China Creative Digital Entertainment Limited
中國創意數碼娛樂有限公司

(formerly known as HMV Digital China Group Limited)

(Incorporated in Bermuda with limited liability)

(Stock Code: 8078)

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Contents

FINANCIAL SUMMARY

Annual financial results and positions for the five years from 2015.

Results

	For the year ended 30 June				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000	HK$'000
(Loss)/profit attributable to:					
Owners of the Company	**(2,102,744)**	(65,433)	22,665	(181,913)	(97,094)
Non-controlling interests	**(4,366)**	(309)	(1,256)	1,565	464
	(2,107,110)	(65,742)	21,409	(180,348)	(96,630)
(Loss)/profit per share					
Basic earnings (HK cents)	**(760.00)**	(24.00)	0.21	(2.85)	(20.69)
Diluted (HK cents)	**(760.00)**	(24.00)	0.16	(2.85)	(20.69)
Dividends	**–**	–	–	–	–

Assets, Liabilities and Non-controlling interests

	As at 30 June				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000 (Restated)	HK$'000 (Restated)	HK$'000	HK$'000
Total assets	**1,427,369**	3,712,393	3,055,320	556,435	421,002
Total liabilities	**(1,265,546)**	(1,270,957)	(439,775)	(265,043)	(143,599)
	161,823	2,441,436	2,615,545	291,392	277,403
Equity attributable to owners of the Company	**169,504**	2,441,818	2,615,618	289,630	278,017
Non-controlling interests	**(7,681)**	(382)	(73)	1,762	(614)
	161,823	2,441,436	2,615,545	291,392	277,403

CORPORATE INFORMATION

Directors

Executive Directors

Shiu Stephen Junior *(Chairman)*
Li Mau *(resigned on 1 November 2018 and re-appointed on 10 June 2019)*
Sun Lap Key, Christopher
Lee Wing Ho, Albert
Cheung Hung Lui *(resigned on 28 December 2018)*

Independent Non-executive Directors

Lee King Fui *(appointed on 15 July 2019)*
Lee Wing Lun *(appointed on 15 April 2019)*
Yang Yusi
Kam Tik Lun *(resigned on 15 July 2019)*
Chan Chi Ho *(resigned on 15 April 2019)*

Company Secretary

To Chi

Compliance Officer

Lee Wing Ho, Albert

Authorised Representatives

Shiu Stephen Junior
Lee Wing Ho, Albert

Audit Committee

Lee King Fui *(appointed on 15 July 2019) (Chairman)*
Lee Wing Lun *(appointed on 15 April 2019)*
Yang Yusi
Kam Tik Lun *(resigned on 15 July 2019)*
Chan Chi Ho *(resigned on 15 April 2019)*

Remuneration Committee

Lee King Fui *(appointed on 15 July 2019) (Chairman)*
Shiu Stephen Junior
Lee Wing Lun *(appointed on 15 April 2019)*
Yang Yusi
Kam Tik Lun *(resigned on 15 July 2019)*
Chan Chi Ho *(resigned on 15 April 2019)*

Nomination Committee

Shiu Stephen Junior *(Chairman)*
Lee King Fui *(appointed on 15 July 2019)*
Lee Wing Lun *(appointed on 15 April 2019)*
Yang Yusi
Kam Tik Lun *(resigned on 15 July 2019)*
Chan Chi Ho *(resigned on 15 April 2019)*

Auditor

Moore Stephens CPA Limited
801–806 Silvercord, Tower 1
30 Canton Road, Tsimshatsui
Kowloon, Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Office

Unit C, 8/F, D2 Place Two
No. 15 Cheung Shun Street
Cheung Sha Wan, Kowloon
Hong Kong

Registrar *(in Bermuda)*

MUFG Fund Services (Bermuda) Limited
4th Floor, North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

Principal Registrar

Tricor Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Banker

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

Website

http://www.china3d8078.com

GEM Stock Code

8078

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board" or the "Directors"), I am honoured to present the annual results of China Creative Digital Entertainment Limited ("China Creative" or the "Company") together with its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2019 (the "Year"). This Year, the global macro situation was complicated with increasing market risk factors. The cultural and entertainment industry in the Greater China is affected by various factors, the growth rate has been slowed down, the price competition pressure has increased, and the entire industry is facing enormous challenge. During the Year, with the joint effort of the entire team, the Group recorded a revenue for continuing operations of HK$64.6 million (2018: HK$352.3 million) (restated), loss attributable to owners of the Company recorded a loss of HK$2.1 billion (2018: HK$65.4 million) (restated) and gross loss was HK$149.5 million (2018: gross profit was HK$98.3 million).

The Group has been engaging mainly in the cultural and entertainment business in Greater China. China, a land of pockets of impressive growth and opportunities, has seen rapid growth in the cultural and entertainment industry in recent years. It is forecast to rise at a compound annual growth rate (CAGR) of 8.8% over the coming years, compared to global with a CAGR of 4.4%, according to a report issued by PwC. Despite the fact that the cultural and entertainment industry in the mainland China was under tremendous challenges in the Year, the Group will invest more resources in media content creation, movie production and movie distribution business segments. In view of the rapid global development in media contents and the rising popularity of new media platforms among the mobile and internet users, we hope to continue developing the quality media contents with the advantages of the existing platform resources and to thrive in the cultural and entertainment business.

Lastly, I would like to extend my gratitude to the Board, the management team and our colleagues for their enthusiasm, commitment and diligence under the difficult times. My appreciation also goes to our shareholders, customers, suppliers, investors and business partners for their ongoing huge trust and support.

Shiu Stephen Junior
Chairman

Hong Kong
26 September 2019

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

The Group reported the total revenue for continuing operations of approximately HK$64.6 million for the year ended 30 June 2019 (the "Year"), compared with approximately HK$352.3 million (restated) for the year ended 30 June 2018. For the year ended 30 June 2019, a loss attributable to owners of the Company of approximately HK$2.1 billion was recorded whilst in the last year, a loss attributable to owners of the Company of approximately HK$65.4 million (restated) was recorded.

For the continuing operations during the Year, artiste management services contributed a revenue of approximately HK$6.1 million (2018: HK$142.9 million). The revenue from entertainment business was approximately HK$28.9 million (2018: HK$179.9 million). The revenue from the money lending business was approximately HK$29.6 million (2018: HK$29.5 million). The revenue from the discontinued operations was approximately HK$71.1 million (2018: HK$256.0 million).

BUSINESS REVIEW

During the Year, Sino-US trade frictions intensified significantly, the mainland Chinese film industry emerged from a "cold winter" production freeze, and the retail market in Hong Kong was dampened. The wrestling between the world's two major economies and the rise in geopolitical risks are creating uncertainties in the outlook for global trade. The global economic outlook is also dragged down by factors such as slowing investment, declining business confidence and PMI figures which even emerging economies in Southeast Asia are no exception. The World Bank had earlier predicted that the growth momentum of emerging markets and developing economies also showed signs of slowing down. It is expected that the global economic growth will fall to a-weaker-than-expected 2.6% in 2019. With the recent pressure from economic slowdown in the Greater China and rising trade tensions, the economic downside risks have become more apparent. During the Year, the Group's revenue by segment was HK$135.7 million, including HK$64.6 million for continuing operations and HK$71.1 million for discontinued operations (2018: HK$608.3 million (restated)), including HK$352.3 million for continuing operations and HK$256 million for discontinued operations, decreased by 77.7%.

Distribution and production of films, television programmes and music production

Mainland China's total box office revenue barely grew 9% in 2018 calendar year to RMB60.98 billion. The rate of expansion was slower than the year before, when it hit 13.5%, the government reports said. Mainland China is the world's second-largest theatrical movie market, and is widely expected to surpass North America in coming years. However, the cultural and entertainment market in mainland China was affected by artist taxation issues and the changes of movie regulatory approval policies in the Year. During the Year, the entertainment business recorded a turnover of HK$28.9 million (2018: HK$179.9 million) because the numbers of films on screen in the Year decreased due to the reasons mentioned above. However, the Group prudently invested in film rights and produced films, television programmes in order to cope with the increasing demand for quality media contents in the Greater China market. Our in-house online television programme production "Hong Kong West Side Stories" was distributed on Netflix, an American media-services provider and whose primary business is its subscription-based streaming service which offers online streaming of a library of films and television programs, during the Year. The Group continues to create quality media contents and distribute the contents on new media platforms.

Artiste management services

Artiste management business was also another segment adversely affected by the taxation issues in mainland China during the Year. The artiste management services recorded a turnover of HK$6.1 million (2018: HK$142.9 million). The Group put relentless efforts on our talented artists by tailor-made job arrangements and career path planning. Our artists will be entitled in our film and online television programme production as a synergy among our business segments.

BUSINESS REVIEW *(CONTINUED)*

Discontinuity of business

The Group disposed the operation of cinemas due to longer-than-expected return periods of cinema houses. And the disposal helped to reduce the liabilities assumed by the Group. Moreover, the Group placed into creditors' voluntary winding up of HMV retail business in Hong Kong due to the irresistible digital tide of music industry and high operating expenses.

Disposal of Fore Head Limited

The Fore Head Disposal

Reference is made to the announcements of the Company dated 13 July 2018 and 11 September 2018 in relation to the signing of the agreement between First Digital Group Limited (the "First Digital") and Fortune Access International Investment Limited ("Previous Purchaser") pursuant to which First Digital agreed to dispose and the Previous Purchaser agreed to acquire the entire issued share capital of Fore Head Limited (the "Target Company") at consideration of US$34,820,000, which comprises of the cash portion of US$13,800,000 and the non-cash portion of US$21,020,000 (being 81% of the IP Right upon completion of the assignment of the IP right pursuant to the assignment deed and transfer documents)("Previous Agreement").

Due to (i) certain conditions precedent to the Previous Agreement had not been fulfilled as at 25 March 2019; and (ii) the consideration yet to be received from the Previous Purchaser as of 25 March 2019, the disposal has not yet been completed. As the Previous Purchaser failed to complete the transactions by make payments on time and therefore the Previous Agreement is officially lapsed. The Company has kept chasing the Previous Purchaser to complete the transactions by different communications such as emails, legal letters and phone calls. The Company have already paid relentless efforts to the Previous Purchaser for the completion, but in vain. The Company decided to lapse the Previous Agreement and resell the Target Company to a new purchaser without any condition.

On 25 March 2019, the Company entered into the Sale and Purchase Agreement ("Fore Head Agreement") with Hero Talent Group Limited (the "New Purchaser") in relation to the disposal the entire issued share capital of the Target Company at a consideration of HK$33,000,000 which shall be paid in cash by the New Purchaser to the Company.

The Consideration of HK$33,000,000 shall be paid by cash by the New Purchaser to First Digital or its nominee as following manners:

(a) at Completion, the sum of Hong Kong Dollars Twenty One Million Five Hundred Thousand (HK$21,500,000); and

(b) on the Second Payment Date (the day falling six months after the Completion Date), the sum of Hong Kong Dollars Eleven Million Five Hundred Thousand (HK$11,500,000) provided that the New Purchaser shall have an option at its absolute discretion to procure the transfer of Settlement Shares (being 37,500 Class B convertible redeemable shares in Prime Focus World N.V. with a par value of EUR0.01 per share (or ordinary shares of PFW issued upon conversion of such shares) or such number of ordinary shares of Horizon Coast Limited, representing 20% of the issued share capital of Horizon Coast Limited to First Digital (or as First Digital may direct) in full and final settlement of the sum payable on the Second Payment Date.

BUSINESS REVIEW *(CONTINUED)*

Disposal of Fore Head Limited (continued)

The Fore Head Disposal (continued)

The arrangement can provide extra security to the Company if the New Purchaser does not make the payment on the Second Payment Date, the Company can still get back the Settlement Shares. The Directors believe that the arrangement is in the best interest of the Company and to avoid the transaction lapsed in future.

Upon completion, the Target Company and its subsidiary will cease to be subsidiaries of the Company.

Details of the disposal was disclosed in the announcements dated 25 March 2019 and 20 May 2019. The disposal was completed on 4 April 2019 ("Completion Date").

Completion of Acquisitions of Panorama Corporation Limited and Parkway Licensing Company Limited

The Panorama Acquisition

On 9 January 2017, the Company entered into the Sale and Purchase Agreement ("Panorama Agreement") with Mr. Fung Yu Hing Allan (the "Panorama Vendor") in relation to the acquisition of 70% of the issued share capital of Panorama Corporation Limited at a consideration of HK$31,500,000, which shall be satisfied by the issue and allotment of 86,896,551 shares at the issue price of HK$0.3625 by the Company to the Panorama Vendor.

The Parkway Acquisition

On 9 January 2017, the Company entered into the Sale and Purchase Agreement ("Parkway Agreement") with Mr. Fung Yu Hing Allan, Mr. Wong Wing Kwong Kelvin and Ingate International Company Limited (the "Parkway Vendors") in relation to the acquisition of 70% of the issued share capital of Parkway Licensing Company Limited at a consideration of HK$7,000,000 which shall be satisfied by cash and issue and allotment of aggregate 16,551,723 shares by the Company to the Parkway Vendors.

Details of the acquisitions were disclosed in the announcements dated 9 January 2017, 4 August 2017 and 18 September 2018 and the circular dated 3 September 2018 respectively. Both acquisitions were completed on 1 November 2018.

Voluntary Winding-Up of HMV Marketing Limited

On 18 December 2018, the Company in the capacity of ultimate shareholder resolved to voluntarily wind up HMV Marketing Limited ("HMV Retail"), a wholly-owned subsidiary of the Company.

On 9 January 2019, the sole shareholder of HMV Retail resolved to voluntarily wind up HMV Retail and it was ceased to be a subsidiary of the Company with effect from 9 January 2019.

Mr. Wong Sun Keung and Ms. Tsui Mei Yuk Janice, of Vision A. S. Limited were appointed as the joint and several liquidators of HMV Retail. The appointment of the liquidators was confirmed at the meeting of creditors of HMV Retail held on 10 January 2019.

Details of the winding up are set out in note 13(i).

BUSINESS REVIEW *(CONTINUED)*

Disposal of Cineunited Circuits Company Limited

The Cineunited Circuits Disposal

On 4 January 2019, the Company entered into the Sale and Purchase Agreement ("Cineunited Circuits Agreement") with Crown King Corporation Limited (the "Cineunited Circuits Purchaser") in relation to the disposal of the entire issued share capital of Cineunited Circuits Company Limited and the Group's loans at a consideration of RMB17,300,000 less the aggregate liability of Cineunited Circuits Company Limited and its subsidiaries as at cut-off date, which shall be paid by Cineunited Circuits Purchaser to the Company upon completion. Upon completion, Cineunited Circuits Company Limited and its subsidiaries have been ceased to be subsidiaries of the Company.

Details of the disposal are set out in note 13(ii).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, total borrowing of the Group (excluding payables) amounted to approximately HK$759.5 million (2018: HK$896.8 million)(restated). The Group's gearing ratio (expressed as a percentage of total borrowing over total assets) was 53.21% in 2019 and 24.16% (restated) in 2018.

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 other borrowings, convertible bonds, 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 2019, the Group has no other asset pledged to bank to secure the bank borrowing granted to the Group (2018: HK$3.7 million).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2019, the Group had 76 (2018: 418) full-time and part-time employees. The total employee remuneration, including that of the Directors, for the year ended 30 June 2019 amounted to approximately HK$34.8 million (2018: approximately HK$49.7 million (restated)). 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 during the Year.

CAPITAL STRUCTURE

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

On 15 November 2018, the Company issued the aggregate of 103,448,274 shares at an issue price of HK$0.3625 per share to Panorama Vendor and Parkway Vendors for the acquisition of Panorama Corporation Limited and Parkway Licensing Company Limited. The number of shares in issue had been increased from 13,495,120,697 shares to 13,598,568,971 shares.

Cancellation of Repurchased Share

The Company repurchased an aggregate of 28,180,000 shares through the Stock Exchange during the period from 16 November 2018 to 3 December 2018 and those shares were cancelled on 17 January 2019. The number of shares in issue had been decreased from 13,598,568,971 shares to 13,570,388,971 Shares.

Capital Reorganisation and Change in Board Lot Size

On 25 January 2019, the Board proposed to consolidate forty (40) issued Existing shares of a par value of HK$0.01 each in the issued share capital of the Company into one (1) consolidated share of a par value of HK$0.40 each in the issued share capital of the Company. Immediately upon the Share Consolidation becoming effective, the issued share capital of the Company be reduced by (i) cancelling any fraction of a Consolidated Share in the issued share capital of the Company; and (ii) cancelling the paid up capital of the Company to the extent of HK$0.39 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK$0.40 to HK$0.01. And the Board also proposed to change the board lot size for trading on the Stock Exchange from 20,000 Existing Shares to 10,000 Adjusted Shares ("Original Capital Reorganisation").

The Board has received opinions and recommendations from a Shareholder implementing a share consolidation with a higher ratio and reducing the board lot size. Therefore, the special general meeting for the Original Capital Reorganisation was approved to adjourn by the Shareholders of the Company on 27 March 2019.

On 24 April 2019, the Board has taken the comments into consideration and re-considered, amongst other things, the structure of the capital reorganisation of the Company and the change in board lot size. Subsequently, the Board has decided to revise the structure of the capital reorganization of the Company. The structure of new capital reorganisation ("New Capital Reorganisation") are as follows:

Share Consolidation

Every fifty (50) issued Existing Shares of a par value of HK$0.01 each in the issued share capital of the Company be consolidated into one (1) Consolidated Share of a par value of HK$0.50 each in the issued share capital of the Company.

Capital Reduction

Immediately upon the Share Consolidation becoming effective, the issued share capital of the Company be reduced by (i) rounding down the number of Consolidated Shares in the issued share capital of the Company to the nearest whole number by cancelling any fraction of a Consolidated Share in the issued share capital of the Company; and (ii) cancelling the paid up capital of the Company to the extent of HK$0.49 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK$0.50 to HK$0.01.

CAPITAL STRUCTURE *(CONTINUED)*

Capital Reorganisation and Change in Board Lot Size (continued)

Change in Board Lot Size

After taking the comments of the Shareholder into consideration, the Board now proposes to change the board lot size for trading on the Stock Exchange from 20,000 Existing Shares to 8,000 Adjusted Shares ("Change in Board Lot Size").

The resolutions for approval of the New Capital Reorganisation and Change in board Lot Size were approved by the Shareholders of the Company on 22 May 2019. With effect from 23 May 2019, the number of shares in issue had been changed from 13,570,388,971 shares to 271,407,779 Shares.

Convertible Bonds and Notes issued to Wan Tai Investments Limited

On 17 November 2017, the Company and Wan Tai Investments Limited (the "Subscriber") entered into a subscription agreement, pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, (i) the convertible bonds in the aggregate principal amount of HK$150,000,000 ("Convertible Bonds") and (ii) the notes in the aggregate principal amount of HK$150,000,000 ("Notes").

The maturity date of Convertible Bonds and Notes were due on 2 January 2019 and the Company is still negotiating with the Subscriber for any further actions, including but not limited to repayment, re-financing and extension of Convertible Bonds and Notes.

COMMITMENTS

Total commitments of the Group as at 30 June 2019 was approximately HK$309.4 million (2018: approximately HK$782.9 million).

CONTINGENT LIABILITIES

HMV Marketing Limited, a wholly-owned subsidiary of the Group, had entered into operation agreements in 2017 with an independent third party (the "Business Partner"), a PRC company principally engaged in property and shopping mall management, to develop not less than 20 shopping malls with HMV brand. Following the winding up of HMV Marketing Limited, the operation agreements is subject to uncertainty of execution. The Business Partner and the Group have not entered into any new arrangement after the winding-up of HMV Marketing. During the year ended 30 June 2019, the Group received in aggregate HK$40,000,000 from the Business Partner according to the operation agreements, which was also subject to uncertainty.

DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the year ended 30 June 2019 (2018: nil).

LITIGATION

A writ of summons was issued against the Company by Green Giant Investments Limited on 12 February 2015

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 to the promissory note (the "Note") or issue a new promissory note as requested upon transfer of the Note by Dragonlott Holdings Limited 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 claim was settled by both parties at an agreed amount of HK$12,800,000 in July 2018.

A writ of summon was issued against the Company by Lei Shing Hong Credit Limited on 13 December 2018

The Company received an originating summons ("Originating Summons") on 13 December 2018 filed by Lei Shing Hong Credit Limited as the plaintiff ("Plaintiff") against (i) Ocean Bridge Investments Limited ("Ocean Bridge") (ii) King Universe Inc. Limited ("Vendor") and (iii) the Company (collectively, the "Defendants") under action number HCMP 2165/2018 ("Legal Proceedings") in the High Court of Hong Kong.

The Originating Summons filed by the Plaintiff concerned the default in payment by Ocean Bridge of a loan facility advanced by the Plaintiff to Ocean Bridge in 2017 (the "Loan Facility"). The Vendor and the Company were guarantors to the concerned Loan Facility. A first legal charge was entered in respect of the property located at Town House No. 6 together with patio and fore court adjoining thereto No. 25 Black's Link, Hong Kong and car parking space nos. 9 and 10, nos. 1–35 Black's Link, Hong Kong ("Property") in favour of the Plaintiff.

On 25 June 2019, the Vendor and the Company entered into the Sale and Purchase Agreement (the "Agreement") with Hammer Capital Holdings Limited (the "Purchaser") in relation to the disposal of the entire issued share capital of Ocean Bridge at a consideration of HK$1.00 (the "Consideration"). The Consideration was determined after arm's length negotiation between the parties with reference to net position of Ocean Bridge ("Disposal").

Ocean Bridge is principally holding of the Property. Apart from the Property, Ocean Bridge does not own or hold any other significant asset. It was purchased by the Group on 14 December 2017 at a total consideration of HK$100,000,000 which was satisfied by cash of HK$15,000,000, issue of promissory note of HK$35,000,000 and offset with the loan receivable of HK$50,000,000. As of the date of acquisition, Ocean Bridge had a net borrowing of HK$173,000,000.

Ocean Bridge recorded unaudited net liabilities of approximately HK$200,112,560 as at 30 April 2019. Upon completion, Ocean Bridge will cease to be a subsidiary of the Company. The financial results of Ocean Bridge will no longer be consolidated into the Group's financial statements. The completion took place on 2 July 2019.

As the property does not currently generate any revenue and its attached mortgage loan remains substantial, the Board considers the Disposal represents a good opportunity to lower the gearing ratio of the Group while reducing interest payment. There is no net proceeds of the Disposal after deducting relevant transaction costs and expenses.

The Plaintiff subsequently entered into a loan sale and transfer agreement, whereby all rights and interest in and arising out of the Loan Facility (including all security thereto) were assigned to a third party.

LITIGATION *(CONTINUED)*

A Judgement and Decision handed down by the Court of First Instance of the High Court and the District Court of Hong Kong respectively

Soliton (HK) Limited, a subsidiary of the Company ("Soliton") received (i) a judgement handed down by the Court of First Instance of the High Court of Hong Kong on 19 March 2019; and (ii) a decision handed down by the District Court of Hong Kong on 8 March 2019 respectively. According to the Judgement and Decision, it ordered Soliton to pay WEA International Inc an amount of HK$2,100,000 and pay Warner Music Hong Kong Limited an amount of HK$850,000 and shall destroy and/or return all licensed material of Warner.

Soliton is still seeking legal advice in relation to the Judgement and Decision for any further action, including but not limited to taking out an appeal, seeking for a compromise of the Judgement and the Decision and/or conducting restructuring of the Group.

BIOGRAPHIES OF DIRECTORS AND SENIOR EXECUTIVES

EXECUTIVE DIRECTOR (CHAIRMAN)

SHIU STEPHEN JUNIOR, aged 44, 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 18 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 (VICE CHAIRMAN)

LI MAU, aged 41, Ms. Li was resigned as an executive director and co-chairlady of the Company with effect from 1 November 2018 in order to devote more time to her respective personal businesses. Ms. Li redeployed her business in the past several months and can devote more time for advising the overall strategy of the Group. Ms. Li has been appointed as an executive director and vice chairman of the Company with effect from 10 June 2019.

Ms. Li is the founder and the chief executive officer of HMV Cultural F&B Group Limited ("HMV F&B Group"). Ms. Li is primarily responsible for the overall corporate strategies and management of HMV F&B Group and oversees the overall operation of HMV F&B Group's business. In addition to the internal management, Ms. Li also manages the business development in Asia and Europe.

Ms. Li has accumulated extensive experience in investment and business management through her working experience in different business segments in Asia and Europe.

Mr. Wu King Shiu, Kelvin as the spouse of Ms. Li holds 10,364,279 shares of the Company, representing 3.82% of the issued share capital of the Company. Therefore, Ms. Li is deemed to be interested in 3.82% of the issued share capital of the Company.

EXECUTIVE DIRECTOR AND COMPLIANCE OFFICER

LEE WING HO, ALBERT, aged 49, 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 24 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 52, joined the Company in October 2011. Mr. Sun holds a Master of Arts in Film and TV Fiction from The Northern Media School of Sheffield Hallam University, Sheffield, United Kingdom. Mr. Sun has more than 30 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

Lee Wing Lun, aged 35, joined the Company on 15 April 2019. Mr. Lee is the member of Audit Committee, Remuneration Committee and Nomination Committee of the Company. Mr. Lee is a technical advisor in technology ventures, start-ups and consulting industry. He holds a Bachelor of Computer Engineering from the University of Hong Kong. Mr. Lee is a partner in an information technology company and responsible to provide IT infrastructure services to corporate clients.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Lee King Fui, aged 40, joined the Company on 15 July 2019. Mr. Lee is the chairman of Audit Committee and Remuneration Committee and the member of Nomination Committee of the Company. Mr. Lee is a director of Visionwide Consultancy Limited since October 2017. Mr. Lee has more than18 years of experience in accounting, audit and corporate finance and advisory services in Malaysia, Hong Kong and Mainland China. He worked at Enesoon Technology Limited from January 2016 to December 2016, and his last position was vice president of strategic investment. Mr. Lee had been the chief financial officer of different companies in Hong Kong and China namely, Legend Oilfield Services Limited, Aujet Industry Limited, and Wellable Marine Biotech Holding Limited for the period from August 2011 to April 2015. Prior to the above-mentioned positions, Mr. Lee worked in KPMG Hong Kong from October 2006 to March 2011 and the last position that he held was senior manager.

Mr. Lee obtained a master's degree in accountancy from The Hong Kong Polytechnic University in October 2012. He was admitted as an associate member of the Hong Kong Institute of Certified Public Accountants since January 2012. Mr. Lee was admitted as a member of the Association of Chartered Certified Accountants in September 2003 and became a fellow member since 2 September 2008. Mr. Lee was also admitted as a chartered accountant of the Malaysian Institute of Accountants since March 2004.

Mr. Lee is an independent non-executive director of Hang Tai Yue Group Holdings Limited (stock code: 8081) and Easy Repay Finance & Investment Limited (stock code 8079), both companies listed on the GEM of The Stock Exchange of Hong Kong Limited.

INDEPENDENT NON-EXECUTIVE DIRECTOR

YANG YUSI, aged 34, joined the Company in February 2018. Ms. Yang is the member of Audit Committee, Remuneration Committee and Nomination Committee of the Company.

Ms. Yang, is a professional violinist and has over 10 years' experiences in violin performance. She received her Bachelor, Master degree on violin performance and doctoral degree in philosophy in University Mozarteum Salzburg in Austria in 2012. She was a member of Jugend Phiharmonic Salzburg, Alpe Adria Chamber Orchestra, Hochschulerorchestra Mozarteum, World Youth Chamber Orchestra, Sinfonietta da Camara Salzburg and DomOrchestra Salzburg. Currently Ms. Yang is a fixed member in Hong Kong Sinfonietta as since 2010 and also she is founder and principle of Moz Conservatory. Ms. Yang is the member of Guangzhou City Huangpu District committee of the Chinese People's Political Consultative Conference.

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 2019 (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 50 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Company is as set out in the section of "Management Discussion and Analysis" on pages 5 to 12 of this Annual Report.

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 44.

The Directors do not recommend the payment of any dividend for the Year (2018: 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.

PARTICULARS OF PROPERTY INTERESTS

Particulars of property interests held by the Group as at 30 June 2019 is as follows:

Location	Use	Attributable interest of the Group
Town House No. 6, together with Patio and Fore Court, No. 25 Black's Link, Hong Kong	Investment Property	100%

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 50 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 39 to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity on page 48 and note 42 to the consolidated financial statements respectively.

CONVERTIBLE BOND

Details of the movements in the Company's convertible bond during the Year are set out in note 34 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

Details of the movements in distributable reserves of the Company during the Year are set out in note 42(b) to the consolidated financial statements respectively.

