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

(Incorporated in Bermuda with limited liability)

(Stock Code: 8078)

2020-2021
ANNUAL REPORT

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given the emerging nature of companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This report, for which the directors (the "Director(s)") of China Creative Digital Entertainment Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this report misleading.

Contents

FINANCIAL SUMMARY

Annual financial results and positions for the five years from 2017.

RESULTS

	For the year ended 30 June				
	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000 (Restated)	2017 HK$'000
(Loss)/profit attributable to:					
Owners of the Company	(537,366)	(685,385)	(2,096,479)	(65,433)	22,665
Non-controlling interests	(4,740)	(13,691)	(10,631)	(309)	(1,256)
	(542,106)	(699,076)	(2,107,110)	(65,742)	21,409
(Loss)/profit per share					
Basic earnings (HK cents)	(198.00)	(253.00)	(774.00)	(24.00)	0.21
Diluted (HK cents)	(198.00)	(253.00)	(774.00)	(24.00)	0.16
Dividends	–	–	–	–	–

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 30 June				
	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000 (Restated)	2017 HK$'000 (Restated)
Total assets	47,632	435,521	1,427,369	3,712,393	3,055,320
Total liabilities	(1,237,115)	(1,054,885)	(1,265,546)	(1,270,957)	(439,775)
	(1,189,483)	(619,364)	161,823	2,441,436	2,615,545
Equity attributable to owners of the Company	(1,157,106)	(591,727)	175,769	2,441,818	2,615,618
Non-controlling interests	(32,377)	(27,637)	(13,946)	(382)	(73)
	(1,189,483)	(619,364)	161,823	2,441,436	2,615,545

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Lee King Fui
Lee Wing Lun
Lee Lun Cheong

COMPANY SECRETARY

To Chi

COMPLIANCE OFFICER

Lee Wing Ho, Albert

AUTHORISED REPRESENTATIVES

Shiu Stephen Junior
Lee Wing Ho, Albert

AUDIT COMMITTEE

Lee King Fui *(Chairman)*
Lee Wing Lun
Lee Lun Cheong

REMUNERATION COMMITTEE

Lee King Fui *(Chairman)*
Shiu Stephen Junior
Lee Wing Lun
Lee Lun Cheong

NOMINATION COMMITTEE

Shiu Stephen Junior *(Chairman)*
Lee King Fui
Lee Wing Lun
Lee Lun Cheong

AUDITOR

Moore Stephens CPA Limited
Registered Public Interest Entity Auditor
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 01B, 11/F, Eastmark
21 Sheung Yuet Road
Kowloon Bay, 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 2021 (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 of approximately HK$21.2 million (2020: HK$37.2 million), loss attributable to owners of the Company recorded a loss of approximately HK$0.54 billion (2020: HK$0.69 billion) and gross loss was approximately HK$88.0 million (2020: HK$153.4 million).

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
28 September 2021

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

The Group reported the total revenue of approximately HK$21.2 million for the year ended 30 June 2021 (the "Year"), compared with approximately HK$37.2 million for the year ended 30 June 2020. For the year ended 30 June 2021, a loss attributable to owners of the Company of approximately HK$0.54 billion was recorded whilst in the last year, a loss attributable to owners of the Company of approximately HK$0.69 billion was recorded.

During the Year, artiste management services contributed a revenue of approximately HK$7,000 (2020: HK$1.9 million). The revenue from entertainment business was approximately HK$18.8 million (2020: HK$28.6 million). The revenue from the money lending business was approximately HK$2.4 million (2020: HK$6.7 million).

BUSINESS REVIEW

The uncertainties over the economy continued to intensify during the Year. In addition, the latest outbreak of the novel coronavirus disease (COVID-19) is still affected the Group's performance in the Year.

The Group was principally engaged in entertainment business, artiste management services and money lending business. The effects of the coronavirus are still affected the China's box office, although the theatres re-opened in Mainland China and Hong Kong over the past few months.

