on 1 April 2015

On 17 April 2015, the Company completed the placing of 131,800,000 new shares of the Company at the placing price of HK\$0.11 per placing share. The reasons of the placing are for (i) repayment of loan; and (ii) recruiting new talented artists.

The closing price per share as quoted on the Stock Exchange on 1 April 2015 was HK\$0.134. The net proceeds from the placing amount to approximately HK\$14.08 million was remained in the bank and will be reserved for the intended use.

Capital Reorganisation announced on 30 April 2015

On 17 June 2015, the special resolution was passed by the shareholders to approve the Company to implement the Capital Reorganisation, which involved the share consolidation, the capital reduction and the share sub-division ("Capital Reorganisation"). The share consolidation involved the consolidation of every five (5) issued and unissued shares of HK\$0.01 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\$0.04 on each of the issued Consolidated Shares such that the par value of each issued Consolidated Share reduced from HK\$0.05 to HK\$0.01. The share sub-division involved the subdivision of each authorized but unissued Consolidated Share of HK\$0.05 each be sub-divided into 5 adjusted shares of HK\$0.01 each. The Capital Reorganisation became effective on 18 June 2015.

COMMITMENTS

Total commitments of the Group as at 30 June 2015 was approximately HK\$399.1 million (2014: approximately HK\$388.9 million).

CONTINGENT LIABILITIES

As at 30 June 2015, the Group and the Company did not have any significant contingent liabilities (2014: Nil).

LITIGATION

The Group has a pending litigation and in the opinion of the Board, it is premature to predict the outcome. Details of litigation are disclosed in note 44 to the consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

Placing of New Shares under Specific Mandate announced on 20 July 2015

On 8 September 2015 and 18 September 2015, the Company completed the first tranche placing of 403,000,000 new shares of the Company and the second tranche placing of 397,000,000 new shares of the Company at the placing price of HK\$0.25 per placing share respectively.

The reasons of the placing are for (i) the expansion of the money lending business of the Company; (ii) expansion and/or possible investment plan on cinemas and/or operation rights of cinemas in the PRC; (iii) for investment and/or production of new movies and/or acquire the distribution rights of movies; and (iv) general working capital and for development of the Group's business.

The closing price per share as quoted on the Stock Exchange on 20 July 2015 was HK\$0.63. The aggregate net proceeds from the placing amount to approximately HK\$195 million.

Biographies of Directors and Senior Executives

EXECUTIVE DIRECTOR (CHAIRMAN)

SHIU STEPHEN JUNIOR, aged 40, 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 45, 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 48, 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. Mr. Sun is a course tutor in Hong Kong Baptist University.

INDEPENDENT NON-EXECUTIVE DIRECTOR

CHAN CHI HO, aged 39, 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 39, 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 business consultancy, business valuation services, financial analysis and corporate advisory. Mr. Kam is also an independent non-executive director of Easy Repay Finance & Investment 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 52, 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 Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange.

Directors' Report

The Board presents their annual report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2015 (the "Year").

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities and other particular of the Company's subsidiaries are set out in note 43 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

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

The Directors do not recommend the payment of any dividend for the Year (2014: 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 property, plant and equipment of the Group and the Company during the Year are set out in note 16 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 43 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 35 to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Group during the Year are set out in the consolidated statement of changes in equity on page 30 and note 36 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 distributable reserves of the Company during the Year are set out in the consolidated statement of changes in equity on page 30 and note 36 to the consolidated financial statements respectively.

DONATION

During the Year, no donation has been made (2014: Nil).

DIRECTORS

The Directors of the Company 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. Shiu Stephen Junior and Mr. Chan Chi Ho shall retire at the forthcoming annual general meeting ("AGM") and, being eligible, offer themselves for re-election at the AGM.

DIRECTORS' SERVICES 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 40 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 of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

EMOLUMENT POLICY

A remuneration committee of the Company was established for reviewing the Group's emolument policy and structure for 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 2015, 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	35,480	0.02%

Save as disclosed above, as at 30 June 2015, none of the Directors or chief executive of the Company nor their associates had any interests or short positions in any 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 39 to the consolidated financial statements.

The Company had granted 506,880,000 options (before the Capital Reorganisation effective on 14 January 2015) under the new share option scheme in December 2014 and no option was outstanding as at the Year.

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 2015, 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.

MAJOR CUSTOMERS AND SUPPLIERS

In the Year under review, the percentage of revenue attributable by the Group's five largest customers to the total revenue was 42.55%. The percentage of revenue attributable to the Group's largest customer to the total revenue was 21.17%.

In the Year under review, the percentage of purchase attributable by the Group's five suppliers to the total purchase was 63.55%. The percentage of purchase attributable to the Group's largest supplier to the total purchase was 56.25%.

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 18 to 24 of this annual report 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 (“Date of Agreement”), a tenancy agreement was jointly entered between Wit Way, as landlord, Top Euro Limited, an indirect wholly-owned subsidiary of Easy Repay Finance & Investment Limited (formerly known as Unlimited Creativity Holdings Limited), the substantial shareholder of the Company as at the Date of Agreement and Mark Glory International Enterprise Limited, an indirect wholly-owned subsidiary of the Company, both as tenants, in relation to the lease of a premises located in Hong Kong. The duration of the tenancy agreement is for three years commencing from 1 November 2012 to 31 October 2015 with a monthly rental of HK\$220,000, inclusive of management charges and government rent (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.

If either party fails to fulfill their leasing obligations under the agreement, the other party will obligate to pay the other's party outstanding contingent rental liability amounting to HK\$1,320,000 per annum. The taking up of the contingent rental liability constitutes a provision of financial assistance under the GEM Listing Rules.

Auditor's letter on continuing connected transactions

The Board has engaged ZHONGHUI ANDA CPA LIMITED, 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. 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

The consolidated financial statements for the years ended 30 June 2015 and 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 year ended 30 June 2013 was 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
30 September 2015

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 2015, 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 10 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.

The Company Secretary of the Company (the "Company Secretary") would ensure all Board members work effectively and provided timely, reliable and sufficient information on issues to be discussed at Board meetings. Company Secretary 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.

Corporate Governance Report (Continued)

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 separated 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 thirteen 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
<i>Executive Directors:</i>		
Shiu Stephen Junior	13/13	3/5
Sun Lap Key, Christopher	11/13	2/5
Lee Wing Ho, Albert	11/13	2/5
<i>Independent Non-executive Directors:</i>		
Chan Chi Ho	13/13	5/5
Kam Tik Lun	13/13	5/5
Tam Kwok Ming, Banny	13/13	5/5

There were 5 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 a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 (the "Required Standard of Dealings") of the GEM Listing Rules.

Upon the 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.

Corporate Governance Report (Continued)

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, half-year and quarterly results prior to recommending to the Board's approval; (ii) review and monitor financial reporting principles and practices; (iii) to be primarily responsible for making recommendations to the Board on the appointment and reappointment and removal of external auditor; and (iv) to oversee the financial reporting system and internal control procedures of the Group.

The Audit Committee convened six 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 (<i>Chairman</i>)	13 July 2010	6/6	100%
Chan Chi Ho	2 July 2010	6/6	100%
Tam Kwok Ming, Banny	15 November 2011	6/6	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 make recommendations to the Board on the Company's policy and structure for all remuneration of directors' and senior management and on the establishment of a formal and transparent procedure for developing such remuneration policy; (ii) to review and determine the remuneration packages of the executive directors and senior management and to ensure that no director is involved in deciding his own remuneration; and (iii) to review and make recommendations to the Board about the overall remuneration policy of the Company.

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

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

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

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 25.

INTERNAL CONTROL

The Board is responsible for maintaining and reviewing the effectiveness of the Group's internal control system. The internal control system is implemented to minimise the risks to which the Group is exposed and used as a management tool for the day-to-day operation of business 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.

Corporate Governance Report (Continued)

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. Voting of general meetings are by way of a poll. Details of poll voting procedures are explained to shareholders at general meetings to ensure that shareholders are familiar with such procedures.

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 the Year, 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.

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		580
Non-statutory audit services:		
– Tax advisory services	110	
– Others	50	160
Total		740

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 27 to 91, which comprise the consolidated statement of financial position as at 30 June 2015, and the 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 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, 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.