DONATION

During the Year, no donation has been made (2018: 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)*
Ms. Li Mau *(Vice Chairman) (resigned on 1 November 2018 and re-appointed on 10 June 2019)*
Mr. Sun Lap Key, Christopher
Mr. Lee Wing Ho, Albert
Mr. Cheung Hung Lui *(resigned on 28 December 2018)*

Independent Non-executive Directors:

Mr. Lee King Fui *(appointed on 15 July 2019)*
Mr. Lee Wing Lun *(appointed on 15 April 2019)*
Mr. Kam Tik Lun *(resigned on 15 July 2019)*
Mr. Chan Chi Ho *(resigned on 15 April 2019)*
Ms. Yang Yusi

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.

DIRECTORS' SERVICES CONTRACTS

Each of Mr. Shiu Stephen Junior, Mr. Sun Lap Key, Christopher, Mr. Lee Wing Ho, Albert and Ms. Li Mau 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. Lee King Fui	15 July 2019
Mr. Lee Wing Lun	15 April 2019
Ms. Yang Yusi	9 February 2018

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 45 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 2019, 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 Rules 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
Mr. Shiu Stephen Junior *(note 1)*	Beneficial owner	22,297,676	8.22%
Ms. Li Mau *(note 2)*	Family interest	10,364,279	3.82%

Note:

1. Mr. Shiu Stephen Junior is the Chairman and executive Director of the Company. 22,200,000 shares were pledged to Wan Tai Investments Limited, a subsidiary of CCB International Group Holdings Limited on 2 January 2018.

2. Ms. Li Mau ("Ms. Li") is the executive Director of the Company. AID Partners Urban Development Company Limited ("AID Partners") indirectly holds 10,364,279 shares. 60% of the issued share capital of AID Partners are held by Mr. Wu King Shiu Kelvin ("Mr. Wu"). Accordingly, Mr. Wu is deemed to be interested in the shares held by AID Partners. Ms. Li is the spouse of Mr. Wu. Ms. Li is also deemed to be interested in the shares held by AID Partners.

Save as disclosed above, as at 30 June 2019, none of the Directors or chief executive of the Company nor their associates had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

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

At the special general meeting of the Company held on 9 July 2014, the shareholders of the Company approved the adoption of a new share option scheme which became effective from 9 July 2014 and is valid for the next ten years.

The major terms of the New Scheme are summarized as follows:

1. The purpose of the New Scheme is to enable the Group to grant options to the eligible participants as incentives or rewards for their contribution to the Group.

2. The Board of Directors may, at its discretion, offer the options to any full-time or part-time employees and Executive, Non-executive and Independent Non-executive Directors of the Company and/or any of its subsidiaries, suppliers, customers, advisors, shareholder of any member of the Group, consultants to subscribe for shares of the Company.

3. The maximum number of ordinary shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option scheme adopted by the Group shall not exceed 30 per cent. Of the share capital of the Company in issue from time to time.

   The total number of ordinary shares which may be issued upon exercise of all options to be granted under the New Scheme and any other share option scheme of the Company shall not in aggregate exceed 10% of the ordinary shares in issue on the date of approval of the New Scheme (the "Scheme Limit") or as at the date of the Shareholders' approval of the refreshed Scheme Limit.

4. The total number of ordinary shares issued and which may fall to be issued upon exercise of the options and the options granted under any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1 per cent. of the issued share capital of the Company for the time being.

5. The exercise period of any option granted under the New Scheme shall be determined by the Board but such period shall not exceed 10 years from the date of grant.

6. The New Scheme does not specify any minimum holding period.

7. The acceptance of an offer of the grant of the option under the New Scheme ("Offer") must be made within 21 days from the date on which the letter containing the Offer is delivered to that participant together with a non-refundable payment of HK$1.00 from each grantee.

8. The subscription price will be determined by the Board of Directors of the Company and shall not be less than the highest of (i) the nominal value of the shares, (ii) the quoted closing price of the Company's shares on the date of offer of the options, and (iii) the average of the quoted closing prices of the Company's shares on the five trading days immediately preceding the date of offer of the options.

9. The New Scheme is valid for ten years from the date of adoption.

All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options. For the year ended 30 June 2019, no option was granted under the New Scheme.

For the year ended 30 June 2019, no employee compensation expense has been included in the unaudited condensed consolidated statement of profit or loss and other comprehensive income (2018: Nil).

No liabilities were recognised due to share-based payment transactions.

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

Save as disclosed below, so far as known to the Directors, as at 30 June 2019, 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.

(i) Interests in the Shares

Name	No. of shares	Percentage
AID Treasure Investment Ltd *(Note 1)*	30,149,720 shares	11.11%

Note:

1. AID Treasure Investment Ltd is an indirect wholly-owned subsidiary of AID Life Science Holdings Limited, a listed company on GEM (Stock code: 8088).

(ii) Interests in the Convertible Bonds

Name	Conversion Price HK$	No. of Underlying Shares	Percentage
AID Treasure Investment Ltd *(Note 1)*	15.25	3,278,688	1.21%
Wan Tai Investments Limited *(Note 2)*	0.273	549,450,549	4.07%

Notes:

1. AID Treasure Investment Ltd is an indirect wholly-owned subsidiary of AID Life Science Holdings Limited, a listed company on GEM (Stock code: 8088). The conversion price was adjusted with effect from 23 May 2019.

2. Wan Tai Investments Limited is a limited liability business company incorporated under the laws of the British Virgin Islands and an indirectly wholly-owned special purpose vehicle of CCB International (Holdings) Limited. CCB International (Holdings) Limited is an investment services flagship which is wholly-owned by China Construction Bank Corporation, a joint stock company incorporated in the PRC and listed on the Main Board of the Stock Exchange (stock code: 0939) and the Shanghai Stock Exchange (stock code: 601939).

   The Company is still negotiating with the holder of the Convertible Bonds for any further actions, including but not limited to repayment, refinancing and extension of the Convertible Bonds. As such, subject to the negotiation progress with the holders of the Convertible Bonds and the compliance of the GEM Listing Rules, the conversion price and the number of shares of the Company falling to be issued upon the exercise of the conversion right attaching to the Convertible Bonds and the percentage has not be adjusted after the capital reorganisation took effect from 23 May 2019.

MAJOR CUSTOMERS

No customer (2018: one) under distribution of films, television programmes and music production contributing over 10% of the total revenue of the Group for the year ended 30 June 2019 (2018: approximately HK$73,000,000).

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

During the Year, the Company repurchased its own shares through the Stock Exchange as follows:

Date of Repurchase	Number of Shares repurchased	Aggregate Consideration	Price per share repurchased
16 November 2018	9,260,000	HK$1,631,880	HK$0.174–HK$0.185
19 November 2018	3,900,000	HK$718,920	HK$0.179–HK$0.200
20 November 2018	1,320,000	HK$231,360	HK$0.171–HK$0.180
21 November 2018	820,000	HK$142,400	HK$0.172–HK$0.175
22 November 2018	1,580,000	HK$277,940	HK$0.175–HK$0.180
23 November 2018	1,040,000	HK$182,900	HK$0.173–HK$0.186
26 November 2018	680,000	HK$118,740	HK$0.173–HK$0.177
27 November 2018	1,480,000	HK$256,940	HK$0.171–HK$0.177
28 November 2018	3,120,000	HK$541,940	HK$0.167–HK$0.180
29 November 2018	3,120,000	HK$526,980	HK$0.166–HK$0.172
30 November 2018	1,580,000	HK$256,760	HK$0.159–HK$0.169
3 December 2018	280,000	HK$43,560	HK$0.153–HK$0.160
Total:	28,180,000	HK$4,930,320	

The above shares were cancelled on 17 January 2019.

CONNECTED TRANSACTIONS

Saved as disclosed in note 45 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, Ms. Li Mau, Mr. Sun Lap Key, Christopher and Mr. Lee Wing Ho, Albert; and Independent Non-executive Directors who are Mr. Lee King Fui, Mr. Lee Wing and Ms. Yang Yusi.

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 pages 24 to 31 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

Except for those disclosed on pages 156 to 164, 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.

CONTRACTS OF SIGNIFICANCE

There are no other contracts of significance in relation to the Group's business to which the Company, or any of its subsidiaries 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.

AUDITOR

The consolidated financial statements for the years ended 30 June 2019 was audited by Moore Stephens CPA Limited whose term of office will expire upon the annual general meeting. A resolution for the re-appointment of Moore Stephens CPA Limited as the auditor of the Company for the subsequent year will be proposed at the forthcoming annual general meeting. The consolidated financial statements for the years ended 30 June 2018 and 2017 were audited by ZHONGHUI ANDA CPA Limited. Save for above, there has been no other change of the auditors of the Company in any of the preceding three years.

On behalf of the Board
China Creative Digital Entertainment Limited

Shiu Stephen Junior
Chairman

Hong Kong
26 September 2019

CORPORATE GOVERNANCE REPORT

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

The Board had reviewed and discussed the corporate governance policy of the Group and was satisfied with the effectiveness of its corporate governance policy. Currently, Mr. Shiu Stephen Junior holds the offices of Chairman and Chief Executive Officer of the Company. The Board considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company. The Board also believes that the current structure provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

THE BOARD

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

As at 30 June 2019, the Board comprised seven Directors (four Executive Directors and three Independent Non-executive Directors). The biographies of the current Directors are set out on pages 13 to 14 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 BOARD *(CONTINUED)*

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.

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 *(CONTINUED)*

Chairman and Chief Executive Officer (continued)

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 held fourteen meetings during the Year with the attendance of each Director as follows:

Name of Directors	Attendance/Number of board meetings held during the Year	Attendance/Number of general meetings held during the Year
Executive Directors:		
Shiu Stephen Junior	14/14	3/4
Sun Lap Key, Christopher	14/14	4/4
Lee Wing Ho, Albert	12/14	0/4
Li Mau *(resigned on 1 November 2018 and re-appointed on 10 June 2019)*	N/A	1/4
Cheung Hung Lui *(resigned on 28 December 2018)*	2/14	0/4
Independent Non-executive Directors:		
Chan Chi Ho *(resigned on 15 April 2019)*	10/14	2/4
Kam Tik Lun *(resigned on 15 July 2019)*	14/14	3/4
Yang Yusi	12/14	2/4
Lee Wing Lun *(appointed on 15 April 2019)*	N/A	0/4
Lee King Fui *(appointed on 15 July 2019)*	N/A	N/A

There was 7 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.

AUDIT COMMITTEE

The Audit Committee now consists of three Independent Non-executive Directors, namely Mr. Lee King Fui, Mr. Lee Wing Lun and Ms. Yang Yusi. 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, 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 four meetings during the Year with the attendance of each member as follows:

Name of Committee members	Date of Nomination	Director's Attendance
Kam Tik Lun *(Chairman)(resigned on 15 July 2019)*	13 July 2010	4/4
Chan Chi Ho *(resigned on 15 April 2019)*	2 July 2010	3/4
Yang Yusi	9 February 2018	4/4
Lee Wing Lun *(appointed on 15 April 2019)*	15 April 2019	1/4
Lee King Fui *(Chairman)(appointed on 15 July 2019)*	15 July 2019	N/A

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. Lee King Fui, Mr. Lee Wing Lun and Ms. Yang Yusi, Independent Non-executive Directors of the Company. The Remuneration Committee is chaired by Mr. Lee King Fui. 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 11(a) to the consolidated financial statements.

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

Name of Committee members	Director's Attendance
Kam Tik Lun *(Chairman)(resigned on 15 July 2019)*	3/3
Shiu Stephen Junior	3/3
Chan Chi Ho *(resigned on 15 April 2019)*	3/3
Yang Yusi	2/3
Lee Wing Lun *(appointed on 15 April 2019)*	N/A
Lee King Fui *(Chairman)(appointed on 15 July 2019)*	N/A

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, namely Mr. Shiu Stephen Junior (Chairman), Executive Director of the Company, Mr. Lee King Fui, Mr. Lee Wing Lun and Ms. Yang Yusi, Independent Non-executive Directors of the Company.

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 two meetings during the Year with the attendance of each member as follows:

Name of Committee members	**Director's Attendance**
Shiu Stephen Junior *(Chairman)*	2/2
Kam Tik Lun *(resigned on 15 July 2019)*	2/2
Chan Chi Ho *(resigned on 15 April 2019)*	2/2
Yang Yusi	1/2
Lee Wing Lun *(appointed on 15 April 2019)*	N/A
Lee King Fui *(appointed on 15 July 2019)*	N/A

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 pages 40 to 43.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibility for the internal control system of the Company. The Board emphasises the importance of a sound internal control system which is also indispensable for mitigating the Group's key risk exposures. The Group's system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of the business objectives. The internal control system is reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and shareholders' interests. For the year ended 30 June 2019, the Company has reviewed the risk management and internal control system of the Group and has provided written reports to the Audit Committee. No significant areas of concern that might affect shareholders were identified. Accordingly, the Company considered that the risk management and internal control systems of the Group are effective and adequate.

RISK MANAGEMENT AND INTERNAL CONTROLS *(CONTINUED)*

The board provides direction to senior management by setting the organization's risk appetite. It also seeks to identify the principal risks facing the organization. Thereafter, the board assures itself on an ongoing basis that senior management is responding appropriately to these risks. The Group has adopted three lines of defence to identify, assess and manage different types of risks. As the first line of defence, operational management has ownership, responsibility and accountability for directly assessing, controlling and mitigating risks. The second line of defence, consists of the compliance officer, financial controller, company secretary, IT department and all department heads, monitors and facilitates the implementation of effective risk management practices by operational management and assists the risk owners in reporting adequate risk related information up and down the organization. It ensures that risks are within acceptable range and that the first line of defence is effective. As the final line of defense, the independent consultant assists the Audit Committee to review the first and second lines of defense. The independent consultant will, through a risk-based approach to their work, provide assurance to the Board of directors and Audit committee. The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Group does not have an in-house internal audit function. The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and business of the Group, it would be more cost effective to appoint an independent third-party internal control consultant to, on an annual basis, review and provide recommendations on improving its internal control system in order to manage our business risks and to ensure our smooth operation. The review covered certain operational procedures. No significant control failings or weakness have been identified by the consultant during the review. The Board and the Audit Committee would review the need for an internal audit function on an annual basis.

The internal controls should provide reasonable but not absolute assurance against material misstatement or loss, safeguard the Group's assets, maintain appropriate accounting records and financial reporting and ensure effective compliance with the Listing Rules and all other applicable laws and regulations.

Inside information

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

LIABILITY INSURANCE FOR THE DIRECTORS

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

SHAREHOLDERS' RIGHTS

The Company maintains an on-going dialogue with its shareholders through various channels including announcements and annual, interim and quarterly reports published on its website at www.china3d8078.com and the Company's general meetings. All shareholders are encouraged to attend general meetings and they may put to the Board any enquiries about the Group through its website at www.china3d8078.com or in writing sent to the principal office of the Company at Unit C, 8/F, D2 Place Two, No. 15 Cheung Shun Street, Cheung Sha Wan, Kowloon, 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.

ENVIRONMENTAL ISSUES

The Company is committed to the sustainable development of the environment and our society. The Group has endeavoured to comply with laws and regulations regarding environmental protection and adopted effective environmental policies to ensure its projects meet the required standards and ethics in respect of environmental protection.

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, Moore Stephens 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.

Moore Stephens 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		1,800
Non-statutory audit services:		
– Tax advisory services	–	
– Others	–	–
Total		1,800

COMPANY SECRETARY

Mr. To Chi is the company secretary of the Company. Mr. To has confirmed that he had received no less than 15 hours of relevant professional training for the year ended 30 June 2019, in compliance with Rule 5.15 of the GEM Listing Rules.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This year's environmental, social and governance (the "ESG") report is prepared by the Group to disclose information in relation to the ESG issues. In spite of this report is not comprehensive nor exhaustive, it is the endeavours of the Group to get as close as possible in compliance with the requirements under Appendix 20 of the GEM Listing Rules. All information and data disclosed herein were based on formal documents and internal statistics of the Group.

The Board understand that it is important to involve itself in preparing this ESG report and it has extended its full support to the secretary of the Company, who is responsible for the task of compiling this ESG report and is reporting directly to the Board.

During the year ended 30 June 2019, the Group is principally engaged in artiste management services and music production, distribution and production of films and television programmes, money lending business and securities and bonds investment. The geographical location of the Group's businesses situated in Hong Kong and PRC.

STAKEHOLDER ENGAGEMENT

The Company consistently values the stakeholders that are influenced by the Group's operational activities including clients, employees, community groups and government bodies, etc. We communicate irregularly through various communication channels with each other in order to build up a mutual understanding of each other's vision and expectation on environmental and social responsibility. With reference of these, the Company develops a designated environmental and social responsibility framework and sets long-term objectives for the sustainable development of the Company.

ENVIRONMENTAL ASPECTS

A1 EMISSION

As the Group is principally engaged in artiste management services and music production, distribution and production of films and television programmes, money lending business and securities and bonds investment, no material direct impact to the environment and we do not generate hazardous waste. The biggest contributor to the Group's carbon footprint is the indirect greenhouse gas ("GHG") emission from electricity consumption, which is mainly attributed to the electricity consumption in office, air flight during business trip.

The Group sets up annual target in environmental protection by providing an environmentally friendly environment in the business operation. The Group also encourages responsible departments to participate in external environmental seminars to raise their awareness about the environment and strive for environmental awards.

Group reminds employees to practice photocopying wisely; encouraging the employees to use both sides of paper; separating the paper waste from other waste for easier recycling; and placing boxes and trays beside photocopiers as containers to collect single-sided paper for reuse purpose.

To achieve environment protection, the Group has adopted various measures to lower waste and consumption levels in our office and other facilities:

– Electronic equipment, such as: computers and photocopiers, are equipped with power saving mode;

– Limit air-conditioning hours and maintain suitable indoor temperature;

ENVIRONMENTAL ASPECTS *(CONTINUED)*

A1 EMISSION (continued)

– Unplug all equipment chargers and adapters when they are not in use so as to reduce power consumption;

– Clean regularly the air conditioning and ventilation system; and

– Tele-conference systems are installed to reduce business travel.

The Group strictly complies with relevant environmental laws. During the reporting period, there was no legal complaint for violating environmental laws.

As minimum environment impact results from the Group's operation, KPIs A1.4 and A1.6 are immaterial to the Group's operation and have not been disclosed in this report. In addition, as there is no substantial hazardous waste produced from the Group's operation, KPI A1.3 is not applicable to the Group and has not been disclosed too.

EMISSION

A1.1 Emissions from Vehicles	**Year ended 30 June 2019**
NOx emission by Private car (g)	around 7,315 g
PM emission by Private car (g)	around 510 g
Unit of petrol consumed by vehicles (in litres)	around 8,336 litres
Unit of diesel oil consumed by vehicles (in litres)	around 17,914 litres
SOx emission by petrol (g)	around 128 g
SOx emission by diesel (g)	around 289 g

A1.2 Greenhouse gas emission	**Year ended 30 June 2019**
Scope 1 – direct emission – CO_2 emissions from vehicle (petrol)	around 20 tonnes
Scope 1 – direct emission – CO_2 emissions from vehicle (diesel oil)	around 47 tonnes
Scope 2 – indirect emission – CO_2	around 242 tonnes
Scope 3 – other indirect emission – business air travel	around 12 tonnes
Total greenhouse gas emission – CO_2	around 320 tonnes
Total greenhouse gas emission – CO_2 (per employee)	around 4.21 tonnes

ENVIRONMENTAL ASPECTS *(CONTINUED)*

A2 USE OF RESOURCES

The Group is deeply aware that fair use of resources is an indispensable aspect of sustainable development. The following measures are implemented in order to reduce the use of resources:

1. Electricity consumption reduction

   – Switch off copy machine, computers, lights and fax machine before the last staff leaves the office;

   – Replace the traditional bulbs by LED energy-saving bulbs in the offices;

   – Keep the office equipment clean (such as refrigerator, air-conditioner, paper shredder, etc.) to ensure that they run efficiently; and

   – Adopt more energy-saving and electricity-saving mechanical equipment.

2. Paper reduction

   – To use both side: set computer defaults to print double-sided when possible;

   – Use paper printed on only one-side for draft documents or as scratch paper;

   – Avoid using paper cup; and

   – Replace unnecessary paper forms by electronic systems.

   The Group will continue to seek opportunities to reduce further wastes and make efficient use of resources.

USE OF RESOURCES

ENERGY CONSUMPTION – Electricity	**Year ended 30 June 2019**
Total Electricity consumption (kWh)	around 388,178 kWh
Total Electricity consumption per employee (kWh)	around 5,107 kWh

ENERGY CONSUMPTION	**Year ended 30 June 2019**
Total energy consumption – Electricity (MJ)	around 1 million MJ
Total energy consumption per employee (MJ)	around 13,158 MJ

PAPER CONSUMPTION	**Year ended 30 June 2019**
Total office paper consumption (kg)	around 1,336 kg
Total office paper consumption per employee (kg)	around 17.58 kg

ENVIRONMENTAL ASPECTS *(CONTINUED)*

A3 THE ENVIRONMENT AND NATURAL RESOURCES

Due to the nature of the Group's business, daily operations of our business have no significant adverse impact on the environment. The Group has complied with relevant laws and regulations and did not find any cases of breach of regulations relating to emissions and the environment. Looking ahead, the Group will continue to assess environmental risks in our business operations to formulate responsive measures and regularly review and update our environmental protection policies.

The Group promotes environmental awareness among our employees and encourages them to work in an environmentally responsible manner. To further promote environmentally friendly office conditions, the following methods are used:

1. All used printer cartridges are returned to the supplier for recycling;

2. Employees are encouraged to print double-sided documents to reduce paper usage; and

3. Make sure its business operation comply with the environmental law in HK and its operating locations.

SOCIAL

B1 EMPLOYMENT

During the year ended 30 June 2019, the Group employed 126 staff (2018: 418). The Group's remuneration policy is built on principle of equality, motivating, performance oriented and market-competitiveness. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits included provident fund contributions and performance related discretionary bonuses. A share option scheme is established to reward and motivate the employees of the Group as well.

Staff activities were organized for employees, including annual dinner and Christmas party. The sense of belonging of employees was enhanced and they have strong bonding with each other.

By offering competitive remuneration packages and fringe benefits to our employees, our staff turnover rate remains stable, while job performance and productivity are maintained at satisfactory levels.

The Group ensures our human resources policies in compliance with all applicable domestic and local laws and with reference to the general practice and benchmark of the industry.

The Group aims to nurture a discrimination-free culture and protect our staff from discrimination by sex, age, race, disability, marital and family status. All employees share fair and adequate opportunities in respect of recruitment, career development and promotion. In addition, the Company has adopted the board diversity policy as included in the terms of reference in the Nomination Committee to consider bringing to the board of directors capable people regardless of gender, nationality or races.

During the Reporting Period, the Group is not aware of any non-compliance with relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare.

SOCIAL *(CONTINUED)*

B2 HEALTH AND SAFETY

The Company is committed to providing a healthy and safe workplace for all its employees. Policies and procedures have been in place to address work safety to reduce the chances of accident.

The Group always emphasises the importance of occupational health and safety. Assessments on these policies are conducted regularly so as to keep our standards update and practical. The measures taken to protect and improve the working environment are listed below:

– Prohibit smoking and drinking liquor in the workplace;

– Carry out periodical cleaning in offices, including disinfection treatment of carpets and cleaning of air-conditioning systems and water dispensers;

– Conduct emergency response drills regularly;

– Set up safety warning signs, banners and slogans in the work sites;

– Establish different Medical And Dental Insurance Scheme/Employees' Compensation Insurance Scheme/Business Travel Insurance Scheme; and

– First-aid box is set up in the office.

During the Reporting Period, there were no material accidents in the course of our business operation which gave rise to any claims and compensation paid to our employees and the Group is not aware of any non-compliance with relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards.

HEALTH AND SAFETY INDICATORS	**Year ended 30 June 2019**
Number of reportable injuries[1]	0
Injury rate[2]	0
Number of reportable occupational diseases	0
Occupational disease rate[3]	0
Number of lost days[4]	0
Lost day rate[5]	0

1 Reportable injuries refer to work-related accidents to employees resulting in incapacity for a period exceeding three days in HK.

2 The injury rate is calculated based on the number of injuries per 200,000 hours worked (100 employees working 40 hours per week for 50 weeks).

3 The occupational disease rate is calculated based on the number of occupational diseases per 200,000 hours worked.

4 Lost days refer to the days that could not be worked as a consequence of a worker being unable to perform their usual work because an occupational accident or disease.

5 The lost days rate is calculated based on the number of lost days per 200,000 hours worked.

SOCIAL *(CONTINUED)*

B3 DEVELOPMENT AND TRAINING

The Group has committed to provide on-the-job education and training of its employees in order to enhance their knowledge and skills. All employees are encouraged to enhance their skills and knowledge at every opportunity in order to perform their current job more efficiently and effectively and to be better prepared for career opportunities which may arise. During the Year 2019, staff have participated in trainings such as orientation training, technical training and quality training.

Recognising the value in the skill and experience of the staff, the Group has adopted a policy that any promotions will be considered internally first before hiring any outside staff. It is the Group's policy to select the most suitable candidate for appointment to a higher rank based on merit, rather than on the seniority of the candidates.

B4 LABOUR STANDARDS

The Group fully understands that the exploitation of child and forced labour are universally prohibited, and therefore take the responsibility against child and forced labour very seriously. The Group strictly complies with all laws and regulations against child labour and forced labour. Our suppliers' are also not allowed to engage any employee who is younger than the minimum employment age of the relevant country, or the maximum age of compulsory education, whichever is higher. Not under any circumstance should workers be younger than 16 years of age. All works should be voluntary and not performed under threat of penalty or coercion. Forced labour is prohibited.

All employees of the Group are entitled to have sick leave, injury leave and maternity leave with medical proof in accordance with the Labour Legislation of Hong Kong. In addition, all employees are advised to not encouraged to work overtime.

The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact relating to preventing child or forced labour on the Group during the Year 2018. In addition, no non-compliance with relevant laws and regulations that resulted in significant fines or sanctions had been reported in the Year 2019.

B5 SUPPLY CHAIN MANAGEMENT

The Group through its subsidiaries has communicated with its suppliers on the Company's vision and mission and policies and procedures in respect of ESG. To be a responsible supplier, the Group has registered as a food importer/ food distributor under the Food Safety Ordinance.

The Group has established procurement policy to maintain high level of ethical standards for choosing the right supplier through careful selection and continuous measurement. The Group conducts review on key suppliers annually so as to provide an opportunity to suppliers to enhance their services and products quality, which improves both the suppliers and our procurement management effectively.

The Group always observes the local laws, rules and regulations at where its businesses located, as such, the Group applied and was granted and renewed, a money lenders licence in Hong Kong to carry on business as a money lender for a period of twelve (12) months from 31 January 2019.

SOCIAL *(CONTINUED)*

B6 PRODUCT RESPONSIBILITY

A high priority for the Group is to ensure customer satisfaction in terms of our products and services. Strenuous efforts are made to ensure compliance with the relevant laws and regulations relating to product health and safety, advertising, labelling and privacy matters of the jurisdictions in which the Group operates. The Group's code of conduct requires its employees to comply with applicable governmental and regulatory laws, rules, codes and regulations.

Any misrepresentation in marketing materials or exaggeration of offerings is strictly prohibited. The Group has issued internal guidelines to ensure the sales and marketing department of the Group are providing accurate and precise product descriptions and information to the customers.

Besides, the Group owes a contractual obligation of confidentiality to the clients in terms of their information, and therefore treats the transaction record and personal information of the clients and former clients as private and confidential, subject to disclosure requirements under the relevant laws, rules and regulations that the group is required to comply with. Information collected would only be used for the purpose for which it has been collected and clients would be told about how the data collected would be used. The Group prohibits the provision of consumer information to a third party without authorisation from the clients.

If there is complaint from customers, the Group will work out specific solutions and reply the customers. The Group attaches great importance to complaint handling as it strengthens product and service quality, which will in turn help it to maintain the competitiveness in the market.

The Group is not aware of any non-compliance with relevant laws and regulations that have a significant impact on the Group relating to health and safety, intellectual property rights, advertising, labelling and privacy matters relating to services provided and methods of redress.

B7 ANTI-CORRUPTION

The Group maintains a high standard of business integrity throughout the operations and tolerates no corruption or bribery in any form. A comprehensive system of internal control and stringent policies are effectively implemented for anti-corruption and anti-fraud.

The Group is committed to adhering the highest ethical standards. During the year, the Group has not received any bribery, extortion, fraud or money-laundering case related to corruption. The Group will continue to comply with the relevant laws and regulations.

B8 COMMUNITY INVESTMENT

In pursuit of business development, the Group also encourages the active participation of its employees in charitable activities to help the disadvantaged groups and contribute to the community. The Group will continue to explore more opportunities in contributing to community services.

YOUR FEEDBACK

The Group will continue to adopt measures for the benefit of ESG in its operations.