Distribution and production of films, television programmes and music production

During the Year, the entertainment business recorded a turnover of approximately HK$18.8 million (2020: HK$28.6 million) because the numbers of films on screen in the Year decreased due to the reasons of COVID-19. 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", "Sexy Central" and Dynasty Warrior 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 and also affected by COVID-19 in mainland China and Hong Kong during the Year. The artiste management services recorded a turnover of HK$7,000 (2020: HK$1.9 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)

Money Lending

The demand for loans is correlated to consumer and business sentiment on expenditure and/or purchase of real estate assets for residential or investment purposes which can then be reflected in the level of domestic economic activities. The economic activities and business sentiment have been affected by the novel coronavirus infection. Many enterprises suffer from a plunge in business turnover, resulting in a liquidity problem, in particular those small and medium enterprises which have difficulty in obtaining commercial bank loans due to their scale of operation. This may provide potential opportunities for licensed money lenders, particularly when banks' attitudes have become more conservative under the worsened economic environment, notwithstanding that the Group has become more cautious in its lending given the weakening economy in Hong Kong which may give rise to more bad debts in the industry.

During the Year, the money Lending business recorded a turnover of approximately HK$2.4 million (2020: HK$6.7 million).

Voluntary Liquidation of Significant Investment Company

On 25 March 2021, Bintan Mining Corporation ("BMC") is a significant investment company of the Company, was in a shareholders' voluntary liquidation pursuant to sections 159 and 161 of the BVI Insolvency Act 2003, and the joint liquidators were appointed on the same date. The members of the Creditor's Committee of BMC have been appointed at the creditors' meeting held on 13 April 2021.

BMC is a limited company incorporated in the British Virgin Islands and its principal activity is operating a bauxite mine in Rennell Island, Solomon Islands. The mining site covers 560 km^2 and the bauxite reserves are estimated to be 31.5 million dry metric tons. 2,148 shares of BMC was held by the Group, representing 10.57% of the issued shares capital of BMC. The investment cost in BMC was HK$90,000,000.

As at 30 June 2021, the fair value of the Group's investment in BMC was Nil (2020: HK$23,992,000). For the year ended 30 June 2021, the decrease in fair value arisen from BMC was HK$23,992,000 (2020: HK$47,654,000) while the total amount of dividends received from BMC was Nil (2020: Nil).

BMC is not a subsidiary of the Company. The voluntary liquidation of BMC has no adverse impact on the business operations and financial position of the Company or the Group as a whole, except for the fair value of the Group's whole investment in BMC decreased to Nil and net allowance for excepted credit loss on deposits of HK$15.4 million was recognised during the year.

None of each individual investment constitutes 5% or above of the total assets of the Company as at 30 June 2021.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2021, total borrowings of the Group (excluding payables) amounted to approximately HK$991.9 million (2020: HK$859.9 million). The Group's gearing ratio (expressed as a percentage of total borrowing over total assets) was 2,082% in 2021 and 197.4% in 2020.

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.

IMPAIRMENT LOSS ON FILM PRODUCTION IN PROGRESS

The impairment losses on films production in progress of approximately HK$91.88 million for the year ended 30 June 2021 (2020: HK$77.90 million). The uncertainty of film and entertainment industry in PRC in recent years was mainly caused by changing in government policy, market trend and COVID-19. After consideration of existing environment, the management considered that the recoverary of the amount of film production assets is remote. Therefore, a significant amount of impairment had been made during the Year in order to reflect the recoverable amount of those assets.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2021, the Group had 34 (2020: 34) full-time and part-time employees. The total employee remuneration, including that of the Directors, for the year ended 30 June 2021 amounted to approximately HK$14.8 million (2020: approximately HK$22.2 million). The Group remunerates its employees based on their performance, experience and the prevailing commercial practice. To provide incentives or rewards to the employees, the Company has adopted a new share option scheme on 9 July 2014. No option was outstanding during the Year.