Independent Auditor's Report (Continued)

Basis for qualified opinion

Included in the Group's investments at fair value through other comprehensive income as at 30 June 2014 was an investment in Dragonlott Holdings Limited ("DHL") of approximately HK\$46,674,000 in which the Group holds 13.28% equity interests. As stated 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 the fair value of the investment in DHL. The investment in DHL was fully written off during the year ended 30 June 2015. We have not been provided with sufficient audit evidence as to whether the other comprehensive loss arising from the written off of the investment in DHL should be recorded in the current year or prior years. However, we are satisfied that the investment in DHL is fairly stated as at 30 June 2015.

Any adjustment to the matter as described above might have a consequential effect on the Group's other comprehensive loss for the two years ended 30 June 2014 and 2015, and the consolidated financial position of the Group as at 30 June 2014, and the related disclosures thereof in the consolidated financial statements.

Qualified opinion

In our opinion, except for the possible effects on the matter described in the basis for qualified opinion paragraphs, the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 June 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance 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, 30 September 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Revenue	8	111,176	199,717
Other income	9	696	1,600
Cost of film production and distribution		(47,190)	(138,896)
Cost of artiste management services and music production		(74,282)	(30,689)
Cost of cinema operation		(4,231)	(588)
Selling and distribution costs		(17,481)	(12,308)
Administrative expenses		(64,008)	(31,775)
Finance costs	10	(4,989)	(1,563)
Change in fair value of investments at fair value through profit or loss mandatorily measured at fair value		3,116	(1,137)
Share of results of associates		577	–
Share of results of a joint venture		22	(33)
Loss before taxation	11	(96,594)	(15,672)
Taxation	13	(36)	–
Loss for the year		(96,630)	(15,672)
Other comprehensive (loss)/income:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(54)	55
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Changes in fair value of investments at fair value through other comprehensive income		(54,842)	(168)
Total other comprehensive loss for the year, net of tax		(54,896)	(113)
Total comprehensive loss for the year		(151,526)	(15,785)
(Loss)/profit for the year attributable to:			
Owners of the Company		(97,094)	(15,664)
Non-controlling interests		464	(8)
		(96,630)	(15,672)
Total comprehensive (loss)/profit for the year attributable to:			
Owners of the Company		(151,990)	(15,777)
Non-controlling interests		464	(8)
		(151,526)	(15,785)
Loss per share			(Restated)
Basic and diluted	15	HK(82.77) cents	HK(54.16) cents

Consolidated Statement of Financial Position

As at 30 June 2015

	Notes	30 June 2015 HK\$'000	30 June 2014 HK\$'000 (Restated)	1 July 2013 HK\$'000 (Restated)
Non-current assets				
Property, plant and equipment	16	15,663	6,040	6,035
Investment property		–	–	6,380
Interest in associates	17	5,467	–	–
Interest in a joint venture	18	107	85	118
Investments at fair value through other comprehensive income	19	21,976	54,516	50,203
Prepayments, deposits and other receivables	20	83,636	52,040	7,040
Film rights and films production in progress	21	196,009	165,466	87,402
Loans receivables	22	7,626	4,380	–
		330,484	282,527	157,178
Current assets				
Inventories	23	60	141	174
Loans receivables	22	43,505	9,657	13,041
Trade receivables	24	3,971	12,623	6,598
Prepayments, deposits and other receivables	20	16,228	85,309	76,814
Amount due from a joint venture	25	–	20	–
Investments at fair value through profit or loss	26	–	5,079	–
Pledged bank deposits	27	6,032	5,860	–
Bank and cash balances	27	20,722	13,886	29,565
		90,518	132,575	126,192
Current liabilities				
Trade payables	28	9,621	11,991	3,927
Accruals, deposits received and other payables	29	63,952	61,788	12,360
Amount due to a joint venture		–	–	40
Other borrowings	30	49,728	57,434	9,000
Convertible bond	31	2,000	1,947	–
Promissory note payable	32	14,160	13,753	–
Finance lease payables	33	365	–	–
Tax payables		9	13	13
		139,835	146,926	25,340
Net current (liabilities)/assets		(49,317)	(14,351)	100,852
Total assets less current liabilities		281,167	268,176	258,030
Non-current liabilities				
Finance lease payables	33	1,823	–	–
Provision for asset retirement	34	1,941	–	–
Convertible bond	31	–	–	1,790
Promissory note payable	32	–	–	13,036
		3,764	–	14,826
NET ASSETS		277,403	268,176	243,204

Consolidated Statement of Financial Position (Continued)

As at 30 June 2015

	Note	30 June 2015 HK\$'000	30 June 2014 HK\$'000 (Restated)	1 July 2013 HK\$'000 (Restated)
Capital and reserves				
Share capital	35	1,582	4,026	4,660
Reserves		276,435	263,665	235,204
<hr/>				
Equity attributable to owners of the Company		278,017	267,691	239,864
Non-controlling interests		(614)	485	3,340
<hr/>				
TOTAL EQUITY		277,403	268,176	243,204

The consolidated financial statements on pages 27 to 91 were approved and authorised for issue by the board of directors on 30 September 2015 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 2015

	Notes	Attributable to owners of the Company								Sub-total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
		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	Share- based payment reserve* HK\$'000	Retained earnings/ (accumulated losses)* HK\$'000			
At 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	35	6,264	38,752	-	-	-	-	-	-	45,016	-	45,016
Transaction cost attributable to issue of shares		-	(1,516)	-	-	-	-	-	-	(1,516)	-	(1,516)
Bonus issue	35	23,303	(23,303)	-	-	-	-	-	-	-	-	-
Capital reorganisation	35	(30,201)	-	-	30,201	-	-	-	-	-	-	-
Acquisition of partial interest in a subsidiary	41(a)	-	-	-	-	-	-	-	104	104	(2,847)	(2,743)
At 30 June 2014 and 1 July 2014		4,026	181,881	(14,591)	102,180	109	766	-	(6,680)	267,691	485	268,176
Total comprehensive loss for the year		-	-	(54,842)	-	(54)	-	-	(97,094)	(151,990)	464	(151,526)
Issue of shares upon placing	35	34,146	112,706	-	-	-	-	-	-	146,852	-	146,852
Transaction cost attributable to issue of shares		-	(3,967)	-	-	-	-	-	-	(3,967)	-	(3,967)
Bonus issue	35	115,261	(115,261)	-	-	-	-	-	-	-	-	-
Capital reorganisation	35	(159,657)	-	-	159,657	-	-	-	-	-	-	-
Share-based payments	39	-	-	-	-	-	-	3,984	-	3,984	-	3,984
Issue of shares upon exercise of share options	35	7,806	8,850	-	-	-	-	(3,984)	-	12,672	-	12,672
Lapse of convertible bond		-	-	-	-	-	(766)	-	766	-	-	-
Acquisition of partial interest in a subsidiary	41(a)	-	-	-	-	-	-	-	37	37	(484)	(447)
Capital injection by a non-controlling shareholder of a subsidiary		-	-	-	-	-	-	-	-	-	19	19
Disposal of partial interest in a subsidiary	17	-	-	-	-	-	-	-	2,738	2,738	(1,098)	1,640
At 30 June 2015		1,582	184,209	(69,433)	261,837	55	-	-	(100,233)	278,017	(614)	277,403

Notes:

* These reserve accounts comprise the consolidated reserve of approximately HK\$276,435,000 (2014: approximately HK\$263,665,000) in the consolidated statement of financial position.

Consolidated Statement of changes in Equity (Continued)

For the year ended 30 June 2015

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 investments at fair value through other comprehensive income. This amount will not be reclassified to profit or loss.

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.