Stakeholders' feedback is valuable and can help us to improve our operational, environmental, social and governance policies and procedures. Please feel free to share your feedback on our performance via any of the following channels:

Address:	Unit C, 8/F., D2 Place Two, 15 Cheung Shun Street, Cheung Sha Wan, Kowloon, Hong Kong
Telephone:	(852) 2892 7807
Email:	info@china3d8078.com

INDEPENDENT AUDITOR'S REPORT

MOORE

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大華馬施雲
會計師事務所有限公司

Independent Auditor's Report to the Shareholders of
China Creative Digital Entertainment Limited
(Formerly known as HMV Digital China Group Limited)
(Incorporated in Bermuda with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of China Creative Digital Entertainment Limited (the "Company") and its subsidiaries (the "Group") set out on pages 44 to 168, which comprise the consolidated statement of financial position as at 30 June 2019 and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we are unable to form an opinion as to whether the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 June 2019 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple uncertainties relating to going concern

As described in note 1 to the consolidated financial statements, the Group incurred net loss of approximately HK$2,107,110,000 for the year ended 30 June 2019 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$642,537,000. As at 30 June 2019, the Group had other borrowings, convertible bonds and promissory note payables amounted to approximately HK$110,793,000, HK$226,913,000 and HK$421,827,000, respectively, out of which approximately HK$33,665,000, HK$164,913,000 and HK$163,474,000 had been overdue and had not been settled by the Group. In addition, as disclosed in notes 33 to 35 to the consolidated financial statements, the Group could not fulfil certain covenants and/or breached its specific obligation which constituted as event of default relating to certain other borrowings, convertible bonds and promissory note payables amounted to HK$33,665,000, HK$224,913,000 and HK$380,605,000 as at 30 June 2019. These other borrowings, convertible bonds and promissory note payables were presented as the Group's current liabilities in the consolidated statement of financial position.

In addition, as a result of the commencement of winding-up proceedings of HMV Marketing Limited ("HMV Marketing"), a wholly owned subsidiary of the Group incorporated in Hong Kong, as detailed in note 13(i) to the consolidated financial statements, the operation agreements entered by the Group and an independent third party ("Business Partner") in the People's Republic of China ("PRC") for development of not less than 20 shopping malls with HMV brand as disclosed in the consolidated financial statements is subject to uncertainty of execution. The Business Partner and the Group have not entered into any new arrangement after the winding-up of HMV Marketing and this matter is disclosed in the consolidated financial statements.

These conditions indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

Notwithstanding the abovementioned, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to repay, renew or extend existing borrowings and other liabilities upon their maturities, through cash flows from operations and continuing support from the Group's finance providers and creditors. The directors of the Company have prepared the consolidated financial statements on a going concern basis, having taken into account the measures they have taken and plan to take to mitigate the liquidity pressures on the Group and to improve the Group's financial position, as disclosed in note 1 to the consolidated financial statements. Up to the date of this report, we were unable to obtain sufficient supporting bases from the management for their underlying assumptions on going concern as set out in note 1 to the consolidated financial statements to satisfy ourselves that they were reasonable and supportable. Hence we were unable to assess the appropriateness or reasonableness of the use of the going concern assumption in the preparation of the consolidated financial statements.

Because of the significance of the matters above, we are unable to form an opinion as to whether the use of going concern assumption in the preparation of the consolidated financial statements is appropriate. Should the Group fails to achieve the intended effects resulting from the plans and measures as mentioned in note 1 to the consolidated financial statements, it might not be able to operate as a going concern, and adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

Limitation of scope – Comparative figures and impairment loss on certain receivables recognised for the year ended 30 June 2019

The predecessor auditor was unable to obtain sufficient appropriate audit evidence to ascertain the recoverability of certain trade receivables, loans receivables and other receivables, whose carrying amounts were approximately HK$75,555,000, HK$10,205,000 and HK$63,545,000 respectively as at 30 June 2018 (the "Receivables"). There were no other satisfactory audit procedures that the predecessor auditor could perform to satisfy itself whether the carrying amounts were fairly stated as at 30 June 2018.

Any adjustments found to be necessary might have significant effects on the figures as at and for the year ended 30 June 2018 presented as comparative figures in these consolidated financial statements and hence affect the comparability of the current year's and year end's figures and the corresponding figures.

In addition, the closing balances as at 30 June 2018 of the assets and liabilities of the Group are brought forward as the opening balances as at 1 July 2018 and hence entered into the determination of the financial performance and cash flows of the Group for the current financial year ended 30 June 2019. Hence, any adjustments found to be necessary to the closing balances of the assets and liabilities as at 30 June 2018 in respect of the Receivables might have significant effects on the Group's results and cash flows for the year ended 30 June 2019 and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 30 June 2019. Accordingly, we were also unable to determine whether adjustments might have been necessary in respect of the performance and cash flows of the Group for the year ended 30 June 2019 reported in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

Limitation of scope – Nature of certain payments and receipts during the year ended 30 June 2019

The Group has recorded certain cash payments in September 2018 of approximately HK$63,600,000 and certain cash receipts in September 2018 of approximately HK$63,600,000 to and from several third parties. The predecessor auditor and us were unable to obtain sufficient appropriate audit evidence to satisfy itself or ourselves about the nature of these payments and receipts.

The matters which were the subject matters of the scope limitation referred to above no longer have possible effects on the figures presented in the consolidated statement of financial position of the Group as at 30 June 2019.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 30 June 2018 were audited by another auditor who issued qualified opinion on those statements on 28 September 2018.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors of the Company in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the consolidated financial statements in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code.

Moore Stephens CPA Limited
Certified Public Accountants

Hung, Wan Fong Joanne
Practising Certificate Number: P05419

Hong Kong, 26 September 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Notes	2019 HK$'000	2018 HK$'000 (Restated)
CONTINUING OPERATIONS			
Revenue	*7*	**64,565**	352,298
Other income and gain	*8*	**47,749**	32,858
Cost of distribution and production of films, television programmes and music production		**(214,087)**	(131,184)
Cost of artiste management services		**–**	(122,766)
Selling and distribution costs		**(8,776)**	(14,368)
Administrative expenses		**(95,642)**	(68,305)
Net provision for expected credit loss on trade receivables	*5(b)*	**(87,225)**	–
Net provision for expected credit loss on loan receivables	*5(b)*	**(65,435)**	–
Provision for expected credit loss on other receivables	*5(b)*	**(135,228)**	–
Written off of loan receivables		**–**	(611)
Written off of trade receivables		**–**	(1,423)
Written off of prepayment and other receivables	*5(b)*	**(25,245)**	(17,030)
Written off of goodwill on acquisition of a subsidiary	*19*	**(7,693)**	–
Impairment loss on investment in an associate	*20*	**(10,188)**	–
Impairment loss on goodwill	*19*	**(10,789)**	–
Impairment loss on intangible assets	*18*	**(7,840)**	–
Finance costs	*9*	**(122,112)**	(35,670)
Change in fair value of an investment property	*17*	**(118,028)**	25,029
Loss on disposal of subsidiaries	*47(i)*	**–**	(6,705)
Loss on deemed disposal of an associate	*46(v)*	**(14,966)**	–
Change in fair value of financial assets at fair value through profit or loss		**4,828**	(9,085)
Share of results of associates	*20*	**(11,571)**	(22,996)
Share of results of a joint venture	*21*	**–**	(2)
Loss before income tax from continuing operations	*10*	**(817,683)**	(19,960)
Income tax credit	*12*	**34**	908
Loss for the year from continuing operations		**(817,649)**	(19,052)
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	*13(iii)*	**(1,289,461)**	(46,690)
Loss for the year		**(2,107,110)**	(65,742)

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

For the year ended 30 June 2019

	Notes	2019 HK$'000	2018 HK$'000 (Restated)
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**2,062**	(632)
Exchange difference arising from release on disposal of a subsidiary	*47(ii)*	**772**	–
Items that will not be reclassified subsequently to profit or loss:			
Share of other comprehensive (loss)/income of an associate	*20*	**(1,713)**	823
Changes in fair value of financial assets at fair value through other comprehensive income		**(167,189)**	(113,787)
Total other comprehensive loss for the year, net of tax		**(166,068)**	(113,596)
Total comprehensive loss for the year		**(2,273,178)**	(179,338)
Loss for the year attributable to:			
Owners of the Company			
– Continuing operations		**(813,283)**	(18,743)
– Discontinued operations		**(1,289,461)**	(46,690)
Non-controlling interests			
– Continuing operations		**(4,366)**	(309)
		(2,107,110)	(65,742)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(2,268,812)**	(179,029)
Non-controlling interests		**(4,366)**	(309)
		(2,273,178)	(179,338)
Loss per share attributable to owners of the Company	*15*		
From continuing and discontinued operation			
– Basic and diluted		**HK$(7.76)**	HK$(0.24)
From continuing operations			
– Basic and diluted		**HK$(3.00)**	HK$(0.07)
From discontinued operations			
– Basic and diluted		**HK$(4.76)**	HK$(0.17)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	30 June 2019 HK$'000	30 June 2018 HK$'000 (Restated)	1 July 2017 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment	16	**7,312**	97,916	91,076
Investment property	17	**–**	298,000	–
Intangible assets	18	**4,279**	247,473	263,969
Goodwill	19	**13,148**	1,050,455	1,072,986
Interests in associates	20	**55,175**	89,282	16,255
Interest in a joint venture	21	**107**	107	109
Financial assets at fair value through other comprehensive income	22	**116,252**	51,971	358,497
Financial assets at fair value through profit or loss	29	**277,692**	187,817	–
Prepayments, deposits and other receivables	23	**27,201**	172,869	265,368
Film rights and films production in progress	24	**303,902**	386,954	209,434
Loans receivables	25	**–**	70,633	51,489
Deferred tax assets	26	**1,535**	7,218	16,650
		806,603	2,660,695	2,345,833
Current assets				
Financial assets at fair value through other comprehensive income	22	**–**	167,789	–
Prepayments, deposits and other receivables	23	**165,113**	205,154	314,063
Loan receivables	25	**209,687**	297,018	59,906
Inventories	27	**9,201**	21,709	28,629
Trade receivables	28	**6,949**	206,983	123,557
Financial assets at fair value through profit or loss	29	**21,392**	23,444	21,184
Pledged bank deposits		**–**	3,674	15,070
Bank and cash balances	30	**28,399**	125,927	147,078
		440,741	1,051,698	709,487
Assets of disposed group classified as held for sale		**180,025**	–	–
		620,766	1,051,698	709,487
Current liabilities				
Trade payables	31	**31,543**	70,223	62,589
Accruals, deposits received and other payables	32	**292,202**	237,633	170,286
Other borrowings	33	**110,793**	314,169	84,251
Convertible bonds	34	**226,913**	156,817	5,311
Promissory note payables	35	**421,827**	187,753	14,160
Finance lease payables	36	**–**	133	104
Provision for asset retirement	37	**–**	–	983
		1,083,278	966,728	337,684
Liabilities of disposed group classified as held for sale		**180,025**	–	–
		1,263,303	966,728	337,684

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2019

	Notes	30 June 2019 HK$'000	30 June 2018 HK$'000 (Restated)	1 July 2017 HK$'000 (Restated)
Net current (liabilities)/assets		**(642,537)**	84,970	371,803
Total assets less current liabilities		**164,066**	2,745,665	2,717,636
Non-current liabilities				
Deferred tax liabilities	26	**2,243**	27,251	29,677
Accruals, deposits received and other payables	32	**–**	22,106	17,568
Promissory note payables	35	**–**	191,347	–
Convertible bonds	34	**–**	44,825	40,408
Finance lease payables	36	**–**	1,740	1,825
Provision for asset retirement	37	**–**	16,960	12,613
		2,243	304,229	102,091
NET ASSETS		**161,823**	2,441,436	2,615,545
Capital and reserves				
Share capital	39	**2,714**	134,951	134,758
Reserves	40	**166,790**	2,306,867	2,480,860
Equity attributable to owners of the Company		**169,504**	2,441,818	2,615,618
Non-controlling interests		**(7,681)**	(382)	(73)
TOTAL EQUITY		**161,823**	2,441,436	2,615,545

The consolidated financial statements on pages 44 to 168 were approved and authorised for issue by the board of directors on 26 September 2019 and are signed on its behalf by:

Shiu Stephen Junior
Director

Lee Wing Ho, Albert
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

	Notes	Share capital HK$'000	Share premium# HK$'000 (Restated)	Reorganisation reserve# HK$'000	Investment revaluation reserve# HK$'000 (Restated)	Foreign currency translation reserve# HK$'000 (Restated)	Convertible bonds equity reserve# HK$'000 (Restated)	Accumulated losses# HK$'000 (Restated)	Sub-total HK$'000 (Restated)	Non-controlling interests HK$'000	Total HK$'000 (Restated)
		Attributable to owners of the Company									
At 1 July 2018 (As previously reported)		**134,951**	**2,523,239**	**–**	**(173,836)**	**(2,644)**	**–**	**(3,083)**	**2,478,627**	**(382)**	**2,478,245**
Prior year adjustments	*3(vi)*	**–**	**3,571**	**–**	**(619)**	**823**	**35,790**	**(76,374)**	**(36,809)**	**–**	**(36,809)**
		134,951	**2,526,810**	**–**	**(174,455)**	**(1,821)**	**35,790**	**(79,457)**	**2,441,818**	**(382)**	**2,441,436**
Transitional adjustments on initial application of Hong Kong Financial Reporting Standard ("HKFRS") 9 (2014)	*2(a)*	**–**	**–**	**–**	**–**	**–**	**–**	**(14,648)**	**(14,648)**	**–**	**(14,648)**
At 1 July 2018 (As restated)		**134,951**	**2,526,810**	**–**	**(174,455)**	**(1,821)**	**35,790**	**(94,105)**	**2,427,170**	**(382)**	**2,426,788**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(2,102,744)**	**(2,102,744)**	**(4,366)**	**(2,107,110)**
Other comprehensive (loss)/income for the year		**–**	**–**	**–**	**(167,189)**	**1,121**	**–**	**–**	**(166,068)**	**–**	**(166,068)**
Total comprehensive (loss)/income for the year		**–**	**–**	**–**	**(167,189)**	**1,121**	**–**	**(2,102,744)**	**(2,268,812)**	**(4,366)**	**(2,273,178)**
Disposal of financial assets at fair value through other comprehensive income	*22(c)*	**–**	**–**	**–**	**96,500**	**–**	**–**	**(96,500)**	**–**	**–**	**–**
Lapse of a convertible bond		**–**	**–**	**–**	**–**	**–**	**(1,731)**	**1,731**	**–**	**–**	**–**
Shares repurchase and cancellation	*39(b)*	**(282)**	**(4,666)**	**–**	**–**	**–**	**–**	**–**	**(4,948)**	**–**	**(4,948)**
Capital reduction	*39(c)*	**(132,990)**	**–**	**132,990**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Issue of shares for acquisition of subsidiaries	*39(d)*	**1,035**	**15,059**	**–**	**–**	**–**	**–**	**–**	**16,094**	**(2,933)**	**13,161**
At 30 June 2019		**2,714**	**2,537,203**	**132,990**	**(245,144)**	**(700)**	**34,059**	**(2,291,618)**	**169,504**	**(7,681)**	**161,823**
At 1 July 2017 (As previously reported)		134,758	2,518,619	–	(60,668)	(2,012)	–	(9,455)	2,581,242	(73)	2,581,169
Prior year adjustments	*3(v)*	–	(1,008)	–	–	–	39,953	(4,569)	34,376	–	34,376
At 1 July 2017 (As restated)		134,758	2,517,611	–	(60,668)	(2,012)	39,953	(14,024)	2,615,618	(73)	2,615,545
Loss for the year		–	–	–	–	–	–	(65,433)	(65,433)	(309)	(65,742)
Other comprehensive loss for the year		–	–	–	(113,787)	191	–	–	(113,596)	–	(113,596)
Total comprehensive (loss)/income for the year		–	–	–	(113,787)	191	–	(65,433)	(179,029)	(309)	(179,338)
Issue of convertible bonds		–	–	–	–	–	1,731	–	1,731	–	1,731
Issue of shares upon conversion of convertible bonds	*39(a)*	193	9,199	–	–	–	(5,894)	–	3,498	–	3,498
At 30 June 2018 (As restated)		134,951	2,526,810	–	(174,455)	(1,821)	35,790	(79,457)	2,441,818	(382)	2,441,436

Note:

\# These reserve accounts comprise the consolidated reserves of approximately HK$166,790,000 (2018: approximately HK$2,306,867,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	2019 HK$'000	2018 HK$'000 (Restated)
Cash flows from operating activities		
Loss before tax:		
From continuing operations	**(817,683)**	(19,960)
From a discontinued operation	**(1,289,849)**	(50,098)
Loss before income tax including discontinued operation	**(2,107,532)**	(70,058)
Adjustments for:		
Amortisation of film rights	**198,070**	53,967
Amortisation of intangible assets	**353**	2,694
Bank interest income	**(17)**	(85)
Change in fair value of an investment property	**118,028**	(25,029)
Change in fair value of financial assets at fair value through profit or loss	**(4,828)**	9,085
Depreciation of property, plant and equipment	**11,744**	19,484
Dividend income	**(18,631)**	–
Finance costs	**122,265**	37,286
Gain on disposal of film right	**–**	(24,493)
Gain on disposal of property, plant and equipment	**(74)**	–
Gain on settlement of promissory note	**–**	(1,360)
(Gain)/loss on disposal of subsidiaries	**(33,490)**	6,705
Impairment loss on goodwill	**10,789**	–
Impairment loss on intangible assets	**7,840**	–
Impairment loss on inventories	**–**	2,347
Impairment loss on investment in an associate	**10,188**	–
Impairment loss on property, plant and equipment	**–**	3,361
Interest income from pledged bank deposits	**–**	(35)
Loan interest income	**(646)**	(764)
Loss on deem disposal of an associate	**14,966**	–
Loss on settlement of loan receivables	**700**	–
Loss on winding-up of a subsidiary	**1,208,326**	–
Net provision for expected credit loss on loan receivables	**65,435**	–
Net provision for expected credit loss on trade receivables	**87,225**	–
Other loan interest income	**(11,413)**	–
Provision for expected credit loss on other receivables	**135,228**	–
Written off of goodwill on acquisition of a subsidiary	**7,693**	–
Written off of loan receivables	**–**	611
Written off of prepayments and other receivables	**25,245**	17,161
Written off of property, plant and equipment	**–**	86
Written off of trade receivables	**–**	1,423
Share of results of associates	**11,571**	22,996
Share of results of a joint venture	**–**	2
Operating (loss)/profit before working capital change	**(140,965)**	55,384
Decrease in inventories	**21,566**	4,573
Increase in loan receivables	**(8,960)**	(454,406)
Decrease/(increase) in trade receivables	**115,368**	(85,252)
(Increase)/decrease in prepayments, deposits and other receivables	**(120,188)**	174,103
(Decrease)/increase in trade payables	**(14,274)**	9,214
Decrease in financial assets at fair value through profit or loss	**46,307**	13,353
Increase in accruals, deposits received and other payables	**215,642**	75,063
Cash generated from/(used in) operations and net cash generated from/(used in) operating activities	**114,496**	(207,968)

* Certain amounts shown here do not correspond to the 2018 financial statements and reflect adjustments made. Refer to note 3 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 30 June 2019

	2019 HK$'000	2018 HK$'000 (Restated)
Cash flows from investing activities		
Additional costs incurred in and prepayment for film rights and films production in progress	**(138,889)**	(230,917)
Purchase of property, plant and equipment	**(947)**	(25,826)
Proceeds from sales of property, plant and equipment	**175**	–
Acquisition of financial assets at fair value through other comprehensive income	**(6,760)**	–
Disposal of financial assets at fair value through other comprehensive income	**21,500**	24,950
Disposal of subsidiaries	**(2,142)**	(73)
Winding-up of a subsidiary	**(6,214)**	–
Acquisition of an associate	**(4,296)**	(78,539)
Acquisition of subsidiaries	**223**	(22,839)
Bank interest received	**17**	85
Dividend received	**18,631**	–
Interest income from pledged bank deposits	**–**	35
Decrease in pledged bank deposits	**3,674**	11,396
Net cash used in investing activities	**(115,028)**	(321,728)
Cash flows from financing activities		
Proceeds from other borrowings	**–**	176,485
Repayment of other borrowings	**(23,076)**	(121,703)
Repayment of bank loans	**(18,031)**	–
Proceeds from issuance of convertible bonds	**–**	148,720
Proceeds from share repurchase and cancellation	**(4,948)**	–
Proceeds from issue of promissory notes	**–**	337,115
Repayment of promissory notes	**–**	(12,800)
Repayment of finance lease payables	**–**	(549)
Interest paid	**(54,716)**	(17,005)
Net cash (used in)/generated from financing activities	**(100,771)**	510,263
Net decrease in cash and cash equivalents	**(101,303)**	(19,433)
Effect of changes in foreign exchange rate	**3,775**	(1,718)
Cash and cash equivalents at beginning of year	**125,927**	147,078
Analysis of cash and cash equivalents		
Bank and cash balances	**28,399**	125,927

1. GENERAL INFORMATION, BASIS OF PREPARATION AND GOING CONCERN

General information

China Creative Digital Entertainment Limited (the "Company"), which changed its name from HMV Digital China Group Limited to China Creative Digital Entertainment on 29 May 2019, was incorporated as an exempted company with limited liability in Bermuda under the Bermuda Companies Act. The Company's shares are listed on 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 is Unit C, 8/F., D2 Place Two, 15 Cheung Shun Street, Cheung Sha Wan, Kowloon, Hong Kong.

The consolidated financial statements have been presented in Hong Kong Dollar ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

The Company is an investment holding company.

The principal activities of the Company and its subsidiaries (the "Group") are set out in the segment information in the note below and the consolidated financial statements.

Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable Hong Kong Accounting Standards ("HKASs"), HKFRSs and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by The Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for investment property, financial assets at fair value through profit or loss ("FVTPL") and financial assets at fair value through other comprehensive income ("FVTOCI"), which are measured at fair value.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the consolidated financial statements for the year ended 30 June 2018 except for the adoption of certain new and revised HKFRSs that are relevant to the Group and effective from the current period as set out in note 2.

Going concern

The Group incurred a net loss of approximately HK$2,107,110,000 for the year ended 30 June 2019 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$642,537,000. As at 30 June 2019, the Group had other borrowings, convertible bonds and promissory note payables amounted to approximately HK$110,793,000, HK$226,913,000 and HK$421,827,000, respectively, out of which approximately HK$33,665,000, HK$164,913,000 and HK$163,474,000 had been overdue and had not been settled by the Group. In addition, as disclosed in the consolidated financial statements, the Group could not fulfil certain covenants and/or breached its specific obligation which constituted as event of default relating to certain other borrowings, convertible bonds and promissory note payables amounted to HK$33,665,000 and HK$224,913,000 and HK$380,605,000 as at 30 June 2019. The facts and circumstances described above indicate the existence of material uncertainties which may cast significant doubts about the Group's ability to continue as a going concern.

1. GENERAL INFORMATION, BASIS OF PREPARATION AND GOING CONCERN *(CONTINUED)*

Going concern (continued)

Certain measures have been and are being undertaken to manage the Group's liquidity needs and to improve its financial position, which include, but are not limited to, the followings:

(i) Actively negotiating with finance providers for the waiver of the repayable on demand clause and breach of the undertaking and restrictive covenant requirements of certain bank loans;

(ii) Actively negotiating with banks or other financial institutions to obtain additional new financing and other source of funding as and when required;

(iii) Actively executing active measures to expedite collections of outstanding receivables;

(iv) Actively speeding up the launch of certain films that will contribute significant cash flows through film distribution;

(v) Implementing comprehensive policies to monitor cash flows through cutting costs and capital expenditure; and

(vi) Exploring the possibility of disposing certain non-core assets.

Based on the Group's cash flow projections, taking account of effectiveness and feasibility of the above measures covering a period of twelve months from the end of the reporting period prepared by the management, the directors of the Company consider the Group would be able to finance its operations and to meet its financial obligations as and when they fall due within the forecast period. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any future liabilities that may arise and to re-classify non-current assets and liabilities as current assets and liabilities. The effect of these adjustments have not been reflected in the consolidated financial statements.

2. ADOPTION OF NEW AND REVISED HKFRSs

(a) Adoption of new and revised HKFRSs

HKFRS 9 (2014)	HKFRS 9 (2014) Financial Instruments and the related amendment
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions
Amendments to HKFRS 15	Clarification to HKFRS 15 Revenue Contracts with customers
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC) – Interpretation 22	Foreign Currency Transactions and Advance Consideration

The adoption of the above new and revised standards has had no significant effect on the consolidated financial statements of the Group except for the adoption of HKFRS 9 (2014) and HKFRS 15 as discussed below.

(i) HKFRS 9 (2014) Financial Instruments and the related amendment

HKFRS 9 (2014) and the amendments to HKFRS 9 have replaced HKFRS 9 (2009) Financial instruments: recognition and measurement. For the classification of financial instruments, there are no material changes between HKFRS 9 (2009) and HKFRS (2014). For the measurement of financial instruments about impairment of financial assets, HKFRS 9 (2009) adopted incurred loss model and HKFRS 9 (2014) applies expected credit loss ("ECL") model. As a result, in accordance with the specific transitional provisions set out in HKFRS 9 (2014), the Group has applied the measurement requirements (including requirements relating to impairment under ECL model) to items that existed as of the date of initial adoption (i.e. 1 July 2018) on a retrospective basis based on the facts and circumstances that existed as at 1 July 2018. However, the Group has decided not to restate the comparative figures. Accordingly, the comparative information continues to be presented based on the requirements of HKFRS 9 (2009) and hence may not be comparable with the current year information. The cumulative effect of initial adoption of HKFRS 9 (2014) has been recognised as adjustments to the opening equity as at 1 July 2018.

(a) Classification and measurement of financial assets

In general, HKFRS 9 (2014) categorises financial assets into the following three classification categories:

- measured at amortised cost;
- FVTOCI; and
- FVTPL.

These classification categories are same as those set out in HKFRS 9 (2009).

The adoption of HKFRS 9 (2014) has no material impact on the Group's accounting policies related to classification of its financial assets and financial liabilities.

2. ADOPTION OF NEW AND REVISED HKFRSs *(CONTINUED)*

(a) Adoption of new and revised HKFRSs (continued)

(i) HKFRS 9 (2014) Financial Instruments and the related amendment (continued)

(b) Impairment under ECL model

HKFRS 9 (2014) replaces the "incurred loss" model in HKFRS 9 (2009) with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the incurred loss model in HKFRS 9 (2009). The Group apply the new ECL model to financial assets measured at amortised cost (including pledged bank deposits, bank and cash balances, loan receivables, trade receivables and deposits and other receivables).

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expect to receive). In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions. ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group always recognises lifetimes ECL for trade receivables.

For other instruments, the Group measures the loss allowance equal to 12-month ECLs, unless when there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount for all financial instruments is recognised in profit or loss.

As at 1 July 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9 (2014). The results of the assessment and the impact thereof are detailed below.

2. ADOPTION OF NEW AND REVISED HKFRSs *(CONTINUED)*

(a) Adoption of new and revised HKFRSs (continued)

(i) HKFRS 9 (2014) Financial Instruments and the related amendment (continued)

(c) Summary of effects arising from initial adoption of HKFRS 9 (2014)

The following table reconciles the impairment allowance measured in accordance with HKFRS 9 (2009) (under incurred loss model) as at 30 June 2018 to the ECL allowance measured in accordance with HKFRS 9 (2014) as at 1 July 2018:

	Loan receivables	**Trade receivables**	**Other receivables**	**Accumulated losses**
	HK$'000	HK$'000	HK$'000	HK$'000
	(Note 25)	*(Note 28)*	*(Note 23(c))*	(Restated)
Closing balances* at 30 June 2018 – HKFRS 9 (2009)	367,651	206,983	168,686	79,457
Effects arising from initial application of HKFRS 9 (2014):				
Re-measurement impairment under ECL model *(Note)*	(10,789)	(1,533)	(2,326)	14,648
Opening balances at 1 July 2018 – HKFRS 9 (2014)	356,862	205,450	166,360	94,105

* After prior year adjustments

Note: The adoption of the ECL model of HKFRS 9 (2014) resulted in earlier provision of credit losses which are not yet incurred in relation to the Group's loan receivables, trade and other receivables. Such additional impairment recognised under ECL model increased the ECL allowances on loan receivables, trade receivables and other receivables by approximately HK$10,789,000, HK$1,533,000 and HK$2,326,000 respectively as at 1 July 2018. As a result, as at 1 July 2018, corresponding adjustments are recognised to increase the opening accumulated losses by approximately HK$14,648,000.

2. ADOPTION OF NEW AND REVISED HKFRSs *(CONTINUED)*

(a) Adoption of new and revised HKFRSs (continued)

(ii) HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue ("HKAS 18"), HKAS 11 Construction Contracts ("HKAS 11") and the related interpretations.