CAPITAL STRUCTURE

During the Year, there is no change of the capital structure of the Company. The issued shares of the Company is 271,407,779 shares as at 30 June 2021.

There was a placing of new shares completed subsequent to 30 June 2021. Details of which are set out in the section "Events After The End of The Reporting Period" on the next page.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Company during the Year are set out in note 42 to the consolidated financial statement.

DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the year ended 30 June 2021 (2020: Nil).

LITIGATION

Details of the litigation of the Company during the Year are set out in note 37 to the consolidated financial statement.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Placing of new shares under general mandate announced on 9 July 2021 and 12 July 2021

On 21 July 2021, the Company completed the placing of new shares under general mandate of which 54,200,000 placing shares at the placing price of HK$0.059 per placing share ("Placing"). After the completion of Placing, the number of shares in issue was increased from 271,407,779 shares to 325,607,779 shares.

For the year ended 30 June 2020, the Group recorded net current liabilities and net liabilities of approximately HK$933.9 million and approximately HK$619.4 million as at 30 June 2020 respectively while the bank balances and cash of the Group amounted to approximately HK$4.8 million as at 30 June 2020. The auditors of the Group issued a disclaimer of opinion on the consolidated financial statements of the Group for the year ended 30 June 2020 because of multiple fundamental uncertainties relating to going concern. In view of the abovementioned situations, the Company conducted a fund raising exercise by way of Placing.

The closing price per share as quoted on the Stock Exchange on 9 July 2021 was HK$0.072. The gross proceed from the Placing was approximately HK$3.2 million and the net proceeds from the Placing was approximately HK$3.03 million which were applied as the Group's business operations and general working capital.

Establishment of a joint venture

On 3 September 2021, Markwin Investment Limited, a subsidiary of the Group, entered a joint venture agreement with Lionheart Media Group Limited, an independent third party, to form a joint venture company ("JV Company") to produce different kind of entertainment contents such as reality shows, variety show, movie or drama. Markwin and Lionheart will own 60% and 40% of the JV Company respectively.

BIOGRAPHIES OF DIRECTORS AND SENIOR EXECUTIVES

EXECUTIVE DIRECTOR (CHAIRMAN)

SHIU STEPHEN JUNIOR, aged 46, 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 AND COMPLIANCE OFFICER

LEE WING HO, ALBERT, aged 51, 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 54, 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 37, 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.

Mr. Lee is also the independent non-executive director of Easy Repay Finance & Investment Limited (stock code 8079), a listed company on GEM of the Stock Exchange of Hong Kong Limited.

BIOGRAPHIES OF DIRECTORS AND SENIOR EXECUTIVES (CONTINUED)

INDEPENDENT NON-EXECUTIVE DIRECTOR

LEE KING FUI, aged 43, 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 than 20 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 in January 2012 and became a fellow member since September 2020. Mr. Lee was admitted as a member of the Association of Chartered Certified Accountants in September 2003 and became a fellow member since 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 Easy Repay Finance & Investment Limited (stock code 8079), a company listed on GEM of The Stock Exchange of Hong Kong Limited.

INDEPENDENT NON-EXECUTIVE DIRECTOR

LEE LUN CHEONG, aged 38, joined the Company in May 2020. Mr. Lee is the member of Audit Committee, Remuneration Committee and Nomination Committee of the Company. Mr. Lee is a creative director of Home Revolt Limited since 2009. Mr. Lee has more than 15 years of experience in residential, hospitality, workplace and retail projects in both Hong Kong and China market. Mr. Lee obtained a Bachelor of Art Spatial/Interior Design from University of Salford in 2005.

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 2021 (the "Year") ("Annual Report").

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 45 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 8 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 pages 33 to 34 of this Annual Report.

The Directors do not recommend the payment of any dividend for the Year (2020: 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 of this Annual Report.

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 15 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 45 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 38 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 37 of this Annual Report and note 40 to the consolidated financial statement.