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 2015

	2015 HK\$'000	2014 HK\$'000
Cash flows from operating activities		
Loss before tax	(96,594)	(15,672)
Adjustments for:		
Amortisation of film rights	24,231	27,657
Depreciation of property, plant and equipment	3,479	2,245
Equity-settled share-based payments	3,984	–
Finance costs	4,989	1,563
Impairment loss recognised in respect of film rights	16,472	6,633
Impairment loss recognised in respect of trade receivables	133	–
Written off of trade receivables	253	–
Written off of other receivables	686	–
Loss arising on written off of property, plant and equipment	83	–
Acquisition of investments at fair value through profit or loss	–	(7,171)
Proceeds on disposal of investments at fair value through profit or loss	8,195	–
Bank interest income	(19)	(150)
Interest income from pledged bank deposits	(172)	–
Gain on disposal of property, plant and equipment	–	(82)
(Gain)/loss arising on change in fair value of investments at fair value through profit or loss	(3,116)	2,092
Share of results of associates	(577)	–
Share of results of a joint venture	(22)	33
Operating (loss)/profit before working capital change	(37,995)	17,148
Change in inventories	81	33
Change in loan receivables	(37,094)	(996)
Change in trade receivables	8,266	(6,025)
Change in prepayments, deposits and other receivables	36,799	(53,495)
Change in trade payables	(2,370)	8,064
Change in accruals, deposits received and other payables	1,994	49,428
Change in amount due from a joint venture	20	(60)
Cash (used in)/generated from operations	(30,299)	14,097
Income taxes paid	(40)	–
Net cash (used in)/generated from operating activities	(30,339)	14,097
Cash flows from investing activities		
Addition costs incurred in film rights and films production in progress	(71,246)	(112,354)
Purchase of property, plant and equipment	(9,027)	(4,013)
Proceeds from disposal of property, plant and equipment	–	1,850
Proceeds from disposal of an investment property	–	6,380
Acquisition of investments at fair value through other comprehensive income	(22,302)	(4,481)
Acquisition of associates	(3,250)	–
Bank interest received	19	150
Interest income from pledged bank deposits	172	–
Increase in pledged bank deposits	(172)	(5,860)
Capital injection by non-controlling shareholder of a subsidiary	19	–
Net cash used in investing activities	(105,787)	(118,328)

Consolidated Statement of Cash Flows (Continued)

For the year ended 30 June 2015

	2015 HK\$'000	2014 HK\$'000
Cash flows from financing activities		
Proceeds from other borrowings	12,294	57,434
Repayment of other borrowings	(20,000)	(9,000)
Proceeds from issue of shares, net of transaction costs	142,885	43,500
Proceeds from exercise of share options	12,672	–
Acquisition of partial interest in a subsidiary	(447)	(2,743)
Interest paid	(4,394)	(689)
Net cash generated from financing activities	143,010	88,502
Net increase/(decrease) in cash and cash equivalents	6,884	(15,729)
Effect of changes in foreign exchange rate	(48)	50
Cash and cash equivalents at beginning of year	13,886	29,565
Analysis of cash and cash equivalents		
Bank and cash balances	20,722	13,886

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

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 its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business of the Company is 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

As at 30 June 2015, the Group has net current liability of approximately HK\$49,317,000. As at 30 June 2015, the Group’s cash and bank balances were approximately HK\$20,722,000. In addition, as at 30 June 2015, the Group has total operating lease and capital commitments of approximately HK\$399,084,000, out of which approximately HK\$31,246,000 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 of the Company (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 that are relevant to its operations and effective for its accounting year beginning on 1 July 2014. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; 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.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective except as stated below. 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

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

a. HKFRS 9 (2009) “Financial Instruments”

The Group has early adopted HKFRS 9 (2009). Available-for-sale investments are now classified as investments at fair value through other comprehensive income.

HKFRS 9 (2009) have been applied retrospectively and resulted in changes in the consolidated amounts reported in the financial statements as follows:

	30 June 2014 HK\$'000	1 July 2013 HK\$'000
At 30 June 2014:		
Decrease in available-for-sale investments	(54,516)	(50,203)
Increase in investments at fair value through other comprehensive income	54,516	50,203

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 GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Consolidation (continued)

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

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.

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.

Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate 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 associate'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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Associates (continued)

The Group's share of an associate'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 an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate 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 associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

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 2015

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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Leases

(i) Operating 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.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated over the shorter of the lease term and their estimated useful lives.

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.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset 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 investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

- Financial assets at amortised cost
- Investments at fair value through profit or loss
- Investments at fair value through other comprehensive income

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

4. SIGNIFICANT ACCOUNTING POLICIES **(CONTINUED)**

Financial assets (continued)

(i) *Financial assets at amortised cost*

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less any impairment. An allowance for impairment 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 assets. The amount of the allowance is the difference between the assets' carrying amount 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 assets' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the assets at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(ii) *Investments at fair value through profit or loss*

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition as described below.

Investments at fair value through profit or loss are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Interest income and dividend income is recognised in profit or loss.

(iii) *Investments at fair value through other comprehensive income*

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that is not held for trading as at fair value through other comprehensive income.

Investments at fair value through other comprehensive income are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. On derecognition of an investment, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss.

Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 services fee income is recognised when the services are provided.
- (b) Income from film production and licensing of corresponding rights is recognised when the production is completed and released and the amount can be measured reliably.
- (c) Income from the distribution of films 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 box office takings is recognised when the services have been rendered to the buyers.
- (e) Interest income from a financial asset (including money lending) 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.
- (f) Rental income is recognised on a straight-line basis over the term of the lease.
- (g) Handling charge income 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Employee benefits *(continued)*

(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.

Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees. Equity-settled share-based payments are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

4. SIGNIFICANT ACCOUNTING POLICIES **(CONTINUED)**

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

4. SIGNIFICANT ACCOUNTING POLICIES **(CONTINUED)**

Related parties (continued)

- (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).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

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 production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

4. SIGNIFICANT ACCOUNTING POLICIES **(CONTINUED)**

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except investments, 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

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 amortisation 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 amortisation 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 fair value 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.

(e) *Asset retirement obligations*

The Group evaluates and recognises, on a regular basis, the present value of the obligations which arise from future reinstatement of leased premises use as cinema upon the end of lease terms. To establish the present value of the asset retirement obligations, estimates and judgement are applied in determining these future cash flows and the discount rate.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

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 probable that the artistes will breach the general terms. As such, revenue is recognised when the artistes provide the services.

(b) The investment in Dragonlott Holdings Limited (“DHL”) classified as investments at fair value through other comprehensive income as at 30 June 2014 did not have a quoted market price in an active market. As such, cost was used to approximate the fair value of the investment in DHL.

(c) Although the Group owns 55% of the equity interest in GME Holdings Limited (“GME Holdings”), GME Holdings is treated as an associate because the Group is not able to control the relevant activities of GME Holdings as a result of the shareholders’ agreement between the Group and other shareholders of GME Holdings.

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 part of its business transactions, assets and liabilities are principally denominated in 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 on a 5% change in foreign currency rates. A positive number below indicates a decrease in loss 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Foreign currency risk (continued)

Sensitivity analysis (continued)

	2015 HK\$'000	2014 HK\$'000
RMB	50	2,636

(b) Interest rate risk

The Group's other borrowings of approximately HK\$48,441,000 (2014: approximately HK\$56,147,000) 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 investments at fair value through other comprehensive income and investments 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 of the listed investments at the end of the reporting period.

If prices had been 5% higher/lower, the Group's consolidated loss after tax for the year would decrease/increase by HK\$nil (2014: approximately HK\$254,000) as a result of the price of investments at fair value through profit or loss of HK\$nil (2014: approximately HK\$5,079,000) had been 5% higher/lower. The consolidated other comprehensive loss would decrease/increase approximately HK\$1,099,000 (2014: approximately HK\$392,000) as a result of the price of investments at fair value through other comprehensive income of approximately HK\$21,976,000 (2014: approximately HK\$7,842,000) 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 consolidated 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 is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 30 June 2015 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

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 demand HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	Over 1 year HK\$'000	Total	
					Undiscounted cash flows HK\$'000	Carrying amount HK\$'000
At 30 June 2015						
Trade payables	9,621	-	-	-	9,621	9,621
Accruals and other payables	15,802	-	-	-	15,802	15,802
Other borrowings	16,941	501	34,059	-	51,501	49,728
Convertible bond	2,000	-	-	-	2,000	2,000
Promissory note payable	14,160	-	-	-	14,160	14,160
Finance lease payables	53	106	476	2,382	3,017	2,188
	58,577	607	34,535	2,382	96,101	93,499
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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

6. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(f) Categories of financial instruments

	At 30 June	
	2015 HK\$'000	2014 HK\$'000
Financial assets:		
Investments at fair value through profit or loss:		
– Mandatorily measured at fair value	–	5,079
Investments at fair value through other comprehensive income	21,976	54,516
Financial assets at amortised cost (including bank and cash balances)	99,999	113,360
Financial liabilities:		
Financial liabilities at amortised costs	91,311	103,359

(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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair values (continued)

(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 2015				
Recurring fair value measurements:				
Investments at fair value through other comprehensive income				
Listed equity securities in Hong Kong	21,976	–	–	21,976
	21,976	–	–	21,976
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 30 June 2014				
Recurring fair value measurements:				
Investments at fair value through profit or loss				
Listed equity securities in Hong Kong	5,079	–	–	5,079
Investments at fair value through other comprehensive income				
Listed equity securities in Hong Kong	7,842	–	–	7,842
	12,921	–	–	12,921

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

7. SEGMENT INFORMATION (CONTINUED)

Information regarding the above segment is reported below.