The Group has adopted HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial adoption, 1 July 2018. In addition, the Group has elected to apply HKFRS 15 retrospectively only to contracts that are not completed at 1 July 2018. Any difference at the date of initial adoption is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the Contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance Obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a goods or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs;
- or the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

2. ADOPTION OF NEW AND REVISED HKFRSs *(CONTINUED)*

(a) Adoption of new and revised HKFRSs (continued)

(ii) HKFRS 15 Revenue from Contracts with Customers (continued)

Otherwise, revenue is recognised at a point in time when the customer obtains control.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 (2014). In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

With regards to "artiste management fee income", the Group, after assessing the specific facts and circumstances and the terms of the related contracts, concluded that the performance obligations of the Group to the customers under the contractual arrangements entered into by the Group, the relevant artistes and the advertising clients were to arrange for, and ensure that the relevant artistes are made available were to be the spokesperson for the product/services of the clients during the contract periods and hence the Group concluded that the Group is acting as an agent of the artistes during the contract period and hence revenue should be recognised on a net basis (i.e. the stipulated portion of the gross amount received or receivable from the clients that the artistes agreed the Group would be entitled to retain when they entered into the master agreements with the Group for the Group to procure advertising clients for them). Before the adoption of HKFRS 15, revenue was recognised on a gross basis and the amounts of fees earned by the artistes were recognised as "cost of artiste management services". Such a change does not affect the net profit recognised by the Group.

The Group distributes the new film right to cinemas for the period from the start date of the show to the end date of the show and entitles the sharing of box office income as consideration.

From the Group's point of view, it did not transfer any film rights to the customers but just licensed to the cinema for the exhibition. The service of the film exhibition was actually provided by the cinema. According to HKFRS 15, the Group is not a principal under this arrangement. Income from the distribution of new films should be recognised when the film has been released and distributed to the cinema circuit and the amount can be measured reliably, which is generally when the cinema circuit confirms to the Group its share of box office receipts. Prior to the adoption of HKFRS 15, revenue was recognised on a gross basis. Such a change does not affect the net profit recognised by the Group.

2. ADOPTION OF NEW AND REVISED HKFRSs *(CONTINUED)*

(a) Adoption of new and revised HKFRSs (continued)

(ii) HKFRS 15 Revenue from Contracts with Customers (continued)

The following adjustments were made to the amounts recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2019. Line items that were not affected by the changes have not been included.

	Under HKAS18	**Reclassification**	**Under HKFRS 15**
	HK$'000	HK$'000 *(Note)*	HK$'000
Artiste management fee income	38,009	(31,938)	6,071
Cost of artiste management services	(31,938)	31,938	–
Box office income	5,418	(3,391)	2,027
Cost of box office income	(3,391)	3,391	–

Note: At the date of initial application of HKFRS 15, artiste management fee income, box office income was recognised on a net basis and net off by cost of artiste management services and cost of box office income of approximately HK$ 31,938,000 and HK$3,391,000 respectively during the year.

Except as described above, the adoption of other amendments to HKFRSs in the current year has had no material effect on the amounts reported and/or disclosures set out in the consolidated financial statements.

2. ADOPTION OF NEW AND REVISED HKFRSs *(CONTINUED)*

(b) New and revised HKFRSs not yet adopted

		Effective for annual reporting periods beginning on or after
HKAS 19 Amendments	Plan Amendment, Curtailment or Settlement	1 January 2019
HKAS 28 Amendments	Long-term Interests in Associates and joint Ventures	1 January 2019
HKAS 28 and HKFRS 10 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint venture	To be determined*
HKFRS 9 Amendments	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK (IFRIC) – Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017	1 January 2019
HKFRS 3 (Revised) Amendments	Definition of a Business	1 January 2020
HKAS 1 (Revised) and HKAS 28 Amendments	Definition of Material	1 January 2020
Conceptual Framework For Financial Reporting 2018	Revised Conceptual Framework For Financial Reporting	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021

* The amendments were original intended to be effective for annual period beginning on or after 1 January 2018. The effective date has now been deferred. Early application of the amendments continues to be permitted.

The Group has already commenced an assessment of the related impact of adopting the above new and revised HKFRSs. So far, it has concluded that the above new and revised HKFRSs will be adopted at the respective effective dates and the adoption of them is unlikely to have a significant impact on the consolidated financial statements of the Group except for HKFRS 16 as detailed in the consolidated financial statements.

2. ADOPTION OF NEW AND REVISED HKFRSs *(CONTINUED)*

(b) New and revised HKFRSs not yet adopted (continued)

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16. As at 30 June 2019, the Group has non-cancellable operating lease commitments as disclosed in note 43 to consolidated financial statements. A preliminary assessment indicates that approximately HK$2,570,000 out of these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. The findings from the preliminary assessment are subject to change.

Furthermore, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

3. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATION/SIGNIFICANT ACCOUNTING POLICIES

Prior year adjustments and reclassification

In preparing the consolidated financial statements of the Group for the year ended 30 June 2019, the directors had noted that the accounting treatments adopted by the Group in its previously issued consolidated financial statements were incorrect. The amounts presented in the consolidated financial statements in respect of the year ended 30 June 2018 have been restated to correct those errors identified. The effects of the restatements to the amounts presented in the consolidated statement of financial position and the consolidated statement of profit or loss and other comprehensive income are summarised as below:

i) Adjustments on loan receivables, prepayments and financial assets at FVTPL

Certain loan receivables and prepayments which were previously classified as financial assets at amortised cost contain variable returns for the contracted parties. Accordingly, these loan receivables and prepayments do not satisfy the contractual cash flow characteristics test for financial assets at amortised cost specified in HKFRS 9 (2009). Such loan receivables and prepayments should have been classified as financial assets at FVTPL under HKFRS 9 (2009) as at 30 June 2018.

ii) Adjustments relating to classification and measurement of convertible bonds and promissory note

The conversion options embedded in certain convertible bonds were wrongly concluded to be derivative financial instruments instead of equity instrument in prior years. Besides, after reconsidering the terms and conditions in relation to the early redemption option in one of the convertible bond and the facts and circumstances available at the date of issue of this convertible bond, the management believed the possibility of exercising such early redemption option by the Group was remote, and therefore the fair value of the early redemption option of this convertible bond at the date of issue should be minimal.

The fair values of these convertible bonds at initial recognition should have been allocated between host debt component and equity component instead of between host debt component and derivative component. In addition, one of the convertible bond was issued for cash proceeds at its principal amount to an independent third party, of which the management considered its fair value at initial recognition should be the principal amount, after revisiting the facts and circumstances, instead of the fair value of convertible bond calculated under valuation model.

In addition, one of the convertible bond and one of the promissory note were issued to the same independent third party on the same date with same securities during the year ended 30 June 2018. As a result, their fair values at initial recognition should have been derived by the same discount rate and the equity component of the convertible bond would be assigned the residual amount of total proceeds after deducting from the fair value of the debt component of the convertible bond and the fair value of the promissory note.

iii) Adjustments on the interests in associates and financial assets at FVTOCI

The financial assets at FVTOCI as at 30 June 2018 included investments represented by, 27.41% equity interest in HMVOD Limited ("HMVOD"), a company whose shares are listed on the GEM of the Stock Exchange. As the Group's shareholding in HMVOD amounted to greater than 20%, the Group is presumed to have acquired significant influence over HMVOD on 14 July 2017. Accordingly, the Group's investments in HMVOD should be equity accounted for with effect from 14 July 2017 instead of being recognised as financial assets at FVTOCI as at 30 June 2018.

3. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATION/SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Prior year adjustments and reclassification (continued)

iv) Adjustments on amortisation of film rights

The management revisited the useful lives of film rights and considered that revenue and the consumption of the economic benefits film right are highly correlated. Therefore, the presumption prescribed in HKAS 38, Intangible Assets, that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate should be rebutted. The film rights should have been amortised over the basis that the amortisation of film rights can match with the economic benefits generated from it, instead of over straight line basis for previous years.

The effects of the restatements to the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position on notes (i) to (iv) are set out in the table below.

In addition, certain amounts presented in the consolidated statement of profit or loss and other comprehensive income have been rested to re-present the result of discontinued operations.

v) The effects on the consolidated statement of financial position as at 1 July 2017 are set out below:

	As previously report	**Adjustments relating to classification and measurement of convertible bonds**	**As restated**
	HK$'000	HK$'000 *(Note)*	HK$'000
Derivative financial instruments – current	(2,319)	2,319	–
Derivative financial instruments – non-current	(32,057)	32,057	–
Share premium	(2,518,619)	1,008	(2,517,611)
Convertible bonds equity reserve	–	(39,953)	(39,953)
Accumulated losses	9,455	4,569	14,024

Note:

Adjustment was made to:

(i) reclassify the conversion option of the convertible bonds from derivative financial instruments to equity component of convertible bonds, i.e. convertible bonds equity reserve;

(ii) correct the wrong classification and measurement of the derivative financial instruments and restate the amount to Nil;

3. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATION/SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Prior year adjustments and reclassification (continued)

vi) The effects on the consolidated statement of financial position as at 30 June 2018 are set out below:

	As previously report HK$'000	Adjustments on loan receivables, prepayments and financial assets at FVTPL HK$'000 *(Note (a))*	Adjustments relating to classification and measurement of convertible bonds and promissory note HK$'000 *(Note (b))*	Adjustments on the interests in associates and financial assets at FVTOCI HK$'000 *(Note (c))*	As restated HK$'000
Interests in associates	33,801	–	–	55,481	89,282
Financial assets at FVTOCI	131,130	–	–	(79,159)	51,971
Prepayments, deposits and other receivables – non-current	237,081	(64,212)	–	–	172,869
Loan receivables (at amortised cost) – current	445,321	(148,303)	–	–	297,018
Financial assets at FVTPL – non-current	–	187,817	–	–	187,817
Convertible bonds – current	(151,185)	–	(5,632)	–	(156,817)
Derivative financial instruments – current	(8,624)	–	8,624	–	–
Derivative financial instruments – non-current	(8,114)	–	8,114	–	–
Promissory note payables – current	(188,214)	–	461	–	(187,753)
Share premium	(2,523,239)	–	(3,571)	–	(2,526,810)
Investment revaluation reserve	173,836	–	–	619	174,455
Convertible bonds equity reserve	–	–	(35,790)	–	(35,790)
Foreign currency translation reserve	2,644	–	–	(823)	1,821
Accumulated losses	3,083	24,698	27,794	23,882	79,457

Notes:

a) Adjustment was made to reclassify loan receivables and prepayments to financial assets at FVTPL and restate the balance at fair value;

b) Adjustment was made to:

(i) reclassify the conversion option of the convertible bonds from derivative financial instruments to equity component of convertible bonds, i.e. convertible bonds equity reserve;

(ii) correct the wrong classification and measurement of the derivative financial instruments and restate the amount to Nil;

(iii) restate the fair value of one of the convertible bonds; and

(iv) restate the values of promissory note.

c) Adjustment was made to account for the interests in associates.

3. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATION/SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Prior year adjustments and reclassification (continued)

vii) *The effects on the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2018 are set out below:*

	As previously reported HK$'000	Adjustments on the loan receivables, prepayments and financial assets at FVTPL HK$'000 *(Note (a))*	Adjustments relating to classification and measurement of convertible bonds and promissory note HK$'000 *(Note(b))*	Adjustments on interests in associates and financial assets at FVTOCI HK$'000 *(Note (c))*	Reclassify to discontinued operation HK$'000 *(Note (d))*	Adjustments on amortisation of film rights HK$'000 *(Note (e))*	As restated HK$'000
Change in fair value of financial assets at FVTPL	15,613	(24,698)	–	–	–	–	(9,085)
Revenue	608,251	–	–	–	(255,953)	–	352,298
Other income and gain	40,213	–	–	–	(7,355)	–	32,858
Cost of cinema operation	(19,634)	–	–	–	19,634	–	–
Cost of retail business	(140,417)	–	–	–	140,417	–	–
Selling and distribution costs	(101,299)	–	–	–	86,931	–	(14,368)
Administrative expenses	(168,363)	–	16,186	–	64,808	–	(87,369)#
Finance costs	(41,809)	–	4,523	–	1,616	–	(35,670)
Loss for the year from discontinued operations	–	–	–	–	(46,690)	–	(46,690)
Amortisation of film rights*	(34,360)	–	–	–	–	(19,607)	(53,967)
Impairment of film rights*	(19,607)	–	–	–	–	19,607	–
Change in fair value of derivative financial instruments	43,934	–	(43,934)	–	–	–	–
Share of results of associates	886	–	–	(23,882)	–	–	(22,996)
Income tax credit	4,316	–	–	–	(3,408)	–	908

\# It includes written off of loan receivables, written off of trade receivables and written off of prepayment and other receivables.

3. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATION/SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Prior year adjustments and reclassification (continued)

vii) The effects on the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2018 are set out below: (continued)

Notes:

a) Adjustment was made as described in note (vi)(a) above.

b) Adjustment was made as described in note (vi)(b) above.

c) Adjustment was made to described in note (vi)(c) above.

d) Adjustment was made to re-present the result of discontinued operation.

e) Adjustment was made to account for amortisation of film rights that match with the economic benefits generated from it.

* Included in "cost of distribution and production of films, television programmes and music production" of the consolidated statement of profit or loss.

3. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATION/SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Significant accounting policies

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 4 to the consolidated 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 deconsolidated from the date the control ceases.

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.

3. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATION/SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Significant accounting policies (continued)

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company'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 as a gain on bargain purchase which is attributed to the Company.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

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.

3. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATION/SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

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.

3. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATION/SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Significant accounting policies (continued)

Joint arrangement (continued)

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.

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.

3. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATION/SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Significant accounting policies (continued)

Foreign currency translation (continued)

(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.

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 lifes 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 10%
Computer equipment	33.33%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	20%

3. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATION/SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Significant accounting policies (continued)

Property, plant and equipment (continued)

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

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

Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property (including property that is being constructed or developed for future use as investment property) is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

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

Film rights and films production in progress

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

The costs of film right include the direct costs incurred in respect of completed theatrical films and television episodes, rights acquired or licensed from outsiders for exhibition and other exploitation of the films.

The Group amortises costs of film rights in the same ratio that current period actual revenue (numerator) bears to estimated total projected revenue (denominator). The Group begins amortisation of the capitalised costs of film rights when a film is released and it begins to recognise revenue from that film.

The Group reviews and revises estimates of total projected revenue and total production costs of film rights at the end of each reporting period. If estimates are revised, the Group adjusts the amount of total projected revenue (denominator) from the period when such changes in estimates take place and re-calculated the ratio for amortisation of film rights. The effect from changes in estimates is recognised on a prospective basis.

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

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

3. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATION/SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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.

(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 lifes.

Club membership and trademarks

Club membership and trademarks with indefinite useful life are stated at cost less any impairment losses. Impairment is reviewed annually or when there is any indication that the club membership and trademarks have suffered an impairment loss.

Intangible assets

Intangible assets acquired separately with finite useful lifes are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lifes is provided on a straight-line basis over their estimated useful lifes. The principal annual rates are as follows:

Management contract	Over the unexpired contract period of 3 years
Online music streaming application	10 years
Trademarks	Indefinite life
Customer relationship	10 years
Club membership	Indefinite life

3. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATION/SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Significant accounting policies (continued)

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 instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date/settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 July 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

Interest/dividend income which are derived from the Group's ordinary course of business are presented as revenue.

3. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATION/SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Significant accounting policies (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 (2014) on 1 July 2018)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

A financial asset is classified as held for trading if:

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

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

3. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATION/SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 (2014) on 1 July 2018) (continued)

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments.

Impairment of financial assets (upon application HKFRS 9 (2014) on 1 July 2018)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including pledged bank deposits, bank and cash balances loan receivables, trade receivables and deposits and other receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables.

For other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATION/SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon adoption of HKFRS 9 (2014) on 1 July 2018) (continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

3. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATION/SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon adoption of HKFRS 9 (2014) on 1 July 2018) (continued)

(i) Significant increase in credit risk (continued)

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

e) the disappearance of an active market for that financial asset because of financial difficulties.

3. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATION/SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon adoption of HKFRS 9 (2014) on 1 July 2018) (continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Initial recognition and measurement (before adoption of HKFRS 9 (2014) on 1 July 2018)

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 financial assets at fair value through profit or loss. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

3. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATION/SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Initial recognition and measurement (before adoption of HKFRS 9 (2014) on 1 July 2018) (continued)

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

- Financial assets at amortised cost
- Financial assets at FVTPL
- Financial assets at FVTOCI

(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) Financial assets at FVTPL

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. Financial assets at FVTPL 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.

3. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATION/SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Initial recognition and measurement (before adoption of HKFRS 9 (2014) on 1 July 2018) (continued)

(iii) Financial assets at FVTOCI

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.

Financial assets at FVTOCI 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.

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

The Group's financial liabilities include trade payables, accruals, deposits received and other payables, other borrowings and promissory note payables are subsequently measured at amortised cost, using the effective interest method except convertible bonds.

3. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATION/SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities (continued)

Convertible bonds – compound instrument

Convertible loans which entitle the holder to convert the loans into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consisting 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 fair value of any derivative features embedded in the compound instruments is included in the liability component. The difference between the proceeds of issue of the convertible loans and the fair values 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. The derivative components are measured at fair value with gains and losses recognised in profit or loss. 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.

Derecognition

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

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, investment properties, deferred tax assets, 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.

3. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATION/SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Significant accounting policies (continued)

Impairment of non-financial assets (continued)

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.

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.

Revenue recognition

Revenue from contracts with customers (upon adoption of HKFRS 15 on 1 July 2018)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 (2014). In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

3. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATION/SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Significant accounting policies (continued)

Revenue recognition (continued)

Revenue from contracts with customers (upon adoption of HKFRS 15 on 1 July 2018) (continued)

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

The Group recognises revenue from the following major sources:

(a) Artiste management fee income are recognised on a net basis (i.e. the amount entitled by the Group rather than the total consideration set out in the related contracts entered into with the clients) as the Group concluded that it is merely acting as an agent and the performance obligation is satisfied over time when the artistes perform their duties.

(b) Income from film production and licensing of corresponding rights is recognised at a point in time when the production is completed and released and the amount can be measured reliably.

(c) Income from the distribution of new films should be recognised when the film has been released and distributed to the cinema circuit and the amount can be measured reliably, which is generally when the cinema circuit confirms to the Group its share of box office receipts.

(d) Income from sales of film related goods is recognised at point in time when the products are received by the customers.

3. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATION/SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Significant accounting policies (continued)

Revenue recognition (continued)

Revenue recognition (before adoption of HKFRS 15 on 1 July 2018)

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 and marketing income are recognised when services are rendered or substantially performed in accordance with the terms of the contract.

(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) Income from sales of goods is recognised, net of discounts and returns, on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customers.

(f) Income from sales of food and beverage is recognised, net of discounts, in profit or loss at the point of sale to customers.

(g) Concession stores income is accrued as earned on the basis of the terms of relevant concession agreements, which is on the basis of a minimum payment and a variable amount based on turnover.

(h) 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.

(i) Handling charge income is recognised when earned.

(j) Royalty income is recognised on an accrual basis in accordance with the terms and conditions of the royalty agreement.

3. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATION/SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Significant accounting policies (continued)

Employee benefits

(a) Employee leave entitlements

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

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

(b) Pension obligations

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

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

(c) Termination benefits

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

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.

3. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATION/SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Significant accounting policies (continued)

Taxation

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

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

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

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

3. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATION/SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Significant accounting policies (continued)

Related parties

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

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

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

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Company or of a parent of the Company.

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

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

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

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

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

  (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

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

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

  (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.

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

3. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATION/SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Significant accounting policies (continued)

Segment reporting

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

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

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.

4. KEY ESTIMATES AND CRITICAL JUDGEMENTS

Key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are 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.

(a) *Impairment of intangible assets and goodwill*

Determining whether intangible assets and goodwill are impaired requires an estimation of the value in use or fair value less cost of disposal of the cash-generating units ("CGUs") to which goodwill and the intangible assets have been allocated. The value in use or fair value less costs of disposal calculations require the Group to estimate the present value of the future cash flows expected to arise from the CGUs containing the intangible assets and goodwill using suitable discount rates.

(b) *Estimated impairment loss on film rights and film production in progress*

The management of the Company regularly reviews the recoverability of the Group's film rights and film production in progress with reference to its intended use and current market environment.

Appropriate impairment for estimated irrecoverable amounts are recognised in consolidated profit or loss when there is objective evidence that the asset is impaired. In determining whether impairment on film rights and film production in progress is required, the Group takes into consideration the distribution and license agreements entered into by the Group and the current market environment to project cash flows expected to be received through box office receipts and distribution and licensing income.

Impairment loss is recognised in the period in which the recoverable amount is less than the carrying amount.

(c) *Amortisation of film rights*

The Group is required to estimate the projected revenue of the film rights based on their economic lives in order to ascertain the amount of amortisation charges for each reporting period. The appropriateness of the amortisation estimate requires the use of judgment and assumptions with reference to the prevailing and future market conditions to estimate total projected revenue over their economic lives.

(d) *Fair values of financial assets*

The best evidence of fair value is the published price quotations in an active market. In the absence of such information, the fair value is determined by an independent professional valuer. Such valuation is subject to limitations of the valuation models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates and the relevant parameters of the valuation models be changed, there would be material changes in the fair value of certain financial instruments without quoted prices.

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

Key sources of estimation uncertainty (continued)

(e) Allowance for ECLs on loan receivables

Before the adoption of HKFRS 9 (2014), the Group makes allowance for impairment of loan receivables based on an evaluation of collectability and ageing analysis of the receivables. The impairment loss amount of the individual receivable is the net decrease in the present value of the estimated future cash flows, and the evidence of impairment may include the observable data indicating that there is a measurable decrease in estimated future cash flows of the individual receivable. The Group periodically reviews its receivables to assess impairment individually and collectively except that there are known situation demonstrating impairment losses have occurred during that period. The Group makes judgements as to whether there is any observable data indicating that an impairment loss should be recorded. The evidence may include the current creditworthiness and the credit history as well as the financial conditions of the customer. The methodologies and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce the differences between loss estimates and actual loss experience. As at 1 July 2018, there was an allowance for impairment loss of loan receivables of approximately HK$10,789,000 was made.

Since the adoption of HKFRS 9 (2014) on 1 July 2018, the allowance for ECLs on the loan receivables are estimated based on assumption about the risk of default and credit risk of respective receivables. The loss allowance amount is measured at difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective receivables. Such assessment involves high degree of estimation and uncertainty. When the actual future cash flows are less or more than expected, a material ECLs or material reversal of ECLs may arise, accordingly.

The following significant judgements are required in applying the accounting requirements for measuring the ECL:

Significant increase of credit risk

As explained in Note 3, ECL are measured as an allowance equal to 12m ECL or lifetime ECL for respective receivables. An asset will use lifetime ECL when its credit risk has increased significantly since initial recognition. HKFRS 9 (2014) does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account quantitative and qualitative reasonable and supportable forward looking information including available customers' historical data and existing and forecast market conditions.

Model and assumptions used

ECLs on the loan receivables which are not assessed to be credit impaired are estimated using a calculation model using observable data as at the end of the reporting period, including the difference between (i) the effective interest rates of interest charged by the Group for similar categories of the loans; and (ii) the risk-free rate, and GDP growth, etc. Judgements is applied in identifying the most appropriate ECL model as well as for determining the assumption used in the model, including those relate to key drivers of credit risk. The Group's allowance for ECLs on loan receivables may also take into account the subsequent settlement, collateral valuation and the management's judgement on the effectiveness and marketability of the collateral properties and customers' capability of payment at the estimated valuation and the actual valuation may differ from the estimation.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 HK$'000	2018 HK$'000 (Restated)
Financial assets		
Financial assets at amortised cost (including cash and cash equivalents)	**385,446**	872,921
Financial assets at FVTPL	**299,084**	211,261
Financial assets at FVTOCI	**116,252**	219,760
	800,782	1,303,942
Financial liabilities		
Financial liabilities at amortised costs	**878,547**	1,067,960

(b) Financial risk management objectives and policies

The Group's financial instruments include trade receivables, other receivables, loan receivables, financial assets at FVTPL, financial assets at FVTOCI, pledged bank deposits, bank and cash balances, trade payables, accruals, other payables, other borrowings, convertible bonds, finance leases payables and promissory note payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks, credit risk, liquidity risk and equity price risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

Interest rate risk

The Group's other borrowings, bank deposits, loan receivables, finance lease payables, promissory notes and convertible bonds bear interests at fixed interest rates and therefore are subject to fair value interest rate risks. The Group's exposure to cash flow interest-rate risk arises from its other borrowings and bank deposits. These deposits and borrowings bear interests at variable rates varied with the then prevailing market conditions.

At 30 June 2019, if interest rates at that date had been 50 basis points lower with all other variables held constant, consolidated profit after tax for the year would have been approximately HK$36,000 (2018: approximately HK$855,000) lower (2018: higher), arising mainly as a result of lower interest expenses on other borrowing (2018: higher interest income on bank deposits). If interest rates had been 50 basis points higher, with all other variables held constant, consolidated profit after tax for the year would have been approximately HK$142,000 (2018: approximately HK$235,000) higher (2018: lower), arising mainly as a result of higher interest expenses on other borrowing (2018: higher interest higher interest expenses on other borrowing).

5. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management objectives and policies (continued)

Market risks (continued)

Currency risk

As at 30 June 2019, the Group's primary foreign currency exposure mainly arises from artist management services, distribution and production of films, television programmes and music production, money lending and securities and bonds investment in Hong Kong. The functional currency of these operating units is HK$ and most of the financial instruments (including loan receivables, trade receivables, deposits and other receivables, pledged bank deposits, bank and cash balances, trade payables, other payables and accruals, other borrowings, convertible bonds and promissory note payables) are denominated in HK$. No foreign currency risk has been identified for the financial assets and financial liabilities in Hong Kong as they were denominated in a currency same as the functional currencies of the operating units.

As at 30 June 2018, the Group has certain exposure to foreign currency risk as part of its business transactions, assets and liabilities are 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

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

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% strengthening 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.

	2019 **HK$'000**	2018 HK$'000
RMB	**2,185**	2,162

5. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

As at 30 June 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the Group has policies in place for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Trade receivables

In order to minimise the credit risk on trade receivables, the management of the Group closely monitor the aging to recover any receivables outstanding over 90 days. In addition, the Group monitors subsequent settlement of each of the receivables to ensure that adequate impairment losses are made for irrecoverable amounts. In addition, the Group performs impairment assessment under ECL model upon adoption of HKFRS 9 (2014) (2018: incurred loss model) on trade balances based on ageing analysis. In this regard, the directors of the Company consider that the Group's credit risk on the trade receivables from other businesses is significantly reduced.

Loan receivables

In order to minimise the credit risk on the advances to third parties, the management of the Group closely monitor the follow-up action taken to recover any loans outstanding over 90 days. In addition, the Group monitors subsequent settlement of each of the loans and receivables to ensure that adequate impairment losses are made for irrecoverable amounts. In addition, the Group performs impairment assessment under ECL model upon adoption of HKFRS 9 (2014) (2018: incurred loss model) on loan balances individually. In this regard, the directors of the Company consider that the Group's credit risk on the loan receivables is significantly reduced.

Other receivables

In order to minimise the credit risk on other receivables, the management of the Group closely monitor the follow-up action taken to recover any receivable balances outstanding over 90 days. In addition, the Group monitors subsequent settlement of each of the receivables to ensure that adequate impairment losses are made for irrecoverable amounts. In addition, the Group performs impairment assessment under ECL model upon adoption of HKFRS 9 (2014) (2018: incurred loss model) on other balances individually. In this regard, the directors of the Company consider that the Group's credit risk on the other receivables is significantly reduced.

Pledged bank deposits and bank balances

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies and stated-owned banks in PRC with good reputation.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

5. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

(i) Trade receivables (Note 28)

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its operation individually. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on trade receivables aging analysis as at 1 July 2018 and 30 June 2019 within lifetime ECL (credit impaired). The ECL are estimated based on the balances past due over 90 days.

	Lifetime ECL (credit impaired) HK$'000
As at 30 June 2018 under HKFRS 9 (2009)	523
Impact on initial adoption of HKFRS 9 (2014)	1,533
As at 1 July 2018 – as restated	2,056
Changes due to:	
– ECL recognised during the year due to increase in past due balances	87,464
– Reversal of ECL recognised during the year due to settlement of trade receivables	(239)
	87,225
As at 30 June 2019	**89,281**

5. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

(ii) Loan receivables (Note 25)

For loan receivables which are past due within 90 days or not yet past due, the ECL are estimated based on the Group's actual individual borrowing rates for each of the loans less risk-free rates, which reflect the credit risk of loan receivables and are adjusted for forward-looking information that is available without undue cost or effort.