CONVERTIBLE BONDS

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

DISTRIBUTABLE RESERVES OF THE COMPANY

Details of the movements in distributable reserves of the Company during the Year are set out in note 40 to the consolidated financial statements respectively.

DONATION

During the Year, no donation has been made (2020: Nil).

DIRECTORS

The Directors of the Company during the Year and up to the date of this Annual Report:

Executive Directors:

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

Independent Non-executive Directors:

Mr. Lee King Fui
Mr. Lee Wing Lun
Mr. Lee Lun Cheong

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.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, there are changes in the information required to be disclosed pursuant to paragraph (a) to (e) and (g) of Rule 17.50(2) of the GEM Listing Rules during the course of the directors' term of office.

Mr. Lee King Fui was resigned as an independent non-executive director of Hang Tai Yue Group Holdings Limited (stock code: 8081) with effect from 8 December 2020.

Save as disclosed above, there are no other matters that need to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

DIRECTORS' SERVICES CONTRACTS

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

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

Name of Directors	Commencing date
Mr. Lee King Fui	15 July 2019
Mr. Lee Wing Lun	15 April 2019
Mr. Lee Lun Cheong	1 May 2020

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 41 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 2021, 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%

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.

Save as disclosed above, as at 30 June 2021, 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.

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

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 2021, no option was granted under the New Scheme.

For the year ended 30 June 2021, no employee compensation expense has been included in the consolidated statement of profit or loss and other comprehensive income (2020: 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 2021, 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 8088 Investment Holdings Limited (formerly known as 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 8088 Investment Holdings Limited (formerly known as 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

One customer (2020: Nil) from entertainment business amounting to approximately HK$5,828,000 contributing over 10% of the total revenue of the Group for the year ended 30 June 2021 (2020: Nil).

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

Neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Group's listed securities during the Year.

CONNECTED TRANSACTIONS

Saved as disclosed in notes 36 and 41 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 Annual 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 Annual Report, the Board of Directors of the Company comprises Executive Directors who are Mr. Shiu Stephen Junior, 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 Lun and Mr. Lee Lun Cheong.

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 20 to 29 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 Annual Report, the Company maintained the prescribed public float under the GEM Listing Rules.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

There was no material acquisition or disposal of subsidiaries during the Year.

FOREIGN EXCHANGE EXPOSURE

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

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 year ended 30 June 2021 were 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 2020 and 2019 were audited by Moore Stephens 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
28 September 2021

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 2021, the Board comprised six Directors (three Executive Directors and three Independent Non-executive Directors). The biographies of the current Directors are set out on pages 9 to 10 of this Annual 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 six 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	6/6	1/1
Sun Lap Key, Christopher	6/6	1/1
Lee Wing Ho, Albert	6/6	1/1
Independent Non-executive Directors:		
Lee Wing Lun	6/6	1/1
Lee King Fui	6/6	1/1
Lee Lun Cheong	5/6	1/1

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 Mr. Lee Lun Cheong. 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
Lee Wing Lun	15 April 2019	4/4
Lee King Fui *(Chairman)*	15 July 2019	4/4
Lee Lun Cheong	1 May 2020	4/4

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 Mr. Lee Lun Cheong, 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 one meeting during the Year with the attendance of each member as follows:

Name of Committee members	Director's Attendance
Lee King Fui *(Chairman)*	1/1
Shiu Stephen Junior	1/1
Lee Wing Lun	1/1
Lee Lun Cheong	1/1

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 Mr. Lee Lun Cheong, 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 Company has adopted a board diversity policy (the "Board Diversity Policy"), which sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

The Company recognises the benefits of Board diversity and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies. The Company seeks to achieve Board diversity through the consideration of a number of factors, including professional qualifications and experience, cultural and educational background, gender and age. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board.