(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	
	2015 HK'000	2014 HK'000	2015 HK'000	2014 HK'000	2015 HK'000	2014 HK'000	2015 HK'000	2014 HK'000	2015 HK'000	2014 HK'000	2015 HK'000	2014 HK'000	2015 HK'000	2014 HK'000	2015 HK'000	2014 HK'000
REVENUE:																
Revenue from external customers	84,536	36,509	12,384	158,956	718	60	4,200	2,667	9,338	1,504	-	-	-	21	111,176	199,717
RESULTS:																
Segment (loss)/profit	3,893	936	(56,680)	15,305	(3,445)	(17)	3,066	1,871	(18,713)	(2,025)	3,116	(2,092)	-	(29)	(68,763)	13,949
Bank interest income															19	150
Interest income from pledged bank deposits															172	-
Unallocated corporate expenses															(23,632)	(28,175)
Finance costs															(4,989)	(1,563)
Share of results of associates															577	-
Share of results of a joint venture															22	(33)
Loss before taxation															(96,594)	(15,672)
Taxation															(36)	-
Loss for the year															(96,630)	(15,672)

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, interest income from pledged bank deposits, finance costs, share of results of associates and 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

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		Total	
	2015 HK'000	2014 HK'000	2015 HK'000	2014 HK'000	2015 HK'000	2014 HK'000	2015 HK'000	2014 HK'000	2015 HK'000	2014 HK'000	2015 HK'000	2014 HK'000	2015 HK'000	2014 HK'000	2015 HK'000	2014 HK'000
ASSETS:																
Segment assets	10,197	12,467	266,020	275,952	3,467	5,228	51,964	14,551	38,817	27,839	21,976	12,921	-	-	392,441	348,958
Other non-current financial assets															-	46,674
Interest in a joint venture															107	85
Interest in associates															5,467	-
Unallocated corporate assets															22,987	19,385
Total assets															421,002	415,102
LIABILITIES:																
Segment liabilities	11,507	12,135	51,612	56,385	15	76	6,117	50	8,371	2,584	12,441	-	-	-	90,063	71,230
Unallocated corporate liabilities															53,536	75,696
Total liabilities															143,599	146,926

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 2015

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		Total	
	2015 HK'000	2014 HK'000	2015 HK'000	2014 HK'000	2015 HK'000	2014 HK'000	2015 HK'000	2014 HK'000	2015 HK'000	2014 HK'000	2015 HK'000	2014 HK'000	2015 HK'000	2014 HK'000	2015 HK'000	2014 HK'000
Capital expenditure	604	444	602	-	264	-	-	-	11,721	3,392	-	-	-	-	13,191	3,836
Depreciation of property, plant and equipment	287	418	477	-	62	-	-	-	2,045	168	-	-	-	-	2,871	586
Amortisation of film rights	-	-	24,231	27,657	-	-	-	-	-	-	-	-	-	-	24,231	27,657
Impairment loss recognised in respect of film rights	-	-	16,472	6,633	-	-	-	-	-	-	-	-	-	-	16,472	6,633

(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 unlisted equity securities recognised as investments at fair value through other comprehensive income 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	
	2015 HK'000	2014 HK'000	2015 HK'000	2014 HK'000
Hong Kong (place of domicile)	41,769	35,043	280,434	241,860
The PRC	58,734	144,520	12,895	146
Taiwan	-	1,160	-	-
Japan	410	70	-	-
Other Asian countries (note (a))	6,370	10,974	-	-
Oceania (note (b))	-	183	-	-
North America (note (c))	3,834	215	-	-
European countries (note (d))	46	6,229	-	-
Other areas	13	1,323	-	-
	111,176	199,717	293,329	242,006

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

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, Netherlands and Belgium.

(e) Information about major customers

Revenue from two customers under artiste management services and music production segment (2014: production of films and television programmes segment) contributing over 10% of the total revenue of the Group for the year ended 30 June 2015 which amounted to approximately HK\$23,531,000 and HK\$13,335,000 (2014: approximately HK\$94,488,000 and HK\$33,388,000) respectively.

8. REVENUE

	2015 HK\$'000	2014 HK\$'000
Artiste management services fee income	84,536	36,509
Films production and licensing of the corresponding rights	12,384	158,956
Distribution of films	718	60
Rental income	–	21
Interest income and handling charge income from money lending	4,200	2,667
Cinema operation income	9,338	1,504
	111,176	199,717

9. OTHER INCOME

	2015 HK\$'000	2014 HK\$'000
Bank interest income	19	150
Interest income from pledged bank deposits	172	–
Gain on disposal of property, plant and equipment	–	82
Others	505	1,368
	696	1,600

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

10. FINANCE COSTS

	2015 HK\$'000	2014 HK\$'000
Interest on other borrowings wholly repayable within one year	3,550	495
Interest on bank overdraft	844	143
Interest on convertible bond	65	208
Imputed interest on promissory note payable	407	717
Finance cost on asset retirement obligations	53	–
Finance cost on finance lease liabilities	70	–
	4,989	1,563

11. LOSS BEFORE TAXATION

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

	2015 HK\$'000	2014 HK\$'000
Staff costs (including Directors' remuneration):		
Salaries, allowances and other benefits in kind	15,262	10,639
Retirement benefits scheme contributions	692	337
Equity-settled share-based payments	3,984	–
Total staff costs	19,938	10,976
Gross rental income from an investment property	–	(21)
Less: direct operating expenses from an investment property that generated rental income during the year	–	8
	–	(13)
Auditors' remuneration	580	500
Amortisation of film rights*	24,231	27,657
Cost of inventories recognised as expenses**	540	30
Depreciation of property, plant and equipment	3,479	2,245
Impairment loss recognised in respect of film rights*	16,472	6,633
Impairment loss recognised in respect of trade receivables	133	–
Written off of trade receivables	253	–
Written off of other receivables	686	–
Minimum lease payments under operating leases:		
– Land and building	8,352	2,126
Loss arising on written off of property, plant and equipment	83	–
Exchange loss	245	1,612
Fair value (gain)/loss on investments at fair value through profit or loss	(3,116)	2,092
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 cinema operation" of the consolidated statement of profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

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

(a) Directors' emoluments

	For the year ended 30 June 2015				
	Fees HK\$'000	Salaries HK\$'000	Share-based payments HK\$'000	Retirement benefits scheme HK\$'000	Total emoluments HK\$'000
Executive Directors:					
Shiu Stephen Junior#	-	1,200	411	18	1,629
Sun Lap Key, Christopher	150	260	411	12	833
Lee Wing Ho, Albert	150	358	-	18	526
Independent Non-executive Directors:					
Chan Chi Ho	150	-	-	-	150
Kam Tik Lun	150	-	-	-	150
Tam Kwok Ming, Banny	150	-	-	-	150
	750	1,818	822	48	3,438
For the year ended 30 June 2014					
	Fees HK\$'000	Salaries HK\$'000	Share-based payments HK\$'000	Retirement benefits scheme HK\$'000	Total emoluments HK\$'000
Executive Directors:					
Shiu Stephen Junior#	-	1,000	-	15	1,015
Sun Lap Key, Christopher	150	227	-	11	388
Lee Wing Ho, Albert	150	358	-	15	523
Independent Non-executive Directors:					
Chan Chi Ho	150	-	-	-	150
Kam Tik Lun	150	-	-	-	150
Tam Kwok Ming, Banny	150	-	-	-	150
	750	1,585	-	41	2,376