For loan receivables which are past due over 90 days, the ECL are fully estimated.

	12-month ECL (not credit impaired) HK$'000	Lifetime ECL (credit impaired) HK$'000	Total HK$'000
As at 30 June 2018 under HKFRS 9 (2009)	–	–	–
Impact on initial application of HKFRS 9 (2014)	10,789	–	10,789
As at 1 July 2018 – As restated	10,789	–	10,789
Transfer to lifetime ECL (credit impaired) *(Note)*	(6,680)	6,680	–
Changes due to:			
– ECL recognised due to financial instrument recognised during the year	2,382	–	2,382
– ECL recognised during the year due to increase in past due balances	–	63,593	63,593
– Reversal of ECL recognised during the year due to settlement of loan receivables	(258)	(282)	(540)
	2,124	63,311	65,435
As at 30 June 2019	**6,233**	**69,991**	**76,224**

Note: As certain loan receivables (not credit impaired) were past due over 90 days as at 30 June 2019, the ECL of these balances were transferred to lifetime ECL (credit impaired).

5. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

(iii) Other receivables

The following table provides information about the exposure to credit risk for other receivables which are assessed based on other receivables aging analysis as at 1 July 2018 and 30 June 2019 within lifetime ECL (credit impaired). The ECL are estimated based on the balances past due over 90 days.

	Lifetime ECL (credit impaired) HK$'000	**Write-off** HK$'000	**Total** HK$'000
As at 30 June 2018 under HKFRS 9 (2009)	–	–	–
Impact on initial application of HKFRS 9 (2014)	2,326	–	2,326
As at 1 July 2018 – as restated	2,326	–	2,326
Changes due to:			
– Waiver of an other receivable	–	25,245	25,245
– ECL recognised during the year due to increase in past due balances	135,228	–	135,228
	135,228	25,245	160,473
As at 30 June 2019	**137,554**	**25,245**	**162,799**

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Based on the good working relationship with its banks and other financial institutions and to optimise the use of the Group's liquid funds, the Group will consider renewing the bank and other loans upon their maturities. The directors of the Company are of the opinion that the existing facilities from banks and other loans, other borrowings, convertible bonds and promissory notes payables could be successfully renewed after the negotiation based on the past history and good relationships of the Group with the banks and other loans. The management monitors the utilisation of other borrowings, convertible bonds and promissory notes payables and ensures compliance with loan covenants. The directors of the Company closely monitor the cash flow of the Group and, upon maturity, would arrange the renewal and refinancing of the other borrowings, convertible bonds and promissory notes, where necessary, to enable the Group to carry on its operations in the foreseeable future. In this regard, the directors of the Company consider that the Group's liquidity risk is significantly reduced and are satisfied that the Group will be able to meet in full its financial obligations as they fall due the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going-concern basis.

5. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Less than 1 month or repayable on demand HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	1–2 years HK$'000	2–3 years HK$'000	3–5 years HK$'000	Over 5 years HK$'000	Total Undiscounted cash flows HK$'000	Total Carrying amount HK$'000
At 30 June 2019									
Trade payables	31,543	–	–	–	–	–	–	31,543	31,543
Accruals and other payables	228,117	–	–	–	–	–	–	228,117	228,117
Other borrowings	45,715	18,200	14,700	2,900	–	–	–	81,515	80,793
Other borrowings – defaulted	33,665	–	–	–	–	–	–	33,665	30,000
Convertible bonds	2,000	–	–	–	–	–	–	2,000	2,000
Convertible bonds – defaulted	224,913	–	–	–	–	–	–	224,913	224,913
Promissory note payables	38,223	3,000	–	–	–	–	–	41,223	41,223
Promissory note payables – defaulted	380,605	–	–	–	–	–	–	380,605	380,605
	984,781	21,200	14,700	2,900	–	–	–	1,023,581	1,019,194

	Less than 1 month or repayable on demand HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	1–2 years HK$'000	2–3 years HK$'000	3–5 years HK$'000	Over 5 years HK$'000	Total Undiscounted cash flows HK$'000	Total Carrying amount HK$'000 (Restated)
At 30 June 2018									
Trade payables	70,223	–	–	–	–	–	–	70,223	70,223
Accruals and other payables	78,401	–	–	–	79	370	21,657	100,507	100,507
Other borrowings	72,234	3,787	248,681	–	–	–	–	324,702	314,169
Convertible bonds	2,000	–	162,000	–	60,000	–	–	224,000	201,642
Promissory note payables	5,920	–	207,408	224,563	–	–	–	437,891	379,100
Finance lease payables	50	100	450	600	600	1,199	1,049	4,048	1,873
	228,828	3,887	618,539	225,163	60,679	1,569	22,706	1,161,371	1,067,514

5. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management objectives and policies (continued)

Equity price risk

The Group is exposed to equity price risk through its investments classified as financial assets at FVTPL and FVTOCI. The management manages this exposure by closely monitoring the price movements and the changes in market conditions that may affect the value of the investments.

A decrease of 5% on equity price would have negative impacts of approximately HK$500,000 (2018 HK$: 1,172,000) and HK$1,912,000 (2018: HK$2,249,000) on the consolidated profit or loss and other comprehensive income. An increase of 5% in the value of the listed equity securities would impact the Group's performance in a similar amount.

Fair values of financial instruments

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

The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid and ask prices respectively.

The principal amounts of financial assets and financial liabilities with a maturity of less than one year (including trade and other receivables, loan receivables, pledged bank deposits, bank balances and cash, trade and other payables, other borrowings, convertible bonds, promissory notes and finance lease payables) are assumed to approximate their fair values.

The following table presents the carrying value of the Group's financial instruments measured at fair value across the three levels of the fair value hierarchy defined in HKFRS 13 "Fair Value Measurement" with fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

Level 2: fair values measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3: fair values measured using significant unobservable input.

5. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management objectives and policies (continued)

Fair values of financial instruments (continued)

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
As at 30 June 2019			
Financial assets at FVTPL			
– Equity securities listed in Hong Kong, at fair value	**9,992**	**–**	**–**
– Debt instrument at FVTPL	**–**	**–**	**286,752**
– Other debt instrument	**–**	**–**	**2,340**
Financial assets at FVTOCI			
– Equity securities listed in Hong Kong, at fair value	**6,262**	**–**	**–**
– Equity securities listed in overseas, at fair value	**25,721**	**–**	**–**
– Unlisted equity securities at fair value	**–**	**–**	**84,269**
As at 30 June 2018			
Financial assets at FVTPL			
– Equity securities listed in Hong Kong, at fair value	23,444	–	–
– Debt instrument at FVTPL	–	–	187,817
Financial assets at FVTOCI			
– Equity securities listed in Hong Kong, at fair value	11,090	–	–
– Equity securities listed in overseas, at fair value	33,880	–	–
– Unlisted equity securities at fair value	–	–	174,790

There were no transfers between the three levels during the year.

Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

The Group's chief operating officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The chief operating officer reports directly to the board of directors for these fair value measurements. Discussions of valuation processes and results are held between the chief operating officer and the board of directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

5. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management objectives and policies (continued)

Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements (continued):

Level 3 fair value measurements

At 30 June 2019

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value HK$'000
Private equity investments classified as financial assets at FVTOCI	Forward price-to-earnings approach	Forward price-to-earnings multiple	**23.4**	**Increase**	**4,352**
Private equity investments classified as financial assets at FVTOCI	Discounted cash flow	Weighted average cost of capital	**16%**	**Decrease**	**7,100**
		Terminal growth rate	**3%**	**Increase**	
		Discount for lack of marketability	**21%**	**Decrease**	
		Discount for lack of control	**22%**	**Decrease**	
Private equity investments classified as financial assets at FVTOCI	Discounted cash flow	Weighted average cost of capital	**13%**	**Decrease**	**–**
		Terminal growth rate	**3%**	**Increase**	
		Discount for lack of marketability	**21%**	**Decrease**	
		Discount for lack of control	**22%**	**Decrease**	
Private equity investments classified as financial assets at FVTOCI	Discounted cash flow	Weighted average cost of capital	**17%**	**Decrease**	**1,171**
		Terminal growth rate	**3%**	**Increase**	
		Discount for lack of marketability	**21%**	**Decrease**	
		Discount for lack of control	**22%**	**Decrease**	
Private equity investments classified as financial assets at FVTOCI	Discounted cash flow	Weighted average cost of capital	**17%**	**Decrease**	**71,646**
		Terminal growth rate	**–**	**–**	
		Discount for lack of marketability	**21%**	**Decrease**	
		Discount for lack of control	**22%**	**Decrease**	
Other debt investments	Market discount rate of convertible loans	Weighted average cost of capital	**17%**	**Decrease**	**2,340**
Investments in film production	Discounted cash flow	Weighted average cost of capital	**19%**	**Decrease**	**286,752**

5. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management objectives and policies (continued)

Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements (continued):

Level 3 fair value measurements (continued)

At 30 June 2018

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value HK$'000
Private equity investments classified as financial assets at FVTOCI	Forward price-to-earnings approach	Forward price-to-earnings multiple	32.4	Increase	167,789
Private equity investments classified as financial assets at FVTOCI	Discounted cash flow	Weighted average cost of capital	20%	Decrease	5,000
		Terminal growth rate	3%	Increase	
		Discount for lack of marketability	25%	Decrease	
		Discount for lack of control	25%	Decrease	
Private equity investments classified as financial assets at FVTOCI	Discounted	Weighted average cash flow	16%	Decrease cost of capital	2,000
		Terminal growth rate	3%	Increase	
		Discount for lack of marketability	25%	Decrease	
		Discount for lack of control	25%	Decrease	
Investments in film production	Discounted cash flow	Weighted average cost of capital	18%	Decrease	187,817

During the years ended 30 June 2019 and 2018, there was no changes in the valuation techniques used.

6. SEGMENT INFORMATION

The Group has four reportable and operating segments in its continuing operations as follows:

– Artiste management services

– Distribution and production of films, television programmes and music production and other film related production ("Entertainment business")

– Money lending

– Securities and bonds investment

The Group discontinued the two following reportable and operating segments during the year ended 30 June 2019:

– Sales of goods, food and beverage under the brand name of HMV ("HMV business")

– Operation of cinemas

The Group's reportable and operating segments are strategic business units that offer different products and services. They are managed separately because each business requires different expertises 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.

The segment information reported does not include any amount for the discontinued operation, details of which are set out in Note 13.

6. SEGMENT INFORMATION *(CONTINUED)*

(a) Segment revenue and results

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

	Artiste management services		Entertainment business		Money lending		Securities and bonds investment		Total	
	2019 HK$'000	2018 HK$'000 (Restated)	**2019 HK$'000**	2018 HK$'000 (Restated)	**2019 HK$'000**	2018 HK$'000 (Restated)	**2019 HK$'000**	2018 HK$'000 (Restated)	**2019 HK$'000**	2018 HK$'000 (Restated)
REVENUE:										
Revenue from external customers	**6,071**	142,900	**28,934**	179,942	**29,560**	29,456	**–**	–	**64,565**	352,298
RESULTS:										
Segment (loss)/profit	**(18,762)**	319	**(233,133)**	11,201	**29,127**	45,430	**4,828**	15,626	**(217,940)**	50,174
Bank interest income									**9**	32
Loan interest income									**12,059**	764
Unallocated corporate expenses									**(319)**	(4,478)
Finance costs									**(122,112)**	(35,670)
Change in fair value of an investment property									**(118,028)**	25,029
Loss on disposal of subsidiaries									**–**	(6,705)
Share of results of associates									**(11,571)**	(22,996)
Share of results of a joint venture									**–**	(2)
Impairment loss on investment in an associate									**(10,188)**	–
Impairment loss on goodwill									**(10,789)**	–
Written off of goodwill on acquisition of a subsidiary									**(7,693)**	–
Net provision for expected credit loss on loan receivables									**(65,435)**	–
Loss on deemed disposal of an associate									**(14,966)**	–
Impairment loss on intangible assets									**(7,840)**	–
Net provision for expected credit loss on trade receivables									**(87,225)**	–
Provision for expected credit loss on other receivables									**(135,228)**	–
Written off of prepayment and other receivables									**(25,245)**	(17,030)
Change in fair value of financial assets at fair value through profit or loss									**4,828**	(9,085)
Loss before taxation									**(817,683)**	(19,960)
Income tax credit									**34**	908
Loss for the year from										
continuing operations									**(817,649)**	(19,052)
discontinued operations									**(1,289,461)**	(46,690)
Segment results relations									**(2,107,110)**	(65,742)

6. SEGMENT INFORMATION *(CONTINUED)*

(a) Segment revenue and results (continued)

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, loan interest income, finance costs, loss on disposal of subsidiaries and gain on disposal of associates, 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.

(b) Segment assets and liabilities

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

	Continuing operations								Discontinued operations					
	Artiste management services		Entertainment business		Money lending		Securities and bonds investment		HMV business		Operation of cinemas		Total	
	2019 HK$'000	2018 HK$'000 (Restated)	**2019 HK$'000**	2018 HK$'000 (Restated)	**2019 HK$'000**	2018 HK$'000 (Restated)	**2019 HK$'000**	2018 HK$'000 (Restated)	**2019 HK$'000**	2018 HK$'000 (Restated)	**2019 HK$'000**	2018 HK$'000 (Restated)	**2019 HK$'000**	2018 HK$'000 (Restated)
ASSETS:														
Segment assets	**23,554**	39,256	**704,816**	1,016,666	**206,844**	361,938	**137,645**	68,414	**–**	1,468,912	**–**	71,036	**1,072,859**	3,026,222
Interest in a joint venture													**107**	107
Interests in associates													**55,175**	89,282
Unallocated corporate assets													**119,203**	596,782
													1,247,344	3,712,393
Assets of disposal group classified as held for sale													**180,025**	–
Total assets													**1,427,369**	3,712,393
LIABILITIES:														
Segment liabilities	**19,868**	18,240	**255,816**	226,474	**146**	13,146	**37,576**	38,284	**–**	48,538	**–**	37,423	**313,406**	382,105
Unallocated corporate liabilities													**772,115**	888,852
													1,085,521	1,270,957
Liabilities of disposed group classified as held for sale													**180,025**	–
Total liabilities													**1,265,546**	1,270,957

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 bonds, promissory note, and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

6. SEGMENT INFORMATION *(CONTINUED)*

(c) Other segment information

The following is an analysis of the Group's other segment information included in arriving at segment results and segment assets for the current and prior year:

	Continuing operations								Discontinued operations					
	Artiste management services		Entertainment business		Money lending		Securities and bonds investment		HMV business		Operation of cinemas		Total	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000 (Restated)
Capital expenditure	**–**	12	**603**	65	**–**	–	**–**	–	**15**	5,210	**329**	18,118	**947**	23,405
Depreciation of property, plant and equipment	**133**	225	**2,758**	100	**–**	–	**–**	–	**4,072**	9,484	**4,781**	7,752	**11,744**	17,561
Amortisation of film rights	**–**	–	**198,070**	53,967	**–**	–	**–**	–	**–**	–	**–**	–	**198,070**	53,967
Amortisation of intangible assets	**203**	244	**150**	2,450	**–**	–	**–**	–	**–**	–	**–**	–	**353**	2,694
Impairment loss of inventories	**–**	–	**–**	–	**–**	–	**–**	–	**–**	2,347	**–**	–	**–**	2,347
Impairment loss of property, plant and equipment	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	3,361	**–**	3,361
Impairment of goodwill	**–**	–	**10,789**	–	**–**	–	**–**	–	**–**	–	**–**	–	**10.789**	–
Written off of loan receivables	**–**	–	**–**	–	**–**	611	**–**	–	**–**	–	**–**	–	**–**	611
Written off of property, plant and equipment	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	86	**–**	86
Written off of prepayments and other receivables	**–**	2,444	**–**	14,586	**–**	–	**–**	–	**–**	–	**–**	–	**–**	17,030
Written off of trade receivable	**–**	–	**–**	1,423	**–**	–	**–**	–	**–**	–	**–**	–	**–**	1,423
Gain on disposal of film rights	**–**	–	**–**	(24,493)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(24,493)
Net provision for expected credit loss on trade receivables	**1,785**	–	**85,500**	523	**–**	–	**–**	–	**–**	–	**(60)**	–	**87,225**	523
Net provision for expected credit loss on loan receivables	**–**	–	**3,199**	–	**62,236**	–	**–**	–	**–**	–	**–**	–	**65,435**	–
Provision for expected credit loss on other receivables	**3,900**	–	**131,327**	–	**–**	–	**–**	–	**–**	–	**–**	–	**135,227**	–

6. SEGMENT INFORMATION *(CONTINUED)*

(d) Geographical information

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

The Group's revenue from external customers in continuing operations classified in accordance with geographical location of customers during the reporting period and information about the non-current assets, except deferred tax assets, financial assets at FVTOCI and FVTPL, 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	
	2019	2018	**2019**	2018
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)
Hong Kong (place of domicile)	**51,021**	162,301	**411,124**	2,347,056
The PRC	**9,546**	187,383	**–**	66,633
Taiwan	**368**	252	**–**	–
Japan	**335**	58	**–**	–
Other Asian countries	**2,879**	2,124	**–**	–
North America	**200**	25	**–**	–
European countries	**49**	–	**–**	–
Other areas	**167**	155	**–**	–
	64,565	352,298	**411,124**	2,413,689

(e) Information about major customers

No customer (2018: one) under distribution and production of films, television programmes and music production contributing over 10% of the total revenue of the Group for the year ended 30 June 2019 (2018: approximately HK$73,000,000).

7. REVENUE

	2019 HK$'000	2018 HK$'000 (Restated)
Continuing operations		
Revenue from contracts with customers within the scope of HKFRS 15		
Recognised on point in time basis:		
Distribution and production of films, television programmes and music production	**16,425**	57,182
Sales of goods	**10,482**	3,454
	26,907	60,636
Recognised on over time basis:		
Artiste management services fee income	**6,071**	142,900
Distribution of new films	**2,027**	119,306
	8,098	262,206
Revenue from other sources		
Interest income and handling charge income from money lending	**29,560**	29,456
	64,565	352,298

8. OTHER INCOME AND GAIN

	2019 HK$'000	2018 HK$'000 (Restated)
Continuing operations		
Dividend income	**18,631**	–
Bank interest income	**9**	32
Loan interest income from an associate	**646**	764
Other loan interest income	**11,413**	–
Event and commission income	**295**	62
Gain on settlement of promissory note	**–**	1,360
Waiver of other payable	**–**	4,749
Waiver of deposit received *(note 22(c))*	**10,764**	–
Gain on disposal of film right	**–**	24,493
Gain on disposal of property, plant and equipment	**74**	–
Others	**5,917**	1,398
	47,749	32,858

9. FINANCE COSTS

	2019 HK$'000	2018 HK$'000 (Restated)
Continuing operations		
Interest on other borrowings	**18,060**	14,322
Interest on bank overdrafts	**4,931**	3,913
Interest on convertible bonds *(note 34)*	**41,858**	11,547
Interest on promissory notes *(note 35)*	**61,263**	7,975
Total finance costs	**126,112**	37,757
Amount capitalised	**(4,000)**	(2,087)
	122,112	35,670

Borrowing costs on funds borrowed generally are capitalised at a rate of 6.05% (2018: 5.0%) per annum.

10. LOSS BEFORE INCOME TAX FROM CONTINUING OPERATIONS

The Group's loss before income tax from continuing operation is stated after charging/(crediting):

	Notes	2019 HK$'000	2018 HK$'000 (Restated)
Continuing operations			
Staff costs (including Directors' remuneration):			
Salaries, allowances and other benefits in kind		**33,648**	47,328
Retirement benefits scheme contributions		**1,177**	2,417
Total staff costs		**34,825**	49,745
Auditors' remuneration		**1,800**	1,450
Amortisation of film rights*	*24*	**198,070**	53,967
Amortisation of intangible assets	*18*	**353**	2,694
Cost of inventories recognised as expenses*		**7,587**	2,055
Depreciation of property, plant and equipment		**2,891**	2,250
Minimum lease payments under operating leases:			
– Land and building		**5,459**	6,100
Exchange loss		**5,833**	1,532
Gain on disposal of film right		**–**	(24,493)
Gain on settlement of promissory note		**–**	(1,360)
Loss on settlement of loan receivables		**700**	–
Wavier of other payable		**–**	(4,749)
Gain on disposal of film rights		**–**	(24,493)

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

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

(a) Directors' emoluments

	Notes	Fees HK$'000	Salaries HK$'000	Retirement benefits scheme HK$'000	Total emoluments HK$'000
Year ended 30 June 2019					
Executive Directors:					
Shiu Stephen Junior ("Mr. Shiu")#		**–**	**3,124**	**18**	**3,142**
Sun Lap Key, Christopher		**150**	**560**	**18**	**728**
Lee Wing Ho, Albert		**150**	**450**	**17**	**617**
Li Mau	*(i)*	**80**	**–**	**–**	**80**
Cheung Hung Lui	*(ii)*	**118**	**–**	**–**	**118**
Independent Non-executive Directors:					
Chan Chi Ho	*(iii)*	**119**	**–**	**–**	**119**
Kam Tik Lun	*(vi)*	**150**	**–**	**–**	**150**
Yang Yusi		**150**	**–**	**–**	**150**
Lee Wing Lun	*(vii)*	**31**	**–**	**–**	**31**
		948	**4,134**	**53**	**5,135**
Year ended 30 June 2018					
Executive Directors:					
Mr. Shiu		–	2,700	18	2,718
Sun Lap Key, Christopher		150	650	18	818
Lee Wing Ho, Albert		150	488	18	656
Li Mau		240	–	–	240
Cheung Hung Lui		240	–	–	240
Independent Non-executive Directors:					
Chan Chi Ho		150	–	–	150
Kam Tik Lun		150	–	–	150
Tam Kwok Ming, Banny	*(v)*	91	–	–	91
Yang Yusi	*(iv)*	59	–	–	59
		1,230	3,838	54	5,122

Chief executive of the Company

No directors waived any remuneration during the year (2018: Nil). No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors during the year (2018: Nil).

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

(a) Directors' emoluments (continued)

Notes:

(i) Resigned as an executive director on 1 November 2018 and re-appointed as an executive director on 10 June 2019

(ii) Resigned as an executive director on 28 December 2018

(iii) Resigned as an independent non-executive director on 15 April 2019

(iv) Appointed as an independent non-executive director on 9 February 2018

(v) Resigned as an independent non-executive director on 9 February 2018

(vi) Resigned as an independent non-executive director on 15 July 2019

(vii) Appointed as an independent non-executive director on 15 April 2019

On 15 July 2019, Mr. Lee King Fui, King has been appointed as an independent non-executive director of the Company.

Salaries, allowances and other benefits paid to or for the executive directors are generally emoluments in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

(b) Employees' emoluments

The five highest paid individuals for the year included two (2018: one) directors whose emoluments are set out in (a) above. The emoluments of the remaining three (2018: four) individuals of which three (2018: four) are senior management are as follows:

	2019 HK$'000	2018 HK$'000
Salaries and other benefits	**3,135**	3,672
Retirement benefits scheme contributions	**38**	69
	3,173	3,741

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

	2019	2018
Nil–HK$1,000,000	**1**	3
HK$1,000,001–HK$1,500,000	**2**	1
	3	4

During the year, no emoluments (2018: 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.

12. INCOME TAX CREDIT

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year ended 30 June 2019 (2018: Nil). Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the year ended 30 June 2019 (2018: 25%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2019 **HK\$'000**	2018 HK\$'000 (Restated)
Continuing operations		
Deferred tax	**(34)**	(908)
Discontinued operations		
Deferred tax *(note 13(iii))*	**(388)**	(3,408)
	(422)	(4,316)

The tax charge for the year can be reconciled to the loss before taxation from continuing operations per the consolidated statement of profit or loss as follows:

	2019 **HK\$'000**	2018 HK\$'000 (Restated)
Loss before income tax from continuing operations	**(817,683)**	(19,960)
Loss before income tax from discontinued operations	**(115,013)**	(50,098)
	(932,696)	(70,058)
Tax at the statutory or applicable tax rate	**(153,234)**	(10,773)
Tax effect of share of results of associates	**1,909**	3,788
Tax effect of expenses non-deductible for tax purpose	**107,086**	20,449
Tax effect of income not taxable for tax purpose	**(15,295)**	(18,144)
Tax effect of tax losses not recognised	**50,216**	17,810
Tax effect of utilisation of tax losses previously not recognised	**(1,860)**	(14,761)
Effect of different tax rate of subsidiaries operating in other jurisdictions	**–**	(1,857)
Tax effect of other temporary differences not recognised	**10,756**	(828)
Tax credit for the year at the Group's effective rate	**(422)**	(4,316)
Tax credit from continuing operations at the effective rate	**(34)**	(908)
Tax credit from discontinued operations at the effective rate	**(388)**	(3,408)

13. DISCONTINUED OPERATIONS

(i) Winding-up of HMV Marketing Limited ("HMV Marketing") during the year ended 30 June 2019

HMV Marketing is a company incorporated in Hong Kong with limited liabilities which provided was engaged in HMV business. On 18 December 2018, the directors of the Company resolved to voluntarily wind up HMV Marketing as its ultimate shareholder because of, amongst others, its insolvency and the various defaults in payments of the lawsuits previously awarded of against by HMV Marketing. The directors of the Company are of the view that the voluntary winding up of HMV Marketing would limit the Company's exposures over matters relating to the HMV Marketing. On 9 January 2019, the sole shareholder, a wholly owned subsidiary of the Group, of HMV Marketing resolved to voluntarily wind up HMV Marketing. The appointment of Mr. Wong Sun Keung and Ms. Tsui Mei Yuk Janice as the joint and several provisional liquidators for the voluntary winding-up was confirmed at the creditors' meeting held on 10 January 2019.

As a result of the voluntary winding-up under the Hong Kong Companies Ordinance, the Group lost control over HMV Marketing because the joint and several provisional liquidators have taken over control of the operations of HMV Marketing under the statutory power. HMV Marketing was then ceased to be a subsidiary of the Company with effect from 9 January 2019.

A loss on voluntary winding up of a subsidiary of approximately HK$1,208,326,000 was recognised in the consolidated profit or loss for the year ended 30 June 2019. This deconsolidation of HMV Marketing including goodwill of approximately HK$1,050,455,000. Set out below are the net carrying amounts of the assets and liabilities of HMV Marketing at the date of derecognition:

	Notes	**2019** **HK$'000**
Property, plant and equipment	*16*	**38,709**
Intangible assets	*18*	**236,500**
Goodwill	*19*	**1,050,455**
Inventories		**2,223**
Trade receivables		**157**
Prepayments, deposits and other receivables		**3,928**
Bank and cash balances		**6,214**
Trade payables		**(25,044)**
Accruals, deposits received and other payables		**(64,280)**
Deferred tax liabilities	*26*	**(26,830)**
Provision for asset retirement	*37*	**(13,706)**
Net assets at the date of derecognition and loss on winding-up of a subsidiary		**1,208,326**

13. DISCONTINUED OPERATIONS *(CONTINUED)*

(ii) Disposal of Cineunited Circuits Company Limited ("Cineunited Circuits") during the year ended 30 June 2019

Cineunited Circuits was a wholly-owned subsidiary of the Group which was engaged in operation of cinemas. On 15 February 2019, the Company completed the disposal of the entire issued share capital of Cineunited Circuits together with its subsidiaries ("Cineunited Circuits Group") as detailed in note 47(ii) the consolidated financial statements. Upon the completion of the disposal of the Cineunited Circuits Group, the Group ceased its operation of cinemas accordingly.