The Board has set measurable objectives (in terms of gender, skills and experience) to implement the Board Diversity Policy and review such objects from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

The Company considers that the current composition of the Board is characterised by diversity, whether considered in terms of professional background and skills.

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

Name of Committee members	Director's Attendance
Shiu Stephen Junior *(Chairman)*	1/1
Lee Wing Lun	1/1
Lee King Fui	1/1
Lee Lun Cheong	1/1

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 30 to 32 of this Annual Report.

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 2021, 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.

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.

As the corporate and operation structure of the Group is not complex and a separate internal audit department may divert resources of the Group, the Group currently does not have an internal audit department. However, the Group has engaged 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 management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 30 June 2021. The Board and the Audit Committee considered the risk and management and internal control systems effective and adequate. No significant areas of concern that might affect shareholders were identified.

RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)

It should be acknowledged that the Group's risk management and internal control system are designed to manage rather than eliminate the risk of failure to achieve business objectives at the reasonable level, but not absolute assurance against material misstatement or loss.

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 01B, 11/F, Eastmark, 21 Sheung Yuet Road, Kowloon Bay, 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.

MANAGEMENT'S VIEWS ON THE DISCLAIMER OF OPINION

During the course of audit of the annual consolidated financial statements for the year ended 30 June 2021, the Auditor had raised concern on the Group's ability to operate as a going concern. To address the Auditor's concern, the Group have been undertaking the following measures step by step to improve the Group's overall liquidity, working capital and cash flow positions and to mitigate its liquidity pressure during and after the year ended 30 June 2021:

Certain measures have been and are being undertaken to manage the Group's liquidity needs and to improve its financial position, which include, but 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 other borrowings;

The Company has been in active negotiation with finance providers on renewal and waiver of the repayable on demand clause and breach of the undertakings and restrictive covenants of certain loans, including but not limited to extend the repayment terms, partial repayment of loan, repayment by instalments and/or freeze the repayment schedule.

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

The Company has completed the placing of new shares under general mandate of which 54,200,000 placing shares at the placing price of HK$0.059 per placing share ("Placing") on 21 July 2021. The gross proceed from the Placing was approximately HK$3.2 million and the net proceeds from the Placing was approximately HK$3.03 million which were applied as the Group's business operations and general working capital.

(iii) actively executing active measures to expedite collections of outstanding trade receivables, other receivables, loan receivables and loans classified as financial assets at fair value through profit or loss.

The Company has made its best effort to expedite collections of outstanding trade receivables, other receivables, loan receivables via phone calls, demand letters and legal proceedings etc.

MANAGEMENT'S VIEWS ON THE DISCLAIMER OF OPINION (CONTINUED)

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

The unexpected, yet continuous outbreak of novel coronavirus disease ("COVID-19") seriously undermined the economies of the PRC mainland and Hong Kong and further weakened the entertainment consumption. The theatres in the PRC had been shut down in the wake of the outbreak of COVID-19 pandemic since late January 2020. Recently, given the COVID-19 pandemic is under control in PRC and Hong Kong, the theatres in PRC and Hong Kong have been allowed to open but with restricted conditions and the Group is planning to launch certain films in the 2nd quarter of 2021.

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

The Group has reduced the selling and distribution cost and administration expenses (mainly in promotional expenses and headcounts) as a mean to cut costs and has delayed certain capital expenditure until and after the Group's cash position has been improved.

(vi) exploring the possibility of disposing certain assets of the Group, including non-core assets or investments classified as financial assets at fair value through profit or loss and other comprehensive income;

The COVID-19 has caused certain negative impact on the entertainment and movie industries as a whole and it technically affects the valuation of the Group's assets. However, the Company is working with its best effort to explore the possibility of disposing certain assets of the Group.

MANAGEMENT'S ASSESSMENT ON RESOLVING THE DISCLAIMER OF OPINION

The Group will make effort to implement the measures in the paragraph headed "Management's view on the Disclaimer of Opinion".