Chief executive of the Company

No directors waived any remuneration during the year (2014: Nil). No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors during the year (2014: Nil).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

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

(b) Employees' emoluments

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

	2015 HK\$'000	2014 HK\$'000
Salaries and other benefits	1,605	707
Retirement benefits scheme contributions	42	35
Equity-settled share-based payments	791	–
	2,438	742

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

	2015	2014
Nil – HK\$1,000,000	3	2

During the year, no emoluments (2014: 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

	2015 HK\$'000	2014 HK\$'000
Current tax:		
Hong Kong		
– Charge for the year	36	–

Hong Kong Profits Tax is calculated at 16.5% (2014: 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 2015, the Group had unused tax losses of approximately HK\$253,348,000 (2014: approximately HK\$211,075,000) available for offset against future profits. Included in unrecognised tax losses are losses of approximately HK\$7,075,000 (2014: nil) that will expire in 2019. Other tax losses may be carried forward indefinitely. No deferred tax asset has been recognised due to the unpredictability of future profit streams. There were no other significant temporary differences arising during the year or at the end of the reporting period.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

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:

	2015 HK\$'000	2014 HK\$'000
Loss before taxation	(96,594)	(15,672)
Tax credit of Hong Kong Profits Tax at 16.5% (2014: 16.5%)	(15,938)	(2,586)
Tax effect of share of results of a joint venture	(4)	5
Tax effect of share of results of associates	(95)	–
Tax effect of expenses non-deductible for tax purpose	8,853	6,470
Tax effect of income not taxable for tax purpose	(60)	(2,860)
Tax effect of tax losses not recognised	7,799	4,916
Tax effective of utilisation of tax losses previously not recognised	(222)	(5,756)
Effect of different tax rate of subsidiaries operating in other jurisdictions	(1,000)	(189)
Tax effect of other temporary differences not recognised	706	–
Over-provision in prior years	(3)	–
Tax charge for the year	36	–

14. DIVIDEND

The Directors of the Company did not recommend the payment of any dividend for the years ended 30 June 2015 and 2014.

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\$97,094,000 (2014: approximately HK\$15,664,000) and the weighted average number of 117,301,337 (2014: 28,924,373 (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 the year ended 30 June 2014 has been adjusted and restated to reflect the capital reorganisation occurred during the year.

As the exercise of the Group's outstanding share options for the year ended 30 June 2015 would be anti-dilutive, no diluted loss per share was presented.

As the exercise of the Group's outstanding convertible bonds for the year ended 30 June 2014 would be anti-dilutive, no diluted loss per share was presented.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

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 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 and 1 July 2014	2,698	1,060	1,373	3,067	1,062	9,260
Exchange realignment	(6)	–	(2)	(2)	–	(10)
Additions	6,825	705	1,127	3,929	605	13,191
Written off	(233)	–	–	–	–	(233)
At 30 June 2015	9,284	1,765	2,498	6,994	1,667	22,208
ACCUMULATED DEPRECIATION:						
At 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 and 1 July 2014	1,916	248	426	187	443	3,220
Exchange realignment	(4)	–	–	–	–	(4)
Provided during the year	1,607	255	477	867	273	3,479
Eliminated on written off	(150)	–	–	–	–	(150)
At 30 June 2015	3,369	503	903	1,054	716	6,545
CARRYING AMOUNTS:						
At 30 June 2015	5,915	1,262	1,595	5,940	951	15,663
At 30 June 2014	782	812	947	2,880	619	6,040

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

17. INTEREST IN ASSOCIATES

	2015 HK\$'000
Unlisted investments:	
Share of net assets	2,217
Goodwill	3,250
	5,467

The following table shows information of associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associates.

	Vision Lion Limited	GME Holdings
Principal place of business	Hong Kong	Hong Kong
Principal activities	Holding of a cruiser	Artiste management
% of ownership interests	25%	55%
	HK\$'000	HK\$'000
At 30 June 2015:		
Non-current assets	13,000	–
Current assets	2	9,487
Current liabilities	(9)	(11,361)
Net assets/(liabilities)	12,993	(1,874)
Group's share of net assets/(liabilities)	3,248	(1,031)
Goodwill	2	3,248
Group's share of carrying amount of interests	3,250	2,217

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

17. INTEREST IN ASSOCIATES *(CONTINUED)*

	Vision Lion Limited	GME Holdings
	Period from 16 June 2015 to 30 June 2015 HK\$'000	Period from 6 May 2015 to 30 June 2015 HK\$'000
Year ended 30 June 2015:		
Revenue	–	3,079
Profit from operations	–	1,048
Profit and total comprehensive income for the period	–	1,048

Note:

Disposal of 20% interest in a subsidiary as a consideration for acquisition of an associate

On 4 May 2015, GME Innotainment, Inc. (formerly known as Great China Mania Holdings Inc.), an independent third party of the Group, and GME China Entertainment Limited ("GME"), a wholly-owned subsidiary of the Company, entered into an agreement in relation to the acquisition of 55% of the issued share capital of GME Holdings by GME, which was satisfied by the allotment and issue of 2,500 new shares of GME at a consideration of approximately HK\$19,000, representing 20% of the enlarged issued share capital of GME, as the consideration of the acquisition.

The effect of change in the ownership interests of GME on the equity attributable to owners of the Company during the year is summarised as follows:

	HK\$'000
Disposal of 20% interest in a subsidiary	1,098
Fair value of 20% interest in a subsidiary for acquiring 55% interest in GME Holdings	1,640
Movement in parent equity	2,738

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

18. INTEREST IN A JOINT VENTURE

	2015 HK\$'000	2014 HK\$'000
Unlisted investments in Hong Kong: Share of net assets	107	85

Details of the Group's joint venture at 30 June 2015 and 2014 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	Principal place of business	Percentage of ownership interest		Principal activities
		2015	2014	
Mustard Seed Entertainment Company Limited	Hong Kong	50%	50%	Provision for consultants service
		2015 HK\$'000	2014 HK\$'000	
At 30 June:				
Carrying amount of interest		107	85	
Year ended 30 June:				
Revenue		550	270	
Profit/(loss) and total comprehensive income/(loss) for the year		45	(64)	

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

19. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Notes	30 June 2015 HK\$'000	30 June 2014 HK\$'000 (Restated)	1 July 2013 HK\$'000 (Restated)
Listed securities				
– Equity securities listed in Hong Kong, at fair value	(b)	21,976	7,842	3,529
Unlisted equity securities, at cost and fair value	(c)	–	46,674	46,674
		21,976	54,516	50,203

Notes:

- (a) These investments are designated as at fair value through other comprehensive income in order to avoid volatility to the profit or loss arising from the changes in fair values of the investments.
- (b) The fair values of listed securities are based on current bid prices.
- (c) The amount represents 13.28% equity interests in the issued ordinary shares of DHL, a private entity incorporated in Jersey, the Channel Islands, with limited liability. The principal activities of DHL and its subsidiaries are provision of general management services and consultancy services of sports lottery in the PRC.

The amount is measured at cost at the end of the reporting period. The cost 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 the fair value of the investment in DHL at 30 June 2015 and therefore the cost is used to approximate its fair value.

DHL was dissolved during the year.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2015 HK\$'000	2014 HK\$'000
Prepayments	(a)	81,721	70,415
Deposits and other receivables		18,143	66,934
		99,864	137,349

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

	Notes	2015 HK\$'000	2014 HK\$'000
Non-current portion			
Prepayments	(a)	76,083	45,913
Deposits	(b)	7,553	6,127
		83,636	52,040
Current portion			
Prepayments	(a)	5,638	24,502
Deposits		4,364	4,154
Other receivables	(c)	6,226	56,653
		16,228	85,309
		99,864	137,349

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

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 2015 and 2014, 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:

	2015 HK\$'000	2014 HK\$'000
Prepayments for:		
Acquisition of film distribution rights	33,764	14,800
Film and television programmes production costs	32,524	27,134
Film promotion costs	2,360	2,701
Artiste fee	9,657	11,475
Song productions	–	402
Equipment	–	95
Opening of cinemas	1,186	10,254
Others	2,230	3,554
	81,721	70,415
Less: Non-current portion	(76,083)	(45,913)
Current portion	5,638	24,502

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 HK\$nil (2014: approximately HK\$52,161,000) receivable from an independent third party for the joint film production.