(iii) The results of HMV Marketing and Cineunited Circuits for the year are presented as discontinued operations in the consolidated statement of profit or loss and other comprehensive income. Comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the results of these businesses as discontinued operations. The results of these business are presented below:

			2019	
	Notes	**Operation of cinema HK$'000**	**HMV business HK$'000**	**Total HK$'000**
Revenue		**20,362**	**50,705**	**71,067**
Other income		**1,313**	**2,353**	**3,666**
Cost of retail business		**–**	**(36,707)**	**(36,707)**
Cost of cinema operation		**(9,750)**	**–**	**(9,750)**
Selling and distribution costs		**(401)**	**(78,182)**	**(78,583)**
Administrative expenses		**(57,862)**	**(6,691)**	**(64,553)**
Finance costs		**(153)**	**–**	**(153)**
Loss before tax from discontinued operations		**(46,491)**	**(68,522)**	**(115,013)**
Income tax credit	*12*	**–**	**388**	**388**
Loss after income tax for the year from the discontinued operation		**(46,491)**	**(68,134)**	**(114,625)**
Loss on winding-up of a subsidiary	*13(i)*	**–**	**(1,208,326)**	**(1,208,326)**
Gain on disposal of Cineunited Circuits	*47(ii)*	**33,490**	**–**	**33,490**
Loss for the year from discontinued operations		**(13,001)**	**(1,276,460)**	**(1,289,461)**

13. DISCONTINUED OPERATIONS *(CONTINUED)*

(iii) (continued)

	2018		
	Operation of cinema HK$'000	HMV business HK$'000	Total HK$'000
Revenue	40,170	215,783	255,953
Other income	1,734	5,621	7,355
Cost of retail business	–	(140,417)	(140,417)
Cost of cinema operation	(19,634)	–	(19,634)
Selling and distribution costs	(1,139)	(85,792)	(86,931)
Administrative expenses	(51,567)	(13,241)	(64,808)
Finance costs	(710)	(906)	(1,616)
Loss before tax from discontinued operations	(31,146)	(18,952)	(50,098)
Income tax credit *(note 12)*	1,020	2,388	3,408
Loss after income tax for the year from the discontinued operations	(30,126)	(16,564)	(46,690)

The net cash flows incurred by HMV business and operation of cinemas are as follows:

	2019 HK$'000	2018 HK$'000
Operating activities	**3,465**	(5,582)
Investing activities	**8**	88
Financing activities	**–**	(1,455)
Net cash inflows/(outflows)	**3,473**	(6,949)
Loss per share:		
Basic and diluted, from discontinued operations	**HK$(4.76)**	HK$(0.17)

14. DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the year ended 30 June 2019 (2018: Nil).

15. LOSS PER SHARE

The calculations of basic loss per share from (i) continuing and discontinued operations; (ii) continuing operations; and (iii) discontinued operations are based on the loss for the year attributable to the owners of the Company and the weighted average number of respective ordinary shares in issue during the year.

The calculations of diluted loss per share from (i) continuing and discontinued operations; (ii) continuing operations; and (iii) discontinued operations are based on the respective adjusted loss for the year attributable to the owners of the Company and the adjusted weighted average number of ordinary shares outstanding both of which are adjusted to assume exercise or conversion of all dilutive potential ordinary shares.

As at 30 June 2019 and 2018, the Company has outstanding convertible bonds, which were assumed to have been converted into ordinary shares, and the net loss is adjusted to eliminate the interest expense less the tax effect.

As the Company's outstanding convertible bonds for both years ended 30 June 2019 and 2018 had an anti-dilutive effect to the basic loss per share from continuing operations calculation, the conversion of these potential ordinary shares is not assumed in the computation of diluted loss per share.

(i) From continuing and discontinued operations

The calculations of the basic and diluted loss per share attributable to owners of the Company for the years are based on the following data:

	2019	2018 (Restated)
Loss for the year attributable to owners of the Company (HK$'000)	**(2,102,744)**	(65,433)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**270,853,380**	269,698,958

15. LOSS PER SHARE *(CONTINUED)*

(ii) From continuing operations

The calculations of the basic and diluted loss per share attributable to owners of the Company for the years are based on the following data:

	2019	2018 (Restated)
Loss for the year from continuing operations attributable to owners of the Company (HK$'000)	**(813,283)**	(18,743)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**270,853,380**	269,698,958

(iii) From discontinued operations

The calculations of the basic and diluted loss per share attributable to owners of the Company for the years are based on the following data:

	2019	2018 (Restated)
Loss for the year from discontinued operations attributable to owners of the Company (HK$'000)	**(1,289,461)**	(46,690)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**270,853,380**	269,698,958

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 2017	81,448	8,773	17,269	14,298	1,768	123,556
Exchange realignment	787	19	330	140	–	1,276
Additions	21,715	1,087	1,569	4,525	–	28,896
Disposal of subsidiaries *(note 47 (i))*	–	(55)	–	(14)	–	(69)
Written off	(324)	–	–	–	–	(324)
At 30 June 2018	103,626	9,824	19,168	18,949	1,768	153,335
Exchange realignment	(1,493)	(39)	(556)	(410)	–	(2,498)
Additions	165	90	7	352	333	947
Acquisition of subsidiaries *(notes 46(iii) and 46(iv))*	819	–	56	940	–	1,815
Winding-up of a subsidiary *(note 13 (i))*	(49,104)	(3,992)	(2,705)	(5,198)	–	(60,999)
Disposal of subsidiaries *(note 47 (ii))*	(47,059)	(1,203)	(12,562)	(13,319)	–	(74,143)
Disposal	–	–	–	–	(605)	(605)
At 30 June 2019	6,954	4,680	3,408	1,314	1,496	17,852
ACCUMULATED DEPRECIATION AND IMPAIRMENT:						
At 1 July 2017	17,742	2,810	5,130	5,948	850	32,480
Exchange realignment	227	6	86	53	–	372
Provided during the year	10,443	2,193	2,597	3,898	353	19,484
Impairment loss recognised	3,361	–	–	–	–	3,361
Disposal of subsidiaries *(note 47 (i))*	–	(31)	–	(9)	–	(40)
Written off	(238)	–	–	–	–	(238)
At 30 June 2018	31,535	4,978	7,813	9,890	1,203	55,419
Exchange realignment	(513)	(19)	(208)	(146)	–	(886)
Provided during the year	6,552	1,366	1,429	2,119	278	11,744
Winding-up of a subsidiary *(note 13 (i))*	(14,533)	(2,468)	(1,375)	(3,914)	–	(22,290)
Disposal of subsidiaries *(note 47 (ii))*	(19,250)	(831)	(5,414)	(7,448)	–	(32,943)
Disposal	–	–	–	–	(504)	(504)
At 30 June 2019	3,791	3,026	2,245	501	977	10,540
CARRYING AMOUNTS:						
At 30 June 2019	**3,163**	**1,654**	**1,163**	**813**	**519**	**7,312**
At 30 June 2018	72,091	4,846	11,355	9,059	565	97,916

17. INVESTMENT PROPERTY

	HK$'000
At 1 July 2017	–
Acquisition of subsidiaries *(Note 46(i))*	272,971
Increase in fair value	25,029
At 30 June 2018	298,000
Decrease in fair value	(118,028)
Transfer to asset held for sale *(Note 47 (iii))*	(179,972)
At 30 June 2019	**–**

Investment property was revalued at 30 June 2018 on the open market value basis by reference to market evidence of recent transactions for similar properties by Norton Appraisals Holdings Limited, an independent firm of chartered surveyors, resulting in increase in fair value of an investment property of approximately HK$25,029,000.

As at 30 June 2019, the investment properties have been pledged as security for the Group's other borrowings amounted to HK$180,000,000 (2018: HK$213,000,000). The fair value of investment property at 30 June 2019 was based on the transaction price agreed on 25 June 2019 (Note 47 (iii)).

18. INTANGIBLE ASSETS

	Online music streaming application HK$'000	**Trademarks** HK$'000 *Note (a)*	**Club membership** HK$'000 *Note (b)*	**Management contract** HK$'000	**Customer relationship** HK$'000 *Note (c)*	**Total** HK$'000
Cost:						
As at 1 July 2017	24,500	236,500	2,930	731	–	264,661
Acquisition of subsidiaries *(note 46(ii))*	–	7,840	–	–	–	7,840
Disposal of subsidiaries *(note 47(i))*	(24,500)	–	–	–	–	(24,500)
As at 30 June 2018 and 1 July 2018	–	244,340	2,930	731	–	248,001
Acquisition of a subsidiary *(note 46(iv))*	–	–	–	–	1,499	1,499
Winding-up of a subsidiary *(note 13 (i))*	–	(236,500)	–	–	–	(236,500)
As at 30 June 2019	–	7,840	2,930	731	1,499	13,000
Accumulated amortisation and impairment:						
As at 1 July 2017	408	–	–	284	–	692
Charged for the year	2,450	–	–	244	–	2,694
Disposal of subsidiaries *(note 47(i))*	(2,858)	–	–	–	–	(2,858)

18. INTANGIBLE ASSETS *(CONTINUED)*

	Online music streaming application HK$'000	Trademarks HK$'000 *Note (a)*	Club membership HK$'000 *Note (b)*	Management contract HK$'000	Customer relationship HK$'000 *Note (c)*	Total HK$'000
As at 30 June 2018 and 1 July 2018	–	–	–	528	–	528
Charged for the year	–	–	–	203	150	353
Impairment for loss recognised	–	7,840	–	–	–	7,840
As at 30 June 2019	–	7,840	–	731	150	8,721
Carrying amounts:						
As at 30 June 2019	**–**	**–**	**2,930**	**–**	**1,349**	**4,279**
As at 30 June 2018	–	244,340	2,930	203	–	247,473

Notes:

(a) Trademarks of HK$7,840,000 ("The Trademark") arose from the acquisition of Glory Horizon Limited ("Glory Horizon") (note 46(ii)) on 9 February 2018. Trademarks represent the rights to use the name "HMV", the various HMV trademarks and trade mark applications, and the HMV domain names for the purposes of conducting the retail business of "HMV" operating through retail stores selling music, movies and television series related contents and products located in Taiwan and Macau. The patents and trademarks are considered to have indefinite useful life.

The recoverable amounts of the Trademark are determined on the basis of value-in-use using discounted cash flow method (level 3 fair value measurements). The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Trademark. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the Trademark operate. Budgeted gross margin and revenue are based on past practices and expectations on market development. The discount rate for the Trademark was 14% (2018: 20%).

The Group prepares cash flow forecasts for Trademark derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3% (2018: 3%). This rate does not exceed the average long-term growth rate for the relevant markets.

Based on the assessment, the Group made impairment on the Trademark of approximately HK$7,840,000 for the year ended 30 June 2019.

(b) The Group's club membership of approximately HK$2,930,000 (2018: HK$2,930,000) as at 30 June 2019 is assessed as having indefinite useful life because there is no time limit that the Group can enjoy the services provided by that club.

The recoverable amount of the club membership is determined on the basis of fair value less costs of disposal by reference to market price as at 30 June 2019 and 2018 (level 2 fair value measurements).

(c) Customer relationship of approximately HK$1,499,000 arose from the acquisition of Parkway Licensing Company Limited ("Parkway") on 1 November 2018. Customer relationship represent the long and good business relationship maintained by Parkway and the customer relationship has useful lives of 10 years. As at 30 June 2019, the carrying amount of the customer relationship was approximately HK$1,349,000.

The recoverable amounts of the customer relationship are determined on the basis of fair value less costs of disposal using discounted cash flow method (level 3 fair value measurements). The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the customer relationship. The growth rates are based on 10-year economic growth rate of the geographical area in which the businesses of Parkway operate. Budgeted gross margin and revenue are based on past practices and expectations on market development. The discount rate for the customer relationship was 15.6% (2018: Nil).

19. GOODWILL

	Total HK$'000
Cost:	
As at 1 July 2017	1,076,650
Disposal of a subsidiary *(note 47(i))*	(22,531)
At 30 June 2018	1,054,119
Acquisition of subsidiaries *(notes 46(iii), 46(iv) and 46(v))*	31,630
Written off on acquisition *(note (c))*	(7,693)
Winding-up of a subsidiary *(notes (a) and 13(i))*	(1,050,455)
As at 30 June 2019	27,601
Accumulated impairment losses:	
As at 1 July 2017, 30 June 2018 and 1 July 2018	3,664
Impairment loss during the year *(note (b))*	10,789
As at 30 June 2019	14,453
Carrying amounts:	
As at 30 June 2019	**13,148**
As at 30 June 2018	1,050,455

Goodwill acquired in a business combination is allocated, at acquisition date, to the cash generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	Notes	**2019 HK$'000**	2018 HK$'000
HMV – HMV business	*(a)*	**–**	1,050,455
Panorama Corporation Limited ("Panorama")			
– Entertainment business	*(b)*	**10,830**	–
Parkway – Entertainment business	*(b)*	**2,318**	–
Mystery Apex Limited ("Mystery Apex")			
– Entertainment business	*(c)*	**–**	–

19. GOODWILL *(CONTINUED)*

Notes:

(a) In respect of the impairment assessment of HMV CGU as at 30 June 2018, the Group had considered an operation agreement entered in 2017 with an independent third party (the "Business Partner"), a PRC company principally engaged in property and shopping mall management, to develop not less than 20 shopping malls with HMV brand in 10 years starting from 2018. The Business Partner provides profit guarantee (the "Profit Guarantee") to the Group in the year ended 30 June 2018 and the next 9 years. The revenue generated from this arrangement for the year ended 30 June 2018 and the following 9 years then ended should be no less than HK$40,000,000 and approximately HK$3,909,000,000. The significant portion of discounted cash flows of HMV CGU was based on the aforementioned Profit Guarantee. The recoverable amount of HMV CGU was determined on the basis of fair value less costs of disposal using discounted cash flow method (level 3 fair value measurements).

The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and revenue during the forecast period. The Group estimated discount rates using pre-tax rates that reflected current market assessments of the time value of money and the risk specific to HMV CGU. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the HMV CGU operate. Budgeted gross margin and revenue are based on past practices and expectations on market development.

The Group prepared cash flow forecast for HMV CGU derived from the most recent financial budgets approved by the directors for the next five years with the residual period using growth rate of 3%. This rate did not exceed the average long-term growth rate for the relevant market. The rate of discount for the HMV CGU was 15.8%. The HMV business was discontinued during the year ended 30 June 2019 (Note 13(i)).

(b) The impairment loss on goodwill of approximately HK$10,789,000 is made for the year ended 30 June 2019 for Panorama (note 46 (iii)) and Parkway (note 46 (iv)) representing two separated CGUs.

	Entertainment business		
	Panorama HK$'000	**Parkway HK$'000**	**Total HK$'000**
Goodwill	20,146	3,791	23,937
Property, plant and equipment	603	773	1,376
Intangible assets	–	1,349	1,349
	20,749	5,913	26,662

The recoverable amounts of Panorama and Parkway, were determined on the basis of value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and revenue during the period. The Group estimated discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and revenue are based on past practices and expectations on market development.

The Group prepares cash flow forecasts for Panorama and Parkway derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the annual average growth rates of 5.22% and 7.91% respectively. The rates used to discount the forecast cash flows of Panorama and Parkway is 12% and 14% respectively.

The recoverable amounts of Panorama CGU and Parkway CGU as at 30 June 2019 were HK$11,433,000 and HK$4,440,000 and respectively. Impairment losses approximately of HK$9,316,000 and HK$1,473,000 were made on Panorama CGU and Parkway CGU respectively for the year ended 30 June 2019.

(c) Mystery Apex was inactive prior to its acquisition by the Group and the directors of the Company considered the goodwill which arose on its acquisition was not recoverable. Goodwill of approximately HK$7,693,000 was written off to the consolidated profit or loss on the acquisition date.

20. INTERESTS IN ASSOCIATES

	2019 HK$'000	2018 HK$'000 (Restated)
Listed investments:		
Share of net liabilities	**(52,203)**	(40,285)
Goodwill	**100,063**	95,766
Less: Provision for impairment *(Note (b))*	**(6,555)**	–
	41,305	55,481
Unlisted investments:		
Share of net assets	**6,971**	4,533
Goodwill	**10,532**	29,268
Less: Provision for impairment *(Note (c))*	**(3,633)**	–
	13,870	33,801
	55,175	89,282

	2019 HK$'000	2018 HK$'000 (Restated)
Fair value of listed investment, listed in Hong Kong	**41,305**	79,160

20. INTERESTS IN ASSOCIATES *(CONTINUED)*

Particulars of the associates are as follows:

Name	Particulars issued shares held	Place of incorporation operation	Percentage of ownership interest attributable to the Group		Principal activity
			2019	2018	
HMVOD *(notes (a) and (b))*	Ordinary shares	Cayman Islands	**29.04%**	27.41%	Providing multi-media related services and content
Starz Holdings Limited ("Starz")	Ordinary shares	British Virgin Islands	**25%**	25%	Investment holding
Vision Lion Limited	Ordinary shares	Hong Kong	**25%**	25%	Motor vehicle holding
HMV East Magic Holding Group Company Limited	Ordinary shares	Hong Kong	**49%**	49%	Inactive
Mystery Apex *(notes 46 (v) and 47 (i))*	Ordinary shares	Hong Kong	**100%**	49%	Inactive

Notes:

(a) Interests in of HMVOD

On 14 July 2017, the Group further acquired 3,000,000 ordinary shares of HMVOD, which is listed in Hong Kong, at the consideration of approximately HK$6,021,702 resulting in increase in shareholding of the Group in HMVOD from 19.36% to 21.46%. HMVOD became an associate of the Group and it is reclassified from financial assets at FVTOCI to interest in associate.

Following the above acquisition, the Group further acquired 8,460,000 ordinary shares of HMVOD at the consideration of approximately HK$16,859,000 resulting in a further increase in shareholding of the Group in HMVOD from 21.46% to 27.41%. Hence, the Group owned 27.41% equity interest in HMVOD as at 30 June 2018.

During the year ended 30 June 2019, the Group acquired 2,310,000 ordinary shares of HMVOD, at the consideration of approximately HK$4,248,000 resulting in a further increase in shareholding of the Group in HMVOD from 27.41% to 29.04%, representing 41,305,000 ordinary shares of HMVOD as at 30 June 2019.

(b) Impairment loss on interest in associates – listed investment

Based on the quoted market price of the ordinary shares of HMVOD held by the Group, the impairment loss of approximately HK$6,555,000 was recognised in the profit or loss during the year (2018: Nil).

20. INTERESTS IN ASSOCIATES *(CONTINUED)*

Notes: (continued)

(b) (continued)

Summarised financial information in respect of the Group's material associate, HMVOD, is as below:

As at 30 June	**2019 HK$'000**	2018 HK$'000 (Restated)
Current assets	**26,529**	118,472
Non-current assets	**71,173**	319,756
Current liabilities	**(177,714)**	(378,940)
Non-current liabilities	**(11,590)**	(119,289)
Equity and net liabilities	**(91,602)**	(60,001)
Effective equity interest used for share of HMVOD	**29.04%**	27.41%
Share of fair value of net identifiable assets and liabilities as at the date of acquisition	**(17,226)**	(17,226)
Goodwill	**100,063**	95,766
Share of post-acquisition loss	**(34,087)**	(23,882)
Share of other comprehensive expenses	**(890)**	823
Provision for impairment	**(6,555)**	–
Group's share of carrying amount of interests	**41,305**	55,481
Year ended 30 June:		
Group's share of loss for the year	**(10,205)**	(23,882)
Group's share of total comprehensive expense for the year	**(11,918)**	(23,059)

(c) Impairment loss on interest in associates – Starz

The recoverable amounts of Starz, were determined on the basis of value-in-use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and revenue during the year. The Group estimated discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to Starz. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the Starz operates. Budgeted gross margin and revenue are based on past practices and expectations on market development.

The Group prepares cash flow forecasts for Starz derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the annual average growth rate of 10% (2018: 13%). The rates used to discount the forecast cash flows of Starz is 13% (2018: 16%).

The recoverable amounts of Starz as at 30 June 2019 were HK$11,300,000 (2018: Nil). Impairment losses approximately of HK$3,633,000 (2018: Nil) were made on Starz for the year ended 30 June 2019.

20. INTERESTS IN ASSOCIATES *(CONTINUED)*

Notes: (continued)

(d) The following table shows, in aggregate, the Group's share of the amounts of all individually immaterial associates that are accounted for using the equity method.

As at 30 June	**2019 HK$'000**	2018 HK$'000
Group's share of carrying amount of interests	**13,870**	33,801
Year ended 30 June:		
Group's share of (loss)/ profit and total comprehensive income for the year	**(1,366)**	886

21. INTEREST IN A JOINT VENTURE

	2019 HK$'000	2018 HK$'000
Unlisted investments in Hong Kong:		
Share of net assets	**107**	107

Details of the Group's joint venture at 30 June 2019 and 2018 are as follows:

Name	Principal place of business and country of incorporation	Percentage of ownership interests		Principal activities
		2019	2018	
Mustard Seed Entertainment Company Limited	Hong Kong	**50%**	50%	Provision for consultancy services

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

	2019 HK$'000	2018 HK$'000
At 30 June:		
Carrying amount of interest	**107**	107
Year ended 30 June:		
Revenue	**–**	–
Group's share of loss and total comprehensive expenses for the year	**–**	(2)

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Notes	2019 HK$'000	2018 HK$'000 (Restated)
Listed securities			
– Equity securities listed in Hong Kong, at fair value	(a)	**6,262**	11,090
– Equity securities listed in overseas, at fair value	(a)	**25,721**	33,881
Unlisted equity securities, at fair value	(b)–(e)	**84,269**	174,789
		116,252	219,760
Analysed as:			
Non-current assets		**116,252**	51,971
Current assets	(c)	**–**	167,789
		116,252	219,760

Notes:

(a) These investments are designated as at FVTOCI in order to avoid volatility to the profit or loss arising from the changes in fair values of the investments. The fair values of listed securities are based on current bid prices.

As at 30 June 2019, the Group's financial assets at FVTOCI listed in Hong Kong represent the investment in Easy Repay Finance & Investment Limited ("Easy Repay") with a fair value of approximately HK$6,262,000 (2018: HK$11,090,000). One of the executive directors of Easy Repay, Mr. Shiu Yeuk Yuen, is the father of one of the directors of the Company, Mr. Shiu.

(b) During the year ended 30 June 2018, Creative Projects Company Limited ("Creative Projects"), a wholly-owned subsidiary of the Company, acquired 12% interests in GME H at a cash consideration of HK$2,000,000 and 10% interests on Touchbase Tech. Inc. at a cash consideration of approximately HK$19,700,000.

(c) During the year ended 30 June 2017, Horizon Coast Limited ("Horizon Coast"), a wholly-owned subsidiary of the Company, acquired 4% interests in Prime Focus World N. V ("Prime Focus") at a consideration comprising of 259,106,982 shares of the Company. The fair value of 259,106,982 shares of the Group on the date of acquisition was approximately HK$264,289,000.

On 30 June 2018, the Company signed a sales and purchase agreement with an independent third party to dispose the 4% interests in Prime Focus at a consideration of US$34,820,000 (equivalent to approximately HK$273. 34 million) which would comprise of cash of US$13,800,000 (equivalent to approximately HK$108,331,000) and 81% of the intellectual property right ("IP right") upon the completion of the assignment of the IP right. As at 30 June 2018, the IP right was estimated to have fair value of approximately HK$60,000,000. As at 30 June 2018, the Company classified the investment in 4% interest in Prime Focus as current asset as the disposal would complete within one year. The buyer cancelled the transaction during the year ended 30 June 2019. Hence, the Group recognised the deposit received of US$1,380,000 (equivalent to approximately HK$10,764,000) as waiver of deposit received (Note 8) during the year ended 30 June 2019.

On 25 March 2019, First Digital Group Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with another independent third party to dispose of 100% equity interest in Fore Head Limited ("Fore Head") which is a holding company of Horizon Coast, at a cash consideration of HK$33,000,000. As the 4% interest in Prime Focus was the only asset of Fore Head, the management of the Group considered the fair value of the 4% interest in Prime Focus was approximate to the consideration amount and resulted in the fair value loss in financial assets at fair value through other comprehensive income of approximately HK$134,789,000 charged to investment revaluation reserve in the consolidated statement in changes in equity during the year ended 30 June 2019. The cumulative loss on disposal of approximately HK$96,500,000 has been transferred to accumulated losses.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(CONTINUED)*

Notes: (continued)

(d) The Group, entered to loan agreements with Party A and Party B on 5 January 2018 and 7 February 2018 respectively.

The loan to Party A with principal amount of HK$30,000,000 was secured by shares of Bintan Mining Corporate ("Bintan"), interest bearing at 25% per annum and repayable 4 January 2019.

The loan to Party B with principal amount of HK$60,000,000 was secured by shares of Bintan, interest bearing at 10% per annum and repayable 7 August 2018.

On 20 November 2018, the Group agreed with Party A and Party B to settled their loan totalling of HK$90,000,000 by 2,148 ordinary shares of Bintan of approximately HK$42,000 each representing 10.57% of equity interest in Bintan.

(e) The Group entered into a sale and purchase agreement with an independent third party to acquire 3,000 ordinary shares of Shadow Factory Limited ("Shadow Factory"), representing 3% equity interest of Shadow, at the consideration of US$750,000 (equivalent to approximately HK$5,850,000).

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	**2019** **HK$'000**	2018 HK$'000 (Restated)
Non-current portions			
Prepayments	*(a)*	**26,480**	140,622
Deposits	*(b)*	**721**	32,247
		27,201	172,869
Current portions			
Prepayments	*(a)*	**23,059**	29,657
Deposits		**1,643**	6,811
Other receivables	*(c) to (e)*	**140,411**	168,686
		165,113	205,154
		192,314	378,023

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

Notes:

(a) As at 30 June 2019 and 2018, the amounts of prepayments that were expected to be released within twelve months from the end of the reporting period were classified as current assets. The remaining balances were classified as non-current assets.

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

	2019 HK$'000	2018 HK$'000
Prepayments for:		
Acquisition of film distribution rights	**31**	7,963
Film and television programme production costs	**20,731**	119,752
Film promotion costs	**6**	2,197
Artiste fee	**22,367**	28,438
Opening of cinemas	**–**	3,359
Proposed acquisition of investments	**1,200**	6,760
Others	**5,204**	1,810
	49,539	170,279
Less: Non-current portion	**(26,480)**	(140,622)
Current portion	**23,059**	29,657

(b) Non-current portion of deposits as at 30 June 2018 comprised of rental deposits for cinemas leased by the Group in the PRC. The anticipated lease terms of the cinema was over twelve months from the end of the reporting period.

(c) As at 30 June 2019, other receivables of approximately HK$116,190,000 (2018: HK$48,513,000) are denominated in RMB.

The movements in the provision for impairment of loans receivables during the year are as follows:

	2019 HK$'000	2018 HK$'000
At the beginning under HKFRS 9 (2009)	**–**	–
Impact on initial application of HKFRS 9 (2014)	**2,326**	–
Adjusted balance at 1 July	**2,326**	–
Impairment loss recognised during the year	**135,228**	–
	137,554	–

Upon the adoption of HKFRS 9, an opening adjustment as at 1 July 2018 was made to recognised additional ECL on other receivables (see note (2)(a)(i)(c)). Details of ECL assessment of other receivables are set out in note 5(b)(iii).

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

Notes: (continued)

(d) As at 30 June 2018, other receivable of approximately HK$28,050,000 was receivable from an independent third party for disposal of subsidiaries (note 47(i)). During the year ended 30 June 2019, HK$2,805,000 was settled and the remaining balance of approximately HK$25,245,000 was written off due to the cancellation of the disposal.

In addition, as at 30 June 2018, other receivable included amounts approximately HK$29,220,000 and HK$28,450,000 receivable from a former wholly-owned subsidiary and an independent third party respectively. As at 30 June 2019, other receivables from a former wholly-owned subsidiary and an independent third party of approximately HK$20,220,000 and HK$1,866,900 respectively.

Other receivables also included approximately HK$5,875,000 receivable from Panorama. On 18 September 2018, an ordinary resolution was passed in relation to acquisition of 70% equity interest of Panorama (note 46 (iii)) and Panorama became a subsidiary of the Group during the year ended 30 June 2019.

Further, as at 30 June 2018, other receivable included approximately HK$9,800,000 and HK$30,000,000 receivable from an independent third party in relation to disposal of prepayment for the film production and film right respectively. The amounts are fully settled during the year ended 30 June 2019. As at 30 June 2019, other receivables from an independent third party in relation to disposal of prepayment for the film production and film right of HK$9,800,000 and HK$30,000,000 respectively.

(e) As at 30 June 2019, other receivable included approximately HK$4,753,000 (2018: HK$4,750,000) receivable from an associate. The receivable is unsecured, interest bearing at 8% (2018: 8%) per annum and repayable on 2 May 2020.

Besides, as at 30 June 2019, other receivable included approximately HK$88,107,000 (2018: Nil) receivable from two independent parties who receive the investment funds on behalf of the Group in PRC.

24. FILM RIGHTS AND FILMS PRODUCTION IN PROGRESS

	Film rights HK$'000	Films production in progress HK$'000	Total HK$'000
Cost:			
At 1 July 2017	266,855	156,412	423,267
Additions	17,362	219,632	236,994
Disposal of a film right	(6,289)	–	(6,289)
Transfer to film rights	40,328	(40,328)	–
At 30 June 2018	318,256	335,716	653,972
Additions	35,444	67,482	102,926
Acquisition of a subsidiary *(Note 46 (iii))*	12,092	–	12,092
Transfer to film rights	152,540	(152,540)	–
At 30 June 2019	518,332	250,658	768,990
Accumulated amortisation and impairment:			
At 1 July 2017	213,833	–	213,833
Charged for the year	53,967	–	53,967
Disposal of a film right	(782)	–	(782)
At 30 June 2018	267,018	–	267,018
Charged for the year	198,070	–	198,070
At 30 June 2019	465,088	–	465,088
Carrying values:			
At 30 June 2019	**53,244**	**250,658**	**303,902**
At 30 June 2018	51,238	335,716	386,954

Film rights are used in the Group's entertainment business segment. The recoverable amount of the film rights has been determined on the basis of their value in use using discounted cash flow method (Level 3 fair value measurement) based on expected future revenue less the relevant costs arising from the distribution and sub-licensing of the film rights cover 3 years (2018: 5 years). The discount rate used was 10% (2018: 14%).

The directors of the Company assess the recoverability of film production in progress and no impairment loss has been recognised for the year ended 30 June 2019 (2018: Nil). The estimated recoverable amount was determined based on the best estimation of the management on expected future revenue less the relevant costs arising from the distribution and sub-licensing of the film products covering four years. The discount rate used was 10% and (2018: 14%).

25. LOANS RECEIVABLES

	2019 HK$'000	2018 HK$'000 (Restated)
Loans receivables	285,911	367,651
Less: impairment loss	(76,224)	–
	209,687	367,651
Analysed as:		
Non-current assets	–	70,633
Current assets	209,687	297,018
	209,687	367,651

The movements in the provision for impairment of loans receivables during the year are as follows:

	2019 HK$'000	2018 HK$'000
At the beginning under HKFRS 9 (2009)	–	–
Impact on initial application of HKFRS 9 (2014)	10,789	–
Adjusted balance at 1 July	10,789	–
Impairment loss recognised during the year	65,975	–
Reversal of impairment loss recognised during the year	(540)	–
	76,224	–

Upon the adoption of HKFRS 9, an opening adjustment as at 1 July 2018 was made to recognise additional ECL on loan receivables (see note (2)(a)(i)(c)). Details of ECL assessment of loan receivables are set out in note 5(b)(ii).

All loans receivables are denominated in HK$ and carried fixed interest rates with effective interest rate ranging from 5% to 25% (2018: 5% to 25%) per annum and with the terms ranging from 1 month to 4 years (2018: 3 months to 10 years).

25. LOANS RECEIVABLES *(CONTINUED)*

The following is an aging analysis for the loans receivables, net of provision for ECL, based on loan drawn down date, at the end of the reporting period:

	2019 **HK$'000**	2018 HK$'000
0 to 30 days	**–**	37,584
31 to 90 days	**–**	–
91 to 180 days	**2,647**	143,712
181 to 365 days	**81,851**	132,735
Over 365 days	**125,189**	53,620
	209,687	367,651

At the end of the reporting period, the aging analysis of loans receivables, net of provision for expected credit losses, is as follow:

	2019 **HK$'000**	2018 HK$'000
Neither past due nor impaired	**161,806**	367,651
Within 1–90 days past due	**44,933**	–
Over 90 days past due	**2,948**	–
	209,687	367,651

26. DEFERRED TAX ASSETS/(LIABILITIES)

The following are the major deferred tax liabilities and assets recognised by the Group.

	Tax losses	Intangible assets	Deferred rent	Accelerated depreciation allowance	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 July 2017	35,064	(53,108)	5,017	–	(13,027)
Credited to consolidated profit or loss *(note 12)*	3,476	445	395	–	4,316
Disposal of a subsidiary *(note 47(i))*	(15,048)	3,571	–	–	(11,477)
Exchange realignment	42	–	113	–	155
At 30 June 2018	23,534	(49,092)	5,525	–	(20,033)
Credited to consolidated profit or loss *(note 12)*	388	34	–	–	422
Acquisition of a subsidiary *(notes 46(iii) and 46(iv))*	1,438	(2,242)	–	97	(707)
Disposal of subsidiaries *(note 47(ii))*	(1,620)	–	(5,292)	–	(6,912)
Winding-up of a subsidiary *(note 13(i))*	(22,228)	49,058	–	–	26,830
Exchange realignment	(75)	–	(233)	–	(308)
At 30 June 2019	**1,437**	**(2,242)**	**–**	**97**	**(708)**

The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	2019	2018
	HK$'000	HK$'000
Deferred tax assets	**1,535**	7,218
Deferred tax liabilities	**(2,243)**	(27,251)
	(708)	(20,033)

At the end of the reporting period, subject to agreement by tax authorities, the Group has unused tax losses of approximately HK$597,177,000 (2018: HK$542,288,000) available for offset against future profits. No deferred tax assets have been recognised in respect of these tax losses due to the unpredictability of future income stream. At 30 June 2019, approximately HK$Nil (2018: HK$34,935,000) included in the above unused tax losses will expire in 2022. Other tax losses may be carried forward indefinitely.

27. INVENTORIES

	2019 HK$'000	2018 HK$'000
Finished goods	**6,590**	21,709
Work in process	**2,611**	–
	9,201	21,709

28. TRADE RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	**96,230**	207,506
Less: Credit loss allowance/impairment loss	**(89,281)**	(523)
	6,949	206,983

Upon the adoption of HKFRS 9, an opening adjustment as at 1 July 2018 was made to recognised additional ECL on trade receivables (see note (2)(a)(i)(c)). Details of ECL assessment of trade receivables are set out in note 5(b)(i).

(a) The Group allows credit periods of from 30 days to 60 days to its trade debtors. As at 30 June 2018, based on the repayment pattern of the debtors of the Group, trade receivables which are past due but not impaired were considered to be 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 ECL/impairment losses, is as follows:

	2019 HK$'000	2018 HK$'000
0 to 90 days	**4,337**	122,646
91 to 180 days	**2,612**	4,919
181 days to 365 days	**–**	771
Over 365 days	**–**	78,647
	6,949	206,983

28. TRADE RECEIVABLES *(CONTINUED)*

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

	2019 HK$'000	2018 HK$'000 (Restated)
Neither past due nor impaired	**4,337**	124,858
0 to 90 days past due	**2,612**	2,925
91 to 180 days past due	**–**	110
181 to 365 days past due	**–**	1,839
Over 365 days past due	**–**	77,251
	2,612	82,125
	6,949	206,983

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

	2019 HK$'000	2018 HK$'000
At the beginning under HKFRS 9 (2009)	**523**	523
Impact on initial application of HKFRS 9 (2014)	**1,533**	–
Adjusted balance at 1 July	**2,056**	523
Impairment loss made during the year	**87,464**	–
Reversal of impairment loss recognised during the year	**(239)**	–
As at 30 June	**89,281**	523

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'000	2018 HK$'000 (Restated)
Listed securities held for trading, at fair value:		
Equity securities listed in Hong Kong *(Note (a))*	**9,992**	23,444
Investments in film production *(Note (b))*	**286,752**	187,817
Other debt investment *(Note (c))*	**2,340**	–
	299,084	211,261
Analysed as:		
Non-current assets	**277,692**	187,817
Current assets	**21,392**	23,444
	299,084	211,261

Notes:

(a) The fair values of the listed equity securities investments as at reporting date were determined based on the quoted market closing prices on the Stock Exchange.

(b) Certain loans to entities engaging in film production amounting to approximately HK$81,838,000 as at 30 June 2019 (2018: HK$123,605,000) did not fulfill the contractual cash flow characteristics test specified in HKFRS 9 and therefore classified as financial assets at FVTPL. The loan is unsecured, bearing fixed interest rate at 8% per annum and has a term of one year commencing on 30 June 2018.

The Group is entitled an additional return from the loans, with reference to sum received or receivable from the film producers in connection to the box office of the film. The fair values of the loans have been determined based on the best estimation of the management on the expected future revenue generated by the films less relevant costs.

The Group had made certain investments to other film producers of approximately HK$204,914,000 (2018: HK$64,212,000) for certain films during the year and entitled certain profits sharing from the revenue generated by the films. The fair values of the loans and investments have been determined based on the best estimation of the management on the expected future revenue generated by the films less relevant costs.

(c) The Group entered into a note purchase agreement with Maventus Group Inc. ("Maventus") to subscribe for US$500,000 convertible bond of Maventus at interest-bearing of 10% per annum during the year ended 30 June 2019. The maturity date is 23 July 2021. At the reporting date, the Group did not have the convertible option until Maventus launches next equity, financing.

As at 30 June 2019, the Group had subscribed US$300,000 (equivalent to HK$2,340,000) convertible bond of Maventus. The bond of Maventus contains convertible option with criteria. At the end of the reporting period, the criteria of the bond has not been fulfilled. Thus, the Group did not have the convertible option as at 30 June 2019.

30. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

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

	2019 HK$'000	2018 HK$'000
RMB	**62**	5,236
US$	**139**	2,199
HK$	**28,189**	122,157
Others	**9**	9
	28,399	129,601
Less: Pledged bank deposits	**–**	(3,674)
	28,399	125,927

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

Bank balances carry interest at market rates of approximately 0.01% (2018: 0.01%) per annum.

As at 30 June 2019, the Group had no pledge bank deposits (2018: HK$3,674,000). The pledged deposits as at 30 June 2018 were pledged to a bank to secure banking facilities in relation to performance bonds in respect of tenancy agreements of certain retail stores and supplier payments.

31. TRADE PAYABLES

At the end of the reporting period, the aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	2019 HK$'000	2018 HK$'000
0 to 90 days	**12,522**	43,959
91 to 180 days	**1,510**	5,937
181 to 365 days	**147**	2,677
Over 365 days	**17,364**	17,650
	31,543	70,223

32. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	Notes	2019 HK$'000	2018 HK$'000 (restated)
Non-current portion			
Other payables	*(a)*	–	22,106
Current portion			
Accruals		**26,591**	19,358
Receipt in advance	*(b)*	**64,086**	92,577
Other payables	*(c)–(f)*	**201,525**	125,698
		292,202	237,633
		292,202	259,739

Notes:

(a) The amount represented accrued effective rent payables.

(b) Balance represents funds received and not utilised by the Group from certain independent third parties for film production carry out by the Group.

(c) As at 30 June 2019, other payable included approximately HK$12,206,000 (2018: HK$10,941,000) artist fee payable.

(d) As at 30 June 2019, other payable included approximately HK$14,444,000 (2018: Nil) resulting from a former wholly-owned subsidiary.

(e) As at 30 June 2019, other payable included approximately HK$49,492,000 (2018: HK$45,316,000) receipt from certain independent third parties on behalf of the firm producers of films invested by the Group.

(f) As at 30 June 2019, other payable included approximately HK$22,416,000 (2018: Nil) payable to non-controlling interests' shareholder of Panorama and Parkway. The payable is unsecured, interest fee and repayable on demand.

33. OTHER BORROWINGS

	2019 HK$'000	2018 HK$'000
Secured	**107,793**	308,707
Unsecured	**3,000**	5,462
	110,793	314,169

33. OTHER BORROWINGS *(CONTINUED)*

The secured other borrowings of are secured by the followings:

	Note	**2019 HK$'000**	2018 HK$'000
Personal guaranteed provided by a director		**40,000**	10,000
Personal guaranteed provided by a director and post dated cheques of HK$Nil (2018: HK$51,742,465)		**–**	50,000
Equity securities listed in HK with fair value of HK$136,484,000 (2018: HK$66,963,000)*		**37,576**	35,707
Pledged by an investment property	*47(iii)*	**30,217**	–
Pledged by an investment property and post dated cheques of HK$40,000,000	*17*	**–**	40,000
Pledged by an investment property and unlimited corporate guarantee from 2 companies	*17*	**–**	173,000
		107,793	308,707

* As at 30 June 2019 and 2018, the listed equity securities including interest in associates, financial assets at FVTPL and financial assets at FVTOCI are pledged for certain other borrowings.

Interest rates of other borrowings are as follows:

	2019 HK$'000	2018 HK$'000
Interest free	**30,217**	–
Hong Kong Best Lending Rate + 2.75% per annum	**–**	173,000
8% per annum	**–**	37,930
8.75% per annum	**37,576**	–
9% per annum	**3,000**	3,000
10% per annum *(note)*	**30,000**	50,000
12% per annum	**–**	10,239
14% per annum	**10,000**	–
15% per annum	**–**	40,000
	110,793	314,169

Note:

The other borrowing has been matured on 14 December 2018, the Group failed to repay the loan principal and accrued interest when fall due. A default interest of 16% per annum has been applied to the overdue outstanding balance, interest expense and default interest has been accrued as at 30 June 2019.

34. CONVERTIBLE BONDS

	Notes	**30 June 2019 HK$'000**	30 June 2018 HK$'000 (Restated)	1 July 2017 HK$'000 (Restated)
Convertible bonds classified as:				
Compound instruments	*(a)–(d)*	**226,913**	201,642	45,719
Analysed as:				
Current liabilities		**226,913**	156,817	5,311
Non-current liabilities		**–**	44,825	40,408
		226,913	201,642	45,719

The movement of the liability component of the convertible bonds for the years ended 30 June 2019 and 2018 is set out below:

	30 June 2019 HK$'000	30 June 2018 HK$'000 (Restated)	1 July 2017 HK$'000 (Restated)
At beginning of year	**201,642**	45,719	7,919
Issue of convertible bonds	**–**	147,876	39,613
Interest charged for the year *(note 9)*	**41,858**	11,547	1,352
Interest paid during the year	**(16,587)**	–	–
Converted to shares during the year	**–**	(3,500)	(3,165)
At end of year	**226,913**	201,642	45,719

34. CONVERTIBLE BONDS *(CONTINUED)*

Notes:

(a) The nominal value of the remaining is HK$2,000,000 as at 30 June 2019 and 2018.

The adjusted conversion price at 20 October 2014, date of maturity of the bond, was HK$0.610.

The interest charged for the year was calculated by applying an effective interest rate of 11.37% to the liability component for prior years before maturity.

(b) On 21 April 2016, the Group issued zero coupon convertible bonds with a nominal value of HK$7,000,000 ("2016 CB"). The bonds are convertible at the option of the bond holder into fully paid ordinary shares with a par value of HK$0.01 each on or after 21 April 2016 up to and including 31 December 2017. Any convertible bonds not converted will be redeemed on 31 December 2017 at the principal amount.

On 16 January 2017, 2016 CB with nominal value of HK$3,500,000 were converted into 9,370,816 ordinary shares with conversion price of HK$0.3735. The conversion price of 2016 CB was adjusted from HK$0. 3735 to HK$0.181 during the year ended 30 June 2018.

On 9 January 2018, 2016 CB with nominal value of HK$3,500,000 were converted into 19,337,017 ordinary shares with conversion price of HK$0.181. Approximately HK$193,000 and HK$4,620,000 were recorded in share capital and share premium respectively.

The interest charged for the year ended 30 June 2018 was calculated by applying an effective interest rate of 11.92% (2018:11. 92%) per annum to the liability component.

As at 30 June 2018, there was no outstanding balance of 2016 CB.

(c) On 25 April 2017, the Group issued 5% coupon convertible bonds with a nominal value of HK$50,000,000 ("2017 CB"). HK$25,000,000, HK$12,500,000 and HK$12,500,000 of 2017 CB are convertible at the option of the bond holders into ordinary shares with a par value of HK$0.01 each on or after 25 April 2019, 25 October 2019 and 25 April 2020 respectively. Any 2017 CB not converted will be redeemed on 25 April 2021 at the principal amount. The conversion price adjusted from HK$0.313 to HK$0.305 per share during the year ended 30 June 2017. During the year ended 30 June 2019, the conversion price was further adjusted from HK$0.305 per share to HK$15.25 due to the capital reorganisation of the Company.

The interest charged for the year is calculated by applying an effective interest rate of 10.93% (2018:10.93%) per annum to the liability component.

(d) On 2 January 2018, the Group issued 8% coupon convertible bonds with a nominal value of HK$150,000,000 ("2018 CB"). HK$150,000,000 of 2018 CB is convertible at the option of the bond holders into ordinary share with a par value of HK$0.273 each on or after 2 January 2019 up to and including 2 January 2019. 2018 CB has not been converted or redeemed during the year and in last year.

The 2018 CB was issued together with the promissory notes with principal amount of HK$148,000,000 (the "2018 PN") (note (35)). The 2018 CB and 2018 PN are secured by (1) the charge granted by AID Treasure Investment Limited ("AID Treasure"), an indirectly wholly owned subsidiary of a shareholder of the Company, Mr. Shiu and Mr. Yuen Kwun Yan ("Mr. Yuen") (collectively the "Chargors") in favour of the holders of 2018 CB (the "Bondholders") on the default securities trading account (the "Account") with 300,000,000, 1,110,000,000 and 440,000,000 ordinary shares of the Company (collectively the "Security") respectively; and (2) personal guarantee granted by Mr. Shiu.

34. CONVERTIBLE BONDS *(CONTINUED)*

Notes: (continued)

(d) (continued)

If, on any trading day, the ratio of the Security at the closing price on the trading day to the aggregate outstanding principal amount of the 2018 CB and the 2018 PN (the "LTV Ratio") falls below the value of 1.2 (a "Security Top-Up Triggering Event"), the Company shall procure the Chargors to jointly and severally to, within 3 days;

(a) transfer additional shares of the Company which are beneficially owned by any or each Chargor and free from encumbrance to the Account such that, the LTV Ratio will become at least 1.5; or

(b) transfer cash, which is equal to the aggregate outstanding principal amount of the 2018 CB and 2018 PN times the difference between 1.5 and the LTV Ratio on the trading day.

If the average closing price for any 30 consecutive trading days falling on or after the issue date of the 2018 CB is higher than 0.3224, the Company shall be entitled to issue a conversion request notice no later than 5 business days after the last day of such 30 consecutive trading days to the bondholders, requesting the bondholders to exercise their conversion right (in full or in part) to convert the 2018 CB into share. After 10 business days, the Company shall redeem the portion of the 2018 CB that is not converted at the amount equal to the aggregate of (a) the aggregate outstanding principal amount of the 2018 CB; (b) accrued but unpaid interest on the 2018 CB; (c) an amount which would make up an internal rate of return of 15% on the initial aggregate principal amount of the 2018 CB calculated from (and including) the issue date until (and including) the early redemption date; (d) any interest at the default rate (20%) of interest payable; and (e) any costs and expenses related to the early redemption.

Both 2018 CB and 2018 PN were issued to the same bondholders on the same date, their fair values at initial recognition were derived by the same discount rate and the equity component of the convertible bond would be assigned the residual amount of total proceeds after deducting from the fair value of the debt component of 2018 CB and the fair value of 2018 PN.

	2018 HK$'000 (Restated)
Liability component of 2018 PN at date of issue *(note 35)*	145,905
Liability component of 2018 CB at date of issue	147,876
Convertible bonds equity reserve	1,731
Transaction costs	2,488
Total nominal value of 2018 CB and 2018 PN	298,000

The interest charged for the year is calculated by applying an effective interest rate of 9.52% per annum to the liability component.

During September 2018, the Group has breached its specific obligation and became an event of default under the terms of 2018 CB and 2018 PN. The holders of 2018 CB and 2018 PN has the right to require redemption of all the outstanding amounts immediately, interest at the default rate (20%) was applied to the outstanding amounts of 2018 CB and 2018 PN. Interest expense and default interest has been accrued as at 30 June 2019.

35. PROMISSORY NOTE PAYABLES

		HK$'000 (Restated)
As at 1 July 2017		14,160
Issuance of promissory notes	*(a), (b), (c)*	371,230
Imputed interest *(note 9)*		7,975
Gain on settlement of promissory note	*(d)*	(1,360)
Repayment of promissory notes	*(d)*	(12,800)
Exchange realignment		(105)
As at 30 June 2018 and 1 July 2017		379,100
Issuance of promissory notes	*(e)*	3,000
Imputed interest *(note 9)*		61,263
Interest paid		(21,503)
Exchange realignment		(33)
As at 30 June 2019		421,827
As at 30 June 2019		
Current liabilities		421,827
As at 30 June 2018		
Current liabilities		187,753
Non-current liabilities		191,347
		379,100

(a) On 2 January 2018, the Group issued 2018 PN with a principal amount of HK$148,000,000 for cash. The promissory note is secured, interest bearing at 8% per annum and repayable on 1 January 2019. The security of the 2018 PN is same as that of the 2018 CB (note 34(d)).

The 2018 PN is measured at amortised cost using effective interest rate of 9.52%.

(b) On 11 May 2018, the Group issued a promissory note with a principal amount of HK$35,000,000 as part of the consideration for the acquisition of 100% equity interests of Ocean Bridge. The promissory note is unsecured, interest bearing at 8% per annum and repayable on 10 May 2019. The fair value of the promissory note approximates its carrying amount.

35. PROMISSORY NOTE PAYABLES *(CONTINUED)*

(c) Pursuant to the placing and subscription agreement dated 12 June 2018, the Group issued promissory notes for an aggregate principal amount of USD25,000,000 (equivalent to approximately HK$195,000,000) at 8% interest per annum for cash ("2019 PN"). Promissory notes has a maturity date of 2 years after the date of issue, and are secured by the followings:

1) 100% of issued share capital of a wholly-owned subsidiary, Lead Supreme Limited;

2) Designated account (which is set up as a designated bank account to receive certain proceeds from the production and distribution of certain movie(s)); and

3) Mr. Shiu is irrevocably and unconditionally guaranteed the due payment of all sums to be payable by the Company under the terms and conditions of the promissory note.

The net proceeds from the issue of the 2019 PN was approximately HK$190,325,000 and is measured at amortised cost using effective interest rate of 12.71%.

On the date of maturity, the amount to be paid by the Group would result in an internal rate of return of 11% per annum on the outstanding principal amount of 2019 PN.

During September 2018, the Group has breached its specific obligation and became an event of default under the terms of 2019 PN. The holders of 2019 PN has the right to require redemption of all the outstanding amounts immediately, interest at the default rate (15%) was applied to the outstanding amounts of 2019 PN. Interest expense and default interest has been accrued as at 30 June 2019.

(d) 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 Dragonlott Holdings Limited ("DHL").

The amount was unsecured and interest free. The principal sum of HK$14,160,000 was to be repaid on the date falling five years from 18 January 2010. The Note was fully settled by the Group by paying cash amount of HK$12,800,000 as per the High Court case settled during the year (note 47) which resulted in gain on settlement of promissory note of HK$1,360,000.

(e) On 25 June 2019, Ocean Bridge Investment Limited ("Ocean Bridge"), a wholly owned subsidiary of the Group, entered into a deed of loan restructuring (the "Deed") with Hong Kong Finance Company Limited ("HKFC"), the Company, King Universe Inc. Limited, Mr. Shiu Stephen Junior and Blueway Corporation Limited on 25 June 2019 for the settlement of the certain other borrowing in an aggregate sum of HK$35.7 million. According to the Deed, the Group issued a promissory note of HK$3,000,000 which is unsecured, interest-free and repayable on 3 August 2019.

36. FINANCE LEASE PAYABLES

	Minimum lease payments 2019 HK$'000	Present value of minimum lease payments 2019 HK$'000	Minimum lease payments 2018 HK$'000	Present value of minimum lease payments 2018 HK$'000
Within one year	–	–	600	133
In the second to fifth years, inclusive	–	–	2,399	957
After five years	–	–	1,049	783
			4,048	1,873
Less: Future finance charges	–	–	(2,175)	N/A
Present value of lease obligations	–	–	1,873	1,873
Less: Amount due for settlement within 12 months (shown under current liabilities)		–		(133)
Amount due for settlement after 12 months		–		1,740

As at 30 June 2018, it was the Group's policy to lease certain of its equipment's under finance leases. The lease term was 10 years. As at 30 June 2018, the average effective borrowing rate was 25%. Interest rates were fixed at the contract dates and thus expose the Group to fair value interest rate risk.

37. 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 19 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:

	2019	2018
	HK$'000	HK$'000
At beginning of year	**16,960**	13,596
Winding-up of a subsidiary *(note 13(i))*	**(13,706)**	–
Disposal of a subsidiary *(note 47(ii))*	**(3,268)**	–
Additions	**–**	3,070
Finance cost on asset retirement obligations	**153**	217
Exchange realignment	**(139)**	77
At end of year	**–**	16,960
Analysed as:		
Non-current liabilities	**–**	16,960

38. LITIGATIONS

The Group has the following pending litigations as below and in the opinion of the Board, it is premature to predict the external outcome.

A writ of summons was issued against the Company by Green Giant Investments Limited on 12 February 2015

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 promissory note (the "Note") or issue a new promissory note as requested upon transfer of the Note by Dragonlott Holdings Limited 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 claim was settled by both parties at an agreed amount of HK$12,800,000 in July 2018.

38. LITIGATIONS *(CONTINUED)*

A writ of summon was issued against the Company by Lei Shing Hong Credit Limited on 13 December 2018

The Company received an originating summons ("Originating Summons") on 13 December 2018 filed by Lei Shing Hong Credit Limited as the plaintiff ("Plaintiff") against (i) Ocean Bridge (ii) King Universe Inc. Limited ("Vendor") and (iii) the Company (collectively, the "Defendants") under action number HCMP 2165/2018 ("Legal Proceedings") in the High Court of Hong Kong.

The Originating Summons filed by the Plaintiff concerned the default in payment by Ocean Bridge of a loan facility advanced by the Plaintiff to Ocean Bridge in 2017 (the "Loan Facility"). The Vendor and the Company were guarantors to the concerned Loan Facility. A first legal charge was entered in respect of the property located at Town House No. 6 together with patio and fore court adjoining there to No. 25 Black's Link, Hong Kong and car parking space nos. 9 and 10, nos. 1–35 Black's Link, Hong Kong ("Property") in favour of the Plaintiff.

On 25 June 2019, the Vendor and the Company entered into the Sale and Purchase Agreement (the "Agreement") with Hammer Capital Holdings Limited (the "Purchaser") in relation to the disposal of the entire issued share capital of Ocean Bridge at a consideration of HK$1.00 (the "Consideration"). The Consideration was determined after arm's length negotiation between the parties with reference to net position of Ocean Bridge ("Disposal").

Ocean Bridge is principally holding of the Property. Apart from the Property, Ocean Bridge does not own or hold any other significant asset. It was purchased by the Group on 14 December 2017 at a total consideration of HK$100,000,000 which was satisfied by cash of HK$15,000,000, issue of promissory note of HK$35,000,000 and offset with the loan receivable of HK$50,000,000.

As of the date of acquisition, Ocean Bridge had a net borrowing of HK$173,000,000. Ocean Bridge recorded unaudited net liabilities of approximately HK$200,112,560 as at 30 April 2019. Upon completion, Ocean Bridge will cease to be a subsidiary of the Company. The financial results of Ocean Bridge will no longer be consolidated into the Group's financial statements. The completion took place on 2 July 2019.

As the property does not currently generate any revenue and its attached mortgage loan remains substantial, the Board considers the Disposal represents a good opportunity to lower the gearing ratio of the Group while reducing interest payment. There is no net proceed of the Disposal after deducting relevant transaction costs and expenses.

The Plaintiff subsequently entered into a loan sale and transfer agreement, whereby all rights and interest in and arising out of the Loan Facility (including all security thereto) were assigned to a third party.

A Judgement and Decision handed down by the Court of First Instance of the High Court and the District Court of Hong Kong respectively

Soliton (HK) Limited, a subsidiary of the Company ("Soliton") received (i) a judgement handed down by the Court of First Instance of the High Court of Hong Kong on 19 March 2019; and (ii) a decision handed down by the District Court of Hong Kong on 8 March 2019 respectively. According to the Judgement and Decision, it ordered Soliton to pay WEA International Inc an amount of HK$2,100,000 and pay Warner Music Hong Kong Limited an amount of HK$850,000 and shall destroy and/or return all licensed material of Warner.

Soliton is still seeking legal advice in relation to the Judgement and Decision for any further action, including but not limited to taking out an appeal, seeking for a compromise of the Judgement and the Decision and/or conducting restructuring of the Group.

39. SHARE CAPITAL

	Number of shares		Amount	
	2019	2018	**2019**	2018
	'000	'000	**HK$'000**	HK$'000
Ordinary shares of HK$0.01 each (2018: HK$0.01 each)				
Authorised:				
At the beginning of the year and end of the year	**20,000,000**	20,000,000	**200,000**	200,000

Ordinary shares of HK$0.01 each (2018: HK$0.01 each)

	Number of shares		Amount	
	2019	2018	**2019**	2018
	'000	'000	**HK$'000**	HK$'000
Issued and fully paid:				
At the beginning of the year	**13,495,120**	13,475,783	**134,951**	134,758
Issue of shares upon conversion of convertible bonds *(Note (a))*	**–**	19,337	**–**	193
Share repurchased and cancelled *(Note b)*	**(28,180)**	–	**(282)**	–
Capital reduction *(Note c)*	**(13,298,981)**	–	**(132,990)**	–
Acquisition of subsidiaries *(Notes (d) and (e))*	**103,448**	–	**1,035**	–
At the end of the year	**271,407**	13,495,120	**2,714**	134,951

Notes:

(a) On 9 January 2018, 2016 CB with nominal value of HK$3,500,000 were converted into 19,337,017 ordinary shares with conversion price of HK$0.181. Approximately HK$193,000 and HK$9,199,000 were recorded in share capital and share premium respectively.

(b) During the year ended 30 June 2019, the Company repurchased 28,180,000 ordinary shares of the Company at the consideration by cash of approximately HK$4,948,000. All such shares were cancelled during the year. The amounts of approximately HK$282,000 and HK$4,666,000 were debited to the Company's share capital and share premium account respectively for the year ended 30 June 2019.