Other receivables of approximately HK\$1,000 (2014: approximately HK\$52,161,000) are denominated in RMB.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

21. FILM RIGHTS AND FILMS PRODUCTION IN PROGRESS

	Film rights HK\$'000	Films production in progress HK\$'000	Total HK\$'000
Cost:			
At 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 and 1 July 2014	147,252	94,226	241,478
Additions	7,508	63,738	71,246
Transfer to film rights	13,200	(13,200)	–
At 30 June 2015	167,960	144,764	312,724
Accumulated amortisation and impairment:			
At 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 and 1 July 2014	76,012	–	76,012
Charge for the year	24,231	–	24,231
Impairment loss recognised	16,472	–	16,472
At 30 June 2015	116,715	–	116,715
Carrying values:			
At 30 June 2015	51,245	144,764	196,009
At 30 June 2014	71,240	94,226	165,466

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

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 2015 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\$16,472,000 (2014: approximately HK\$6,633,000) 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 15.8% (2014: 16.33%).
- (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 2015 and 2014. 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

	2015 HK\$'000	2014 HK\$'000
Loans receivables	51,131	14,037
Analysed as:		
Non-current assets	7,626	4,380
Current assets	43,505	9,657
	51,131	14,037

As at 30 June 2015, certain term loans with principal amount of approximately HK\$12,297,000 (2014: approximately HK\$12,628,000) are secured by customers' pledged properties at fair value of approximately HK\$21,050,000 (2014: approximately HK\$28,600,000).

All loans receivables are denominated in HK\$ and carried at fixed effective interest ranging from 10% to 36% (2014: 3% to 24%) per annum and with the terms ranging from 30 days to 20 years (2014: 240 days to 20 years).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

22. LOANS RECEIVABLES (CONTINUED)

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

	2015 HK\$'000	2014 HK\$'000
0 to 30 days	10,012	209
31 to 90 days	–	–
91 to 180 days	–	13,828
181 to 365 days	38,640	–
Over 365 days	2,479	–
	51,131	14,037

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:

	2015 HK\$'000	2014 HK\$'000
Neither past due nor impaired	51,129	13,983
Less than 60 days past due	2	54
	51,131	14,037

23. INVENTORIES

	2015 HK\$'000	2014 HK\$'000
Finished goods	60	141

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

24. TRADE RECEIVABLES

	2015 HK\$'000	2014 HK\$'000
Trade receivables	3,971	12,623

- (a) The Group allows credit periods of up to 60 days to its trade debtors. 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:

	2015 HK\$'000	2014 HK\$'000
0 to 90 days	2,147	12,623
91 to 180 days	10	–
181 days to 365 days	345	–
Over 365 days	1,469	–
	3,971	12,623

- (c) As of 30 June 2015, trade receivables of approximately HK\$2,449,000 (2014: HK\$nil) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2015 HK\$'000	2014 HK\$'000
Neither past due nor impaired	1,522	12,623
0 to 90 days past due	625	–
91 to 180 days past due	10	–
181 to 365 days past due	345	–
Over 365 days past due	1,469	–
	2,449	–
	3,971	12,623

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

24. TRADE RECEIVABLES (CONTINUED)

(d) The movements in the provision for impairment of trade receivables during the year are as follows:

	2015 HK\$'000	2014 HK\$'000
At 1 July	–	–
Provision for the year	133	–
At 30 June	133	–

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

	2015 HK\$'000	2014 HK\$'000
RMB	1,354	3,338
HK\$	2,617	3,669
US\$	–	5,616
	3,971	12,623

25. AMOUNT DUE FROM A JOINT VENTURE

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

26. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 HK\$'000	2014 HK\$'000
Equity securities listed in Hong Kong, at fair value.	–	5,079

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

27. BANK AND CASH BALANCES

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

	2015 HK\$'000	2014 HK\$'000
RMB	9,356	9,405
US\$	4,983	3,219
HK\$	12,411	7,116
Others	4	6
	26,754	19,746
Less: Pledged bank deposits	(6,032)	(5,860)
	20,722	13,886

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% (2014: 0.01%) per annum.

At 30 June 2015, the Group pledged fixed deposit of approximately HK\$6,032,000 (2014: approximately HK\$5,860,000) to a bank to secure a guarantee of RMB4,500,000 (2014: RMB4,500,000) provided by the bank. The deposits are in RMB and at fixed interest rate of 3.5% per annum (2014: 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:

	2015 HK\$'000	2014 HK\$'000
0 to 90 days	6,548	11,991
91 to 180 days	1,355	–
181 to 365 days	48	–
Over 365 days	1,670	–
	9,621	11,991

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

	2015 HK\$'000	2014 HK\$'000
RMB	1,516	619
HK\$	8,105	11,372
	9,621	11,991

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

29. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	2015 HK\$'000	2014 HK\$'000
Accruals	5,536	6,581
Deposits received (note)	48,150	43,554
Other payables	10,266	11,653
	63,952	61,788

Note:

The amount represents mainly the deposits received for film distribution. Deposits received of approximately HK\$3,750,000 (2014: approximately HK\$6,000,000) is guaranteed by a Director of the Company.

30. OTHER BORROWINGS

The borrowings are repayable as follows:

	2015 HK\$'000	2014 HK\$'000
On demand or within one year	49,728	57,434

At 30 June 2015 and 2014, the loans are denominated in Hong Kong dollars and are borrowed from independent third parties.

Other borrowings of HK\$30,000,000 (2014: HK\$50,000,000) are guaranteed by a Director, secured by post dated cheques of approximately HK\$31,504,000 (2014: approximately HK\$52,131,000), bearing interest rate of 10% per annum (2014: 10% per annum) and repayable within one year (2014: one year).

Other borrowings of approximately HK\$12,441,000 (2014: approximately HK\$6,147,000) are unsecured, bearing an interest rate of 11% p.a. (2014: 11%) and repayable on demand.

Other borrowings of approximately HK\$1,287,000 (2014: approximately HK\$1,287,000) are unsecured, non-interest bearing and repayable on demand.

Other borrowings of HK\$3,000,000 (2014: nil) are unsecured, interest bearing at 9% per annum and repayable on 3 February 2016.

Other borrowings of HK\$3,000,000 (2014: nil) are unsecured, interest bearing at 3% per month and repayable on 15 July 2015.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

31. CONVERTIBLE BOND

The bond bears interest from the date of issue at a rate of the HIBOR plus 2% per annum and matured on 20 October 2014.

The adjusted price at 20 October 2014, date of mature, was HK\$0.610 (30 June 2014: HK\$2.452)

The movement of the liability component of the convertible bond for the years ended 30 June 2015 and 2014 is set out below:

	2015 HK\$'000	2014 HK\$'000
At 1 July	1,947	1,790
Interest charged for the year	65	208
Interest paid for the year	(12)	(51)
At 30 June	2,000	1,947

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 2015 and 2014.

The Directors estimate the fair values of the liability component of the convertible loan notes at 30 June 2015 and 2014 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 investments in DHL.

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\$407,000 (2014: approximately HK\$717,000) was charged to the consolidated statement of profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

33. FINANCE LEASE PAYABLES

	Minimum lease payments 2015 HK\$'000	Present value of minimum lease payments 2015 HK\$'000
Within one year	635	365
In the second to fifth years, inclusive	2,382	1,823
	3,017	2,188
Less: Future finance charges	(829)	N/A
Present value of lease obligations	2,188	2,188
Less: Amount due for settlement within 12 months (shown under current liabilities)		(365)
Amount due for settlement after 12 months		1,823

It is the Group's policy to lease certain of its equipment's under finance leases. The lease term is 5 years. At 30 June 2015, the average effective borrowing rate was 12.37%. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

All finance lease payables are denominated in Hong Kong dollars.