(c) On 27 March 2019, every fifty (50) issued shares of a par value of HK$0.01 each in the issued share capital of the Company were consolidated into one consolidated share of par value of HK$0.50 each in the issued share capital of the Company. Following the share consolidation, the paid up capital of the Company was reduced to the extent of HK$0.49 on each of the then issued consolidated shares such that the par value of each issued consolidated share will be reduced from HK$0.50 to HK$0.01.

39. SHARE CAPITAL *(CONTINUED)*

Notes: (continued)

(d) On 15 November 2018, pursuant to the acquisition of 70% equity interest in Panorama Corporation Limited, the Company issued 86,896,551 ordinary shares of HK$0.01 each to independent third party with a fair value of HK$0.16 per share. The amounts of approximately HK$869,000 and HK$12,650,000 were credited to the Company's share capital and share premium account respectively for the year ended 30 June 2019.

On 15 November 2018, pursuant to the acquisition of 70% equity interest in Parkway Licensing Company Limited, the Company issued 16,551,723 ordinary shares of HK$0.01 each to independent third parties with a fair value of HK$0.16 per share. The amounts of approximately HK$166,000 and HK$2,409,000 were credited to the Company's share capital and share premium account respectively for the year ended 30 June 2019.

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.

40. RESERVES

Details of the movements on the Group's reserves are as set out in the consolidated statement of changes in equity.

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.

Reorganisation reserve

The reorganisation reserve was arisen from the Company's capital reduction.

Investment Revaluation Reserve

The investment revaluation reserve represents accumulated gains and losses arising on the revaluation of financial assets at FVTOCI. This amount will not be reclassified to profit or loss.

40. RESERVES *(CONTINUED)*

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 Bonds Equity Reserve

The convertible bonds equity reserve represents the value of the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in note 3 to the consolidated financial statements.

41. COMPARATIVE AMOUNTS

The comparative amounts presented in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the results of the HMV business and Cineunited Circuits business (see Note 1) which were discontinued during the current year as discontinued operations. As further explained in note 3 to the consolidated financial statements, due to the correction of prior period errors, the accounting treatment and presentation of certain items and balances in the consolidated financial statements have been restated. Accordingly, certain prior year adjustments have been made, and in addition, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment, and a third statement of financial position as at 1 July 2017 has been presented.

42. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of Financial Position of the Company

	30 June 2019 HK$	30 June 2018 HK$ (Restated)	1 July 2017 HK$ (Restated)
Non-current assets			
Property, plant and equipment	**2,486**	3,131	3,948
Intangible asset	**2,930**	2,930	2,930
Interests in subsidiaries	**3,451**	3,451	3,451
Financial assets at FVTOCI	**34,231**	45,051	43,042
Financial assets at FVTPL	**2,340**	–	–
Prepayments, deposits and other receivables	**–**	2,555	3,105
Loan receivable	**–**	5,952	5,414
	45,438	63,070	61,890
Current assets			
Trade receivables	**33,959**	51,444	97,844
Inventory	**–**	461	–
Prepayments, deposits and other receivables	**33,711**	27,636	234,012
Financial assets at FVTPL	**4,691**	21,029	16,384
Loan receivable	**4,253**	4,253	6,899
Amounts due from subsidiaries	**26,506**	2,625,127	500,075
Bank and cash balances	**9,864**	104,467	121,590
	112,984	2,834,417	976,804
Current liabilities			
Trade payables	**–**	1,463	1,463
Accruals, deposits received and other payables	**136,500**	2,300	3,414
Contract liabilities	**11,663**	12,062	1,219
Amounts due to subsidiaries	**66,254**	190,475	79,960
Other borrowings	**68,000**	58,845	43,592
Convertible bonds	**226,913**	156,817	5,311
Promissory note payables	**421,827**	187,753	14,160
	931,157	609,715	149,119
Net current (liabilities)/assets	**(818,173)**	2,224,702	827,685
Total assets less current liabilities	**(772,735)**	2,287,772	889,575
Non-current liabilities			
Promissory note payables	**–**	191,347	–
Convertible bonds	**–**	44,825	40,408
	–	236,172	40,408
NET (LIABILITIES)/ASSETS	**(772,735)**	2,051,600	849,167
Capital and reserves attributable to owners of the Company			
Share capital	**2,714**	134,951	134,758
Reserves	**(775,449)**	1,916,649	714,409
CAPITAL DEFICIENCY/TOTAL EQUITY	**(772,735)**	2,051,600	849,167

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

(b) Statement of reserves of the Company

	Share premium HK$'000	Reorganisation reserve HK$'000	Investment revaluation reserve HK$'000	Convertible bonds equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Year ended 30 June 2019						
At 30 June 2018 (As previous reported)	**2,523,239**	**–**	**(12,137)**	**–**	**(606,020)**	**1,905,082**
Prior year adjustments	**3,571**	**–**	**–**	**35,790**	**(27,794)**	**11,567**
	2,526,810	**–**	**(12,137)**	**35,790**	**(633,814)**	**1,916,649**
Transitional adjustments on initial application of HKFRS 9	**–**	**–**	**–**	**–**	**(2,601,701)**	**(2,601,701)**
At 30 June 2018 (As restated)	**2,526,810**	**–**	**(12,137)**	**35,790**	**(3,235,515)**	**(685,052)**
Loss for the year	**–**	**–**	**–**	**–**	**(218,663)**	**(218,663)**
Other comprehensive loss for the year	**–**	**–**	**(15,117)**	**–**	**–**	**(15,117)**
Total comprehensive loss for the year	**–**	**–**	**(15,117)**	**–**	**(218,663)**	**(233,780)**
Shares repurchase and cancellation	**(4,666)**	**–**	**–**	**–**	**–**	**(4,666)**
Capital reduction		**132,990**	**–**	**–**	**–**	**132,990**
Acquisition of subsidiaries	**15,059**	**–**	**–**	**–**	**–**	**15,059**
At 30 June 2019	**2,537,203**	**132,990**	**(27,254)**	**35,790**	**(3,454,178)**	**(775,449)**
Year ended 30 June 2018						
At 1 July 2017 (As previous reported)	2,518,619	–	(12,103)	–	(1,826,483)	680,033
Prior year adjustments	(1,008)	–	–	39,953	(4,569)	34,376
At 1 July 2017 (As restated)	2,517,611	–	(12,103)	39,953	(1,831,052)	714,409
Profit for the year	–	–	–	–	1,197,238	1,197,238
Other comprehensive (loss)/income for the year	–	–	(34)	–	–	(34)
Total comprehensive (loss)/income for the year	–	–	(34)	–	1,197,238	1,197,204
Issue of convertible bonds	–	–	–	1,731	–	1,731
Issue of shares upon conversion of convertible bonds	9,199	–	–	(5,894)	–	3,305
At 30 June 2018 (As restated)	2,526,810	–	(12,137)	35,790	(633,814)	1,916,649

43. OPERATING LEASE COMMITMENTS

The Group as lessee

At 30 June 2019, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2019 **HK$'000**	2018 HK$'000
Within one year	**2,369**	70,443
In the second to fifth years inclusive	**201**	147,822
After five years	**–**	188,375
	2,570	406,640

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for an average term of one to two years (2018: one to sixteen years) and rentals are fixed over the lease terms and do not include contingent rentals.

44. OTHER COMMITMENTS

	2019 **HK$'000**	2018 HK$'000
Amount contracted for but not provided in the consolidated financial statements in respect of:		
Film production cost	**169,296**	215,346
Guaranteed sum to be paid under various distributors' agreements	**137,550**	122,380
Acquisition of subsidiaries	**–**	38,500
	306,846	376,226

45. 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:

	2019 **HK$'000**	2018 HK$'000
Management fee paid to an associate *(note (i))*	**–**	3,118
Film production cost paid to related company *(note (ii))*	**1,500**	1,500
Film production cost paid to directors *(note (iii))*	**–**	200
Loan interest income earned from an associate *(note (iv))*	**646**	–
Film production cost paid to an associate *(note (v))*	**104**	–

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

	2019 **HK$'000**	2018 HK$'000
Balances with related companies		
Prepayments	**–**	10,500
Other payables	**(122)**	–
Balances with directors		
Prepayments	**–**	950
Balances with an associate		
Other receivables	**54,974**	4,835

Notes:

(i) The amount mainly represented upfront payment for management fee paid to GME Holdings Limited and Starz People (HK) Limited, associates of the Company.

(ii) The amount represents upfront payment for film productions paid to a related company of the Company, of which Shiu Stephen Junior, a director of the Company, is a shareholder.

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

(iv) The amount represents the loan interest income earned from HMV East Magic Holdings Group Co. Limited, an associate of the Company.

(v) The amount represents the artist fee paid to Starz Entertainment Co., Limited, an associate of the Company.

46. ACQUISITION OF SUBSIDIARIES

(i) Acquisition of 100% interests in Ocean Bridge

During the year ended 30 June 2018, King Universe Inc. Limited, a wholly-owned subsidiary of the Company, acquired 100% interests in Ocean Bridge from independent third parties at a total consideration of HK$100,000,000 which was satisfied by cash of HK$15,000,000, issue of promissory note of HK$35,000,000 and off set with the loan receivable of HK$50,000,000. Ocean Bridge owns an investment property under mortgage at the date of acquisition. The acquisition was completed on 1 December 2017.

The transaction was regarded as acquisition of asset which does not constitute business combination.

The value of the identifiable assets and liabilities of Ocean Bridge acquired as at its date of acquisition is as follows:

	Note	HK$'000
Investment property	*17*	272,971
Prepayment, deposits and other receivables		53
Cash and bank balance		1
Other payables		(25)
Other borrowing		(173,000)
		100,000
Satisfied by:		
Cash		15,000
Promissory note		35,000
Off set with the loan receivable		50,000
		100,000
Net cash outflow arising on acquisition:		
Cash consideration paid		(15,000)
Cash and cash equivalents acquired		1
		(14,999)

46. ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

(ii) Acquisition of 100% interests in Glory Horizon

During the year ended 30 June 2018, Certain Best Limited, a wholly-owned subsidiary of the Company, acquired 100% interests in Glory Horizon from an independent third party at a total consideration of USD1,000,000 (equivalent to approximately HK$7,840,000) which was satisfied by cash of USD1,000,000. Glory Horizon owned the trademarks of HMV as detailed in note 18 (a) at the date of acquisition.

The transaction was regarded as acquisition of asset which does not constitute business combination.

The value of the identifiable assets and liabilities of Glory Horizon acquired as at its date of acquisition is as follows:

	Note	HK$'000
Intangible assets	*18*	7,840
Satisfied by:		
Cash		7,840
Net cash outflow arising on acquisition:		
Cash consideration paid		(7,840)

(iii) Acquisition of 70% interests in Panorama

On 9 January 2017, a wholly owned subsidiary of the Company, Digital Joyful Limited, entered into the Sale and Purchase Agreement with an independent third party in relation to the acquisition of 70% of the issued share capital of Panorama at a consideration of HK$31,500,000, which should be satisfied by the issue and allotment of aggregate 86,896,551 ordinary shares of the Company at the date of completion. The acquisition was completed on 1 November 2018 after the approval at shareholders' meeting of the Company. Panorama is principally engaged in trading of video products and it owns certain film rights.

The management of the Group considered the acquisition would result in a synergy between the Group's entertainment business.

The acquired business contributed revenue of approximately HK$9,420,000 and net loss of approximately HK$6,017,000 for the period from 1 November 2018 to 30 June 2019. If the acquisition had occurred on 1 July 2018, consolidated revenue and net loss from continuing operations for the year ended 30 June 2019 would have been approximately HK$15,732,000 and HK$6,373,000 respectively.

46. ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

(iii) Acquisition of 70% interests in Panorama (continued)

The fair value of the net identifiable assets acquired and liabilities assumed of Panorama at the date of acquisition are disclosed as follows:

	Notes	HK$'000
Property, plant and equipment	*16*	1,053
Film rights	*24*	12,092
Inventories		11,164
Trade and other receivables	*(a)*	25,062
Amounts due from related companies		6,347
Bank and cash balances		40
Trade and other payables		(18,336)
Amount due to a related company		(4,029)
Amount due to a director		(24,103)
Bank loans		(18,031)
Bank overdraft		(267)
Deferred tax liabilities	*26*	(460)
		(9,468)
Non-controlling interests	*(b)*	2,841
		(6,627)
Goodwill		20,146
Total consideration		13,519
Satisfied by:		
Shares issued by the Company	*(c)*	13,519
Net cash outflow arising on acquisition:		
Bank and cash balances acquired		40
Bank overdraft assumed		(267)
		(227)

46. ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

(iii) Acquisition of 70% interests in Panorama (continued)

Note:

(a) The amount included trade receivables of approximately HK$5,966,000.

(b) The Group has chosen to recognise non-controlling interests at their share of fair value of identifiable assets acquired and liabilities assumed of Panorama.

(c) 50% of the consideration shares are subject to 30 months lock-up undertaking period and 50% of the consideration shares are subject to 18 months lock-up undertaking period.

(iv) Acquisition of 70% interests in Parkway

On 9 January 2017, a wholly owned subsidiary of the Company, Digital Joyful Limited, entered into the Sale and Purchase Agreement with Mr. Fung Yu Hing Allan, Mr. Wong Wing Kwong Kelvin and Ingate International Company Limited (the "Parkway Vendors") in relation to the acquisition of 70% of the issued share capital of Parkway at a consideration of HK$7,000,000 which should be satisfied by cash and issued and allotment of aggregate 16,551,723 ordinary shares of the Company at the date of completion after the approval at the shareholders' meeting of the Company. The acquisition was completed on 1 November 2018. Parkway is principally engaged in trading of movie and comics related toys and figures.

The management of the Group considered the acquisition would result in a synergy between the Group's entertainment business.

The acquired business contributed revenue of approximately HK$1,062,000 and net loss of approximately HK$716,000 for the period from 1 November 2018 to 30 June 2019. If the acquisition had occurred on 1 July 2018, consolidated revenue and net loss from continuing operations for the year ended 30 June 2019 would have been approximately HK$3,177,000 and HK$1,535,000 respectively.

46. ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

(iv) Acquisition of 70% interests in Parkway (continued)

The fair value of the net identifiable assets acquired and liabilities assumed of Parkway at the date of acquisition are disclosed as follows:

	Notes	HK$'000
Property, plant and equipment	*16*	762
Intangible assets	*18*	1,499
Inventories		437
Trade and other receivables	*(a)*	1,734
Amounts due from shareholders		49
Bank and cash balances		108
Trade and other payables		(907)
Amount due to a shareholder		(23)
Amounts due to related companies		(3,720)
Deferred tax liabilities	*26*	(247)
		(308)
Non-controlling interests		92
		(216)
Goodwill		3,791
Total consideration		3,575
Satisfied by:		
Cash consideration payable		1,000
Shares issued by the Company	*(b)*	2,575
Total consideration		3,575
Net cash inflow arising on acquisition:		
Bank and cash balances acquired		108

Note:

(a) The amount included trade receivables of approximately HK$299,000.

(b) 50% of the consideration shares are subject to 30 months lock-up undertaking period and 50% of the consideration shares are subject to 18 months lock-up undertaking period.

46. ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

(v) Acquisition of 51% interests in Mystery Apex

Mystery Apex was a wholly owned subsidiary of the Group prior to the disposal of the Group's 51% interest during the year ended 30 June 2018 (note 47(i)). It became an associate of the Group since the condition precedent as stipulated in the agreement was satisfied, including but not limited to the transfer of legal title of shares of Mystery Apex.

On 27 February 2019, the Group re-purchase the 51% of the issued share capital of Mystery Apex at the cash consideration of HK$1. Following the acquisition of Mystery Apex, Mystery Apex, which had been inactive since February 2019, became a wholly owned subsidiary of the Group.

Since the counter party who acquired Mystery Apex fail to settle the consideration receivable, the Group reacquired Mystery Apex during the year ended 30 June 2019.

The acquired business contributed revenue of approximately HK$Nil and net profit of approximately HK$3,457,000 for the period from 1 February 2019 to 30 June 2019. If the acquisition had occurred on 1 July 2018, consolidated revenue and net loss from continuing operations for the year ended 30 June 2019 would have been approximately HK$528,000 and HK$3,631,000 respectively.

The fair value of the net identifiable assets acquired and liabilities assumed of Mystery Apex at the date of acquisition are disclosed as follows:

	HK$'000
Trade receivables	89
Bank and cash balances	342
Trade payables	(8,124)
	(7,693)
Goodwill	7,693
Total consideration	–*
Satisfied by:	
Cash consideration	–*
Net cash inflow arising on acquisition:	
Bank and cash balances acquired	342

* Less than HK$1,000

Note: The management of the Group considered the fair value of interest in an associate was nil as Mystery Apex was in net liability position. Loss on deemed disposal of an associate in relation to the 49% equity interest in Mystery Apex amounted to HK$14,966,000 was charged to consolidated profit or loss during the year. Further, the Group recognised the impairment loss of the goodwill arisen from the acquisition of approximately HK$7,693,000 immediately for the year ended 30 June 2019.

46. ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

(vi) Summarised net cash inflow/outflow arising on acquisition, is as below:

Satisfied by:	*Notes*	**2019 HK$'000**	2018 HK$'000
Acquisition of 100% interests in Ocean Bridge	*46(i)*	**–**	(14,999)
Acquisition of 100% interests in Glory Horizon	*46(ii)*	**–**	(7,840)
Acquisition of 70% interests in Panorama	*46(iii)*	**(227)**	–
Acquisition of 70% interests in Pakway	*46(iv)*	**108**	–
Acquisition of 51% interests in Mystery Apex	*46(v)*	**342**	–
		223	(22,839)

47. DISPOSAL OF SUBSIDIARIES/ASSETS AND LIABILITIES OF DISPOSED GROUP CLASSIFIED AS HELD FOR SALE

(i) Disposal of 51% interests in Mystery Apex during the year ended 30 June 2018

Mystery Apex held an online music streaming application ("HMV Play") to generate subscription income. On 28 June 2018, the Group disposed 51% of the issued share capital of Mystery Apex, a wholly-owned subsidiary of the Company, at cash consideration of approximately HK$28,050,000.

During the year ended 30 June 2019, 10% of the consideration amounted to approximately HK$2,805,000 was settled. The remaining balance of approximately HK$25,245,000 were written-off during the year, following the repurchase as mentioned in notes 23(d) and 46(v).

An analysis of the assets and liabilities disposed of, and cash consideration receivable in respect of the disposal of Mystery Apex is as follows:

	Notes	HK$'000
Property, plant and equipment	*16*	29
Intangible assets	*18*	21,642
Goodwill	*19*	22,531
Deferred tax assets	*26*	11,477
Trade receivable		403
Prepayments, deposits and other receivables		45
Bank and cash balances		73
Trade payable		(1,580)
Accruals, deposits received and other payables	*37*	(3,205)
		51,415
Fair value of 49% equity interest in Mystery Apex		(16,660)
Loss on disposal of Mystery Apex		(6,705)
Total consideration receivable		28,050
Net cash inflow arising on disposal:		
Cash and cash equivalents disposed of		73
Cash consideration receivable	*23(d)*	28,050

47. DISPOSAL OF SUBSIDIARIES/ASSETS AND LIABILITIES OF DISPOSED GROUP CLASSIFIED AS HELD FOR SALE *(CONTINUED)*

(ii) Disposal of 100% interests in Cineunited Circuits (note 13(ii)) during the year ended 30 June 2019)

On 4 January 2019, the Group entered into sale and purchase agreement with an independent third party to dispose 100% of the issued share capital of Cineunited Circuits, a wholly-owned subsidiary of the Company, at cash consideration of RMB17,300,000 (approximate to HK$19,549,000), less the aggregate liability of Cineunited Circuits and its subsidiaries as of 20 December 2018 which were approximate to HK$103,429,000. As a result, the consideration for the disposal was nil.

An analysis of the assets and liabilities disposed of, and net inflow of cash and cash equivalents in respect of the disposal of Cineunited Circuits is as follows:

	Notes	HK$'000
Property, plant and equipment	*16*	41,200
Deferred tax assets	*26*	6,912
Inventories		320
Trade receivables		2,016
Prepayments, deposits and other receivables		16,577
Bank and cash balances		2,142
Trade payable		(7,486)
Accruals, deposits received and other payables		(90,881)
Finance lease payables		(1,794)
Provision for asset retirement		(3,268)
		(34,262)
Exchange reserves		772
Gain on disposal of Cineunited Circuits *(Note 13(iii))*		33,490
Total consideration receivable		–
Net cash outflow arising on disposal:		
Cash and cash equivalents disposed of		(2,142)
Cash consideration receivable		–

47. DISPOSAL OF SUBSIDIARIES/ASSETS AND LIABILITIES OF DISPOSED GROUP CLASSIFIED AS HELD FOR SALE *(CONTINUED)*

(iii) Disposal of Ocean Bridge after the end of reporting period – assets and liabilities of disposed group classified as held for sale

On 25 June 2019, King Universe Inc Limited, a wholly owned subsidiary of the Group, entered into a sale and purchase agreement with an independent third party to dispose 100% equity interest in Ocean Bridge at a consideration of HK$1. The disposal was completed on 3 July 2019. Hence, the assets and liabilities were classified as assets held for sales and liabilities held for sales respectively as at 30 June 2019.

The major classes of assets and liabilities of Ocean Bridge classified as held for sale as at 30 June are as follows:

	2019 HK$'000
Assets of disposed group classified as held for sale	
Investment property *(Note 17)*	179,972
Prepayments, deposits and other receivables	53
	180,025
Liabilities of disposed group classified as held for sale	
Accruals, deposits received and other payables	25
Other borrowings	180,000
	180,025

48. CONTINGENT LIABILITIES

HMV Marketing had entered into operation agreements with the Business Partner as detailed in note 19 to the consolidated financial statements. Following the winding up of HMV Marketing as detailed in note 13 (i) to the consolidated financial statements, the operation agreements are subject to uncertainty of execution. The Business Partner and the Group have not entered into any new arrangement after the winding-up of HMV Marketing. As at 30 June 2019, the Group received in aggregate HK$40,000,000 from the Business Partner according to the operation agreements, which was also subject to uncertainty.

49. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Other borrowings HK$'000	Bank loans HK$'000	Promissory note payables HK$'000 (Restated)	Convertible bonds HK$'000 (Restated)	Finance lease payables HK$'000	Total liabilities from financing activities HK$'000 (Restated)
At 1 July 2017	84,251	–	14,160	45,719	1,929	146,059
Changes in cash flow	42,596	–	323,428	147,876	(549)	513,351
Non-cash changes						
Interest charged	14,322	–	7,975	11,547	493	34,337
Acquisition of subsidiaries	173,000	–	35,000	–	–	208,000
Gain on settlement of promissory note	–	–	(1,360)	–	–	(1,360)
Conversion of convertible bonds	–	–	–	(3,500)	–	(3,500)
Exchange difference	–	–	(103)	–	–	(103)
At 30 June 2018	314,169	–	379,100	201,642	1,873	896,784
Change in cash flow	(23,076)	(18,226)	(21,503)	(16,587)	–	(79,392)
Non-cash changes						
Loan recognisation	(3,000)	–	3,000	–	–	–
Interest charged	2,700	195	61,263	41,858	–	106,016
Acquisition of subsidiaries	–	18,031	–	–	–	18,031
Disposal of subsidiaries	–	–	–	–	(1,794)	(1,794)
Classification as liabilities held for sales	(180,000)	–	–	–	–	(180,000)
Exchange difference	–	–	(33)	–	(79)	(112)
	110,793	–	421,827	226,913	–	759,533

50. INTERESTS IN SUBSIDIARIES

Particulars of the subsidiaries as at 30 June 2018 and 2019 are as follows:

Name of subsidiary	Place of incorporation/ registration/ operations	Issued and fully paid share capital	Percentage of ownership interest		Principal activities
			2019	2018	
New Smart International Creation Limited	Hong Kong	HK$1	**100%**	100%	Production and distribution of film
Champion Peak Corporation Limited	Hong Kong	HK$1	**100%**	100%	Production of film
China 3D Digital Products Limited	Hong Kong	HK$1	**100%**	100%	Production of film
Eastern Master Corporation Limited	Hong Kong	HK$1	**100%**	100%	Production of film
Fantastic Union Limited	Hong Kong	HK$1	**100%**	100%	Production of film
Good Lead Corporation Limited	Hong Kong	HK$1	**100%**	100%	Production of film
Good Time Investment Limited	Hong Kong	HK$1	**100%**	100%	Production of film
Joyful Excellence Limited	Hong Kong	HK$1	**100%**	100%	Production of film
Go Up Zone Limited (formerly known as New Jumbo Corporation Limited) *(Note (d))*	Hong Kong	HK$1	**100%**	100%	Production of film
New Modern Corporation Limited	Hong Kong	HK$1	**100%**	100%	Production of film
New Noble Corporation Limited	Hong Kong	HK$1	**100%**	100%	Production of film
New Pioneer Corporation Limited	Hong Kong	HK$1	**100%**	100%	Production of film
Cream Digital Limited	Hong Kong	HK$1	**100%**	100%	Production of film
Source Hunter Corporation Limited	Hong Kong	HK$1	**100%**	100%	Production of film
China 3D Digital Distribution Limited	Hong Kong	HK$1	**100%**	100%	Distribution of films
Red Rich Investment Limited	Hong Kong	HK$1	**100%**	100%	Distribution of films
Smooth Success Development Limited	Hong Kong	HK$1	**100%**	100%	Distribution of films
CineUnited Circuits Company Limited *(Note (a))*	Hong Kong	– (2018: HK$100)	**–**	100%	Cinema investment in the PRC

50. INTERESTS IN SUBSIDIARIES *(CONTINUED)*

Particulars of the subsidiaries as at 30 June 2018 and 2019 are as follows: (continued)

Name of subsidiary	Place of incorporation/ registration/ operations	Issued and fully paid share capital	Percentage of ownership interest		Principal activities
			2019	2018	
Markwin Investment Limited	Hong Kong	HK$20	**80%**	80%	Artiste management
Quick Money Finance Limited	Hong Kong	HK$1	**100%**	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%**	100%	Provision for consultancy service
Ying Lian Cinema (Chong Qing) Company Limited* 映聯影業(重慶)有限公司 *(Note (a))*	The PRC	– (2018: RMB16,509,617)	**–**	100%	Operation of cinema in the PRC
Empire Fame Limited	Hong Kong	HK$1	**100%**	100%	Production of film
Asian Rich Limited	Hong Kong	HK$1	**100%**	100%	Production of film
Golden Full Corporation Limited	Hong Kong	HK$1	**100%**	100%	Production of film
Smart Mega Corporation Ltd	Hong Kong	HK$1	**100%**	100%	Production of film
Extreme Level Distribution Limited (Formerly known as Kingcool Inc Limited) *(Note (b))*	Hong Kong	HK$1	**100%**	100%	Production of film
King Universe Inc. Limited	Hong Kong	HK$1	**100%**	100%	Production of film
Union Rico Limited	Hong Kong	HK$1	**100%**	100%	Production of film
Creative Projects Company Limited	Hong Kong	HK$5,500,000	**100%**	100%	Property investment
HMV Artiste Management (BVI) Limited	BVI	US$12,500	**80%**	80%	Investment holding
HMV Artiste Management Limited	Hong Kong	HK$1	**80%**	80%	Investment holding
Artery Production Limited	Hong Kong	HK$10,000	**64%**	64%	Artiste management

50. INTERESTS IN SUBSIDIARIES *(CONTINUED)*

Particulars of the subsidiaries as at 30 June 2018 and 2019 are as follows: (continued)

Name of subsidiary	Place of incorporation/ registration/ operations	Issued and fully paid share capital	Percentage of ownership interest		Principal activities
			2019	2018	
Golden Chinny Limited	Hong Kong	HK$1	**100%**	100%	Production of film
Horizon Coast Limited *(Note (c))*	Hong Kong	– (2018: HK$1)	**–**	100%	Production of film
Double Spirit Development Limited	Hong Kong	HK$1	**100%**	100%	Production of film
Union Kingwell Limited	Hong Kong	HK$1	**100%**	100%	Artiste management
Master Scene Limited	Hong Kong	HK$1	**100%**	100%	Production of film

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

* *For identification purpose only*

Notes:

(a) Cineunited Circuits and Ying Lian Cinema (Chong Qing) Company Limited were disposed on 4 January 2019.

(b) Kingcool Inc Limited changed its name from Kingcool Inc Limited to Extreme Level Distribution Limited on 2 April 2019.

(c) Following the disposal of Fore Head which is the shareholder of Horizon Coast Limited, Horizon Coast Limited was not a subsidiary of the Group.

(d) New Jumbo Corporation Limited changed its name from New Jumbo Corporation Limited to Go Up Zone Limited on 8 November 2018

51. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Board of Directors on 26 September 2019.