34. PROVISION FOR ASSET RETIREMENT

Under the terms of the tenancy agreements signed with landlords, the Group shall vacate and re-instate the leased cinema premises at the Group's cost upon expiry of the relevant tenancy agreements in 13 to 14 years. Provision is therefore made for the best estimate of the expected reinstatement costs to be incurred. Movements of provision for asset retirement are as follows:

	2015 HK\$'000
At 1 July	–
Additions	1,888
Finance cost on asset retirement obligations (note 10)	53
At 30 June	1,941

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

35. SHARE CAPITAL

	Number of shares		Amount	
	2015 '000	2014 '000	2015 HK\$'000	2014 HK\$'000
Ordinary shares of HK\$0.01 each (2014: HK\$0.005 each)				
Authorised:				
At the beginning of the year	20,000,000	20,000,000	100,000	100,000
Share consolidation (note (f))	(16,000,000)	–	–	–
Increase (note (f))	4,000,000	–	100,000	–
Capital reorganisation (notes (h), (i))	12,000,000	–	–	–
At the end of the year	20,000,000	20,000,000	200,000	100,000

Ordinary shares of HK\$0.01 each
(2014: HK\$0.005 each)

	Number of shares		Amount	
	2015 '000	2014 '000	2015 HK\$'000	2014 HK\$'000
Issued and fully paid:				
At the beginning of the year	805,226	932,124	4,026	4,660
Issue of shares upon placing (notes (b), (d), (e), (g), (i))	2,644,900	1,252,620	34,146	6,264
Bonus issue (notes (a), (f))	4,610,453	4,660,619	115,261	23,303
Share consolidation (note (f))	(1,844,181)	–	–	–
Capital reorganisation (notes (c), (h), (j))	(6,382,612)	(6,040,137)	(159,657)	(30,201)
Issue of share upon exercise of share options (note (k))	324,403	–	7,806	–
At the end of the year	158,189	805,226	1,582	4,026

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

35. SHARE CAPITAL (CONTINUED)

Notes:

For the year ended 30 June 2014

- (a) By an ordinary 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 of approximately HK\$23,303,000 was credited to share capital and the same amount was debited to the share premium account.

- (b) 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.

- (c) 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 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 (iv) the credit arising in the books of the Company from the capital reduction of approximately HK\$30,201,000 be credited to the contributed surplus account of the Company.

- (d) On 4 April 2014, the Company entered into a placing agreement to place a maximum number 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.

For the year ended 30 June 2015

- (e) On 5 June 2014, the Company entered into a placing agreement to place a maximum number of 1,500,000,000 shares in a maximum of 4 tranches (in which each tranche shall not be less than 375,000,000 placing shares) to not fewer than six independent placee at a price of HK\$0.07 per share.

On 31 July 2014, the Company completed the placing, in which 1,500,000,000 shares were placed to not fewer than six placees at HK\$0.07 per share by one single tranche. The net proceeds of approximately HK\$102,216,000 were raised from the placing.

- (f) By ordinary resolutions dated 1 September 2014, the Company implemented (i) share consolidation whereby every five issued and unissued share of par value of HK\$0.005 each be consolidated into one 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 shares to HK\$200,000,000 divided into 8,000,000,000 shares by the creation of an additional 4,000,000,000 shares; and (iii) bonus issue of new shares on the basis of ten bonus shares for every one share.

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, in which, the share premium reduction for the year ended 30 June 2015 of approximately HK\$115,261,000 was credited to share capital and the same amount was debited to the share premium account.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

35. SHARE CAPITAL (CONTINUED)

Notes: (continued)

For the year ended 30 June 2015 (continued)

- (g) On 1 December 2014, the Company entered into a placing agreement to place a maximum number of 1,013,100,000 shares to not fewer than six placees who and whose ultimate beneficial owners are independent third parties of the Company and its connected persons at the placing price of HK\$0.027 per share.

On 12 December 2014, the Company completed the placing, in which 1,013,100,000 placing shares were issued at a placing price of HK\$0.027 each. The net proceeds of approximately HK\$26,592,000 were raised from the placing.

- (h) By a special resolution dated 13 January 2015, the Company implemented capital reorganisation which involves (i) every ten issued and unissued shares of HK\$0.025 each be consolidated into one consolidated share of HK\$0.25; (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\$0.24 on each of the issued consolidated shares such that the nominal value of each issued consolidated share be reduced from HK\$0.25 to HK\$0.01 (the "Capital Reduction"); (iii) each of the authorised but unissued shares of HK\$0.25 each (including those arising from the Capital Reduction) be sub-divided into 25 shares of HK\$0.01 each; and (iv) the credit arising from the Capital Reduction of approximately HK\$153,329,000 be transferred to the contributed surplus account of the Company.

- (i) On 1 April 2015, the Company entered into a placing agreement to place a maximum number of 131,800,000 shares to not fewer than six placees who and whose ultimate beneficial owners are independent third parties of the Company and its connected persons at the placing price of HK\$0.11 per placing share.

On 17 April 2015, the Company completed the placing, in which 131,800,000 placing shares were issued at a placing price of HK\$0.11 each. The net proceeds of approximately HK\$14,077,000 were raised from the placing.

- (j) By a special resolution dated 17 June 2015, the Company implemented capital reorganisation which involves (i) every five issued and unissued shares of HK\$0.01 each be consolidated into one share of HK\$0.05 each; (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\$0.04 on each of the issued consolidated shares such that the nominal value of each issued share be reduced from HK\$0.05 to HK\$0.01 (the "Second Capital Reduction"); (iii) each of the authorised but unissued shares of HK\$0.05 each (including those arising from the Second Capital Reduction) be sub-divided into five shares of HK\$0.01 each; and (iv) the credit arising in the books of the Company from the Second Capital Reduction (being approximately HK\$6,328,000) be credited to the contributed surplus account of the Company and the Directors be authorised to apply any credit balance in the contributed surplus account of the Company in accordance with the bye-laws of the Company and all applicable laws (including the application of such credit balance to set off against the accumulated losses of the Company).

- (k) During the year, approximately 304,128,000 and 20,275,000 (adjusted for the effect of share consolidation on 17 June 2015) share options were exercised at the subscription price of HK\$0.025 and HK\$0.25 per share respectively (note 39), resulting in the issue of approximately 304,128,000 and 20,275,000 additional ordinary shares of HK\$0.025 and HK\$0.01 each respectively for a total cash consideration of approximately HK\$12,672,000, out of which approximately HK\$7,806,000 and HK\$8,850,000 were recorded in share capital and share premium respectively.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of Financial Position of the Company

	30 June 2015 HK\$'000	30 June 2014 HK\$'000 (Restated)	1 July 2013 HK\$'000 (Restated)
Non-current assets			
Property, plant and equipment	1,544	1,419	1,822
Interests in subsidiaries	78	–	–
Investments at fair value through other comprehensive income	20,658	7,120	3,204
Prepayments, deposits and other receivables	19,916	17,689	2,000
Film rights and films production in progress	1,303	4,492	6,050
	43,499	30,720	13,076
Current assets			
Inventories	–	103	–
Trade receivables	–	39	406
Prepayments, deposits and other receivables	470	5,235	15,403
Amounts due from subsidiaries	313,442	309,615	192,408
Investments at fair value through profit or loss	–	5,079	–
Bank and cash balances	5,483	2,305	14,029
	319,395	322,376	222,246
Current liabilities			
Trade payables	–	–	791
Accruals, deposits received and other payables	956	3,026	1,557
Amount due to a subsidiary	24,885	24,304	98
Other borrowings	43,580	57,434	–
Convertible bond	2,000	1,947	–
Promissory note payable	14,160	13,753	–
	85,581	100,464	2,446
Net current assets	233,814	221,912	219,800
Total assets less current liabilities	277,313	252,632	232,876
Non-current liabilities			
Convertible bond	–	–	1,790
Promissory note payable	–	–	13,036
	–	–	14,826
NET ASSETS	277,313	252,632	218,050
Capital and reserves attributable to owners of the Company			
Share capital	1,582	4,026	4,660
Reserves	275,731	248,606	213,390
TOTAL EQUITY	277,313	252,632	218,050

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

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

(b) Statement of reserves of the Company

	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Contributed surplus HK\$'000	Convertible bond equity reserve HK\$'000	Share-based payment reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 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 and 1 July 2014	181,881	(12,265)	102,180	766	-	(23,956)	248,606
Total comprehensive loss for the year	-	(7,732)	-	-	-	(127,128)	(134,860)
Issue of shares upon placing	112,706	-	-	-	-	-	112,706
Transaction cost attributable to issue of shares	(3,967)	-	-	-	-	-	(3,967)
Bonus issue	(115,261)	-	-	-	-	-	(115,261)
Capital reorganisation	-	-	159,657	-	-	-	159,657
Share-based payments	-	-	-	-	3,984	-	3,984
Issue of shares upon exercise of share options	8,850	-	-	-	(3,984)	-	4,866
Lapse of convertible bond	-	-	-	(766)	-	766	-
At 30 June 2015	184,209	(19,997)	261,837	-	-	(150,318)	275,731

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

37. OPERATING LEASE COMMITMENTS

The Group as lessee

At 30 June 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015 HK\$'000	2014 HK\$'000
Within one year	11,376	7,340
In the second to fifth years inclusive	56,427	60,640
After five years	225,241	265,718
	293,044	333,698

Operating lease payments represent rentals payable by the Group for certain of its offices and cinemas. Leases are negotiated for an average term of one to twenty years (2014: one to twenty two 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 ended 30 June 2014 was HK\$21,000. The Group's investment property was disposed during the year ended 30 June 2014.

38. OTHER COMMITMENTS

	2015 HK\$'000	2014 HK\$'000
Amount contracted for but not provided in the consolidated financial statements in respect of:		
Film production cost	62,740	19,965
Guaranteed sum to be paid under various distributors' agreements	42,612	35,231
Equipment	688	–
	106,040	55,196

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

39. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the full-time and part-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company's subsidiaries. The Scheme became effective on 9 July 2014 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The share option scheme adopted on 26 August 2004 was terminated on 9 July 2014. No option had been granted under the share option scheme adopted on 26 August 2004.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive, management shareholder or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

39. SHARE OPTION SCHEME (CONTINUED)

Details of the specific categories of options are as follows:

Date of grant	Vesting period	Exercise period	Exercise price HK\$
15 December 2014	N/A	15 December 2014 to 14 December 2015	0.25

The exercise price is adjusted for the effect of capital reorganisation on 13 January 2015 (note 35(h)).

Options are forfeited if the employee leaves the Group.

Details of the share options outstanding during the year are as follows:

		2015	Weighted average share price at date of exercise
	Number of share options	Weighted average exercise price	
Outstanding at the beginning of the year	–		
Granted during the year	506,880,000	0.025	
Exercised before capital reorganisation	(304,128,000)	0.025	0.024
Capital reorganisation (note 35(h))	(182,476,800)		
Exercised after capital reorganisation	(20,275,200)	0.25	0.25
Outstanding at the end of the year	–		
Exercisable at the end of the year	–		

The estimated fair values of the options on the grant date are approximately HK\$3,984,000.

These fair values were calculated using the Trinomial Model. The inputs into the model are as follows:

	2015
Weighted average share price	0.024
Weighted average exercise price	0.025
Expected volatility	91.33%
Expected exercise multiples of directors	2.8x
Expected exercise multiples of employees	2.2x
Risk free rate	0.11%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 246 days. Expected exercise multiples of directors and employees were assumed by the management of the Company.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

40. 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:

	2015 HK\$'000	2014 HK\$'000
Management fee paid to an associate	1,300	–
Consultancy fee paid to a joint venture (note (i))	550	270
Consultancy fee paid to a related company (note (ii))	–	150
Film production cost paid to directors (note (iii))	3,650	500

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

	2015 HK\$'000	2014 HK\$'000
Balances with a joint venture		
Amount due from a joint venture	–	20
Prepayments	–	150
Balances with related companies		
Prepayments	1,000	1,000
Balances with directors		
Prepayments	650	1,500
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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of interests from non-controlling interests

During the year ended 30 June 2014, Peak Lion Group Limited ("Peak Lion"), 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 Institute Limited ("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\$2,847,000. The Group recognised an decrease in non-controlling interests of approximately HK\$2,847,000 and a increase in equity attributable to owners of the parent of approximately HK\$104,000.

During the year ended 30 June 2015, Peak Lion acquired 6.9% interests in Proletariate at a consideration of approximately HK\$447,000 from independent third parties. The carrying amount of the 6.9% interests in Proletariate on the date of acquisition was approximately HK\$484,000. The Group recognised an decrease in non-controlling interests of approximately HK\$484,000 and a increase in equity attributable to owners of the parent of approximately HK\$37,000.

The effect of change in the ownership interests of Proletariate on the equity attributable to owners of the Company during the year ended 30 June 2015 and 2014 are summarised as follows:

	2015 HK\$'000	2014 HK\$'000
Carrying amount of non-controlling interest acquired	484	2,847
Consideration paid	(447)	(2,743)
Movement in parent equity	37	104

(b) Major non-cash transaction

Additions to property, plant and equipment during the year of HK\$2,276,000 (2014: HK\$nil) were financed by finance leases.

42. EVENTS AFTER THE REPORTING PERIOD

On 20 July 2015, the Company entered into a placing agreement to place a maximum number of 800,000,000 placing shares in a maximum of 2 tranches on a best effort basis, to currently expected to be not fewer than six independent placee at a price of HK\$0.25 per placing share.

On 8 September 2015, the Company completed the first tranche of placing, in which 403,000,000 placing shares were placed to not fewer than six placees at HK\$0.25 per share. The net proceeds of approximately HK\$98 million were raised from the placing.

On 18 September 2015, the Company completed the second tranche of placing, in which 397,000,000 placing shares were placed to not fewer than six placees at HK\$0.25 per share. The net proceeds of approximately HK\$97 million were raised from the placing.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

43. INTERESTS IN SUBSIDIARIES

Particulars of the subsidiaries as at 30 June 2015 are as follows:

Name of subsidiary	Place of incorporation/ registration/ operations	Issued and fully paid share capital	Percentage of ownership interest	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
CineUnited Circuits Company Limited	Hong Kong	HK\$1	100%	Cinema investment in the PRC

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

43. INTERESTS IN SUBSIDIARIES (CONTINUED)

Particulars of the subsidiaries as at 30 June 2015 are as follows: (Continued)

Name of subsidiary	Place of incorporation/ registration/ operations	Issued and fully paid share capital	Percentage of ownership interest	Principal activities
Markwin Investment Limited	Hong Kong	HK\$20	80%	Artiste management
Quick Money Finance Limited	Hong Kong	HK\$1	100%	Money lending
Beijing Hua Hao Ying An Yule Consulting Company* 北京華浩盈安娛樂諮詢有限公司	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
Empire Fame Limited	Hong Kong	HK\$1	100%	Production of film
Asian Rich Limited	Hong Kong	HK\$1	100%	Production of film
Golden Full Corporation Limited	Hong Kong	HK\$1	100%	Production of film
Smart Mega Corporation Ltd	Hong Kong	HK\$1	100%	Production of film
Kingcool Inc Limited	Hong Kong	HK\$1	100%	Production of film
King Universe Inc Limited	Hong Kong	HK\$1	100%	Production of film
Union Rico Limited	Hong Kong	HK\$1	100%	Production of film
Proletariate Institute Limited	Hong Kong	HK\$5,500,000	100%	Property investment
GME China Entertainment Limited	BVI	US\$12,500	80%	Investment holding
GME China Entertainment (HK) Limited	Hong Kong	HK\$1	100%	Investment holding

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

* For identification purpose only

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2015

44. LITIGATION

A writ of summons (the "Writ") was issued against the Company by Green Giant Investments Limited ("Green Giant") on 12 February 2015. It was alleged in the Writ that the Company refused and/or unreasonably withheld to register a transfer of the Note or issue a new promissory note as requested upon transfer of the Promissory Note by DHL to Green Giant.

Green Giant claims the principal amount of the Note of HK\$14,160,000, interest thereon from the time of presentment for payment until payment in full at the rate of 10% per annum pursuant to the terms of the Note, incurred expenses and costs. The court hearing will be fixed on 21 January 2016.

In the opinion of the Directors, promissory note payable of HK\$14,160,000 is properly recognized as at 30 June 2015, as such, the Directors did not consider that the litigation to have any significant impact on the Group's financial position and operations.

45. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The changes included the retrospective restatements and the adjustment for share consolidation and bonus shares issued during the year. The new classification of the accounting items was considered to provide a more appropriate presentation of the state of affairs of the Group.

46. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Board of Directors on 30 September 2015.