There is main matter for the basis of disclaimer of audit opinion for the year ended 30 June 2021, of which the net current liabilities of approximately HK$1.21 billion and capital deficiency of approximately HK$1.19 billion.

For the net current liabilities of approximately HK$1.21 billion as at 30 June 2021, the Group have been actively undertaking the business plan to improve the Group's overall liquidity, working capital and cash flow positions and to mitigate its liquidity pressure.

AUDIT COMMITTEE'S VIEW ON THE DISCLAIMER OF OPINION

The audit committee of the Company (the "Audit Committee") has critically reviewed the Disclaimer of Opinion, the management's position concerning the Disclaimer of Opinion and Group's action plan for addressing the Disclaimer of Opinion. The Audit Committee had discussed with the Auditor regarding to going concern issues, measures taken and to be taken by the Group and considered the Auditor's rationale and understood their consideration in arriving the audit opinion.

In light of the above, the Audit Committee agreed with the management's position and was also of the view that the management should continue its efforts in implementing the actions and measures with the intention of improving the net current liabilities position of the Group, mitigating the Group's liquidity pressure and removing the Disclaimer of Opinion.

AUDIT COMMITTEE'S VIEW ON THE DISCLAIMER OF OPINION (CONTINUED)

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.

The responsibilities of the external auditor on financial reporting are set out in the Independent Auditor's Report set out on pages 30 to 32 of this Annual Report.

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 to the Company for the Year and the remuneration paid or payable to it by the Company is set out as follows:

	Fee HK$'000
Statutory audit services	880
Non-statutory audit services	–
Total	880

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 2021, in compliance with Rule 5.15 of the GEM Listing Rules.

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
(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 (together, the "Group") set out on pages 33 to 136, which comprise the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and 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 2021, 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

Uncertainty relating to going concern

As described in Note 1 to the consolidated financial statements, the Group incurred net loss of approximately HK$542,106,000 for the year ended 30 June 2021 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$1,210,501,000 and capital deficits of approximately HK$1,189,483,000. As at 30 June 2021, the Group had other borrowings, convertible bonds and promissory note payables amounted to approximately HK$122,742,000, HK$294,913,000 and HK$568,174,000, respectively, out of which approximately HK$84,916,000, HK$294,913,000 and HK$568,174,000, respectively had been overdue and had not been settled by the Group. No waiver was granted by the respective lenders during the year and up to the date when these consolidated financial statements were authorised for issue. Up to the date when these consolidated financial statements were authorised for issue, approximately HK$538,000 out of the overdue other borrowings as of 30 June 2021 have been settled, whereas none of the overdue convertible bonds and promissory note payables as of 30 June 2021 have been subsequently settled.

As of 30 June 2021, the interest and defaulted interest outstanding in aggregate of approximately HK$326,325,000 as set out in Notes 33 to 35 to the consolidated financial statements on other borrowings, convertible bonds and promissory note payables, respectively had not been settled by the Group up to the date when these consolidated financial statements were authorised for issue.

BASIS FOR DISCLAIMER OF OPINION (CONTINUED)

Uncertainty relating to going concern (Continued)

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 amounting to approximately HK$84,916,000, HK$294,913,000 and HK$568,174,000, respectively, as at 30 June 2021. These other borrowings, convertible bonds and promissory note payables were presented as the Group's current liabilities in the consolidated statement of financial position.

We were told by management that, the Group's business operations in the entertainment industry have been adversely affected by the outbreak of Novel Coronavirus ("COVID-19") pandemic, which resulted in significant decrease in commercial activities, lockdown of cities, and temporary closure of cinemas. The COVID-19 pandemic has brought additional uncertainties to the renewal of the aforesaid other borrowings, convertible bonds and promissory note payables and the Group's ability to generate sufficient cash flows to meet its liquidity needs. In addition, there are material uncertainties for ascertaining the recoverable amounts and timing of realisation of the relevant assets included in the cash flow projection prepared by the directors of the Company, of which the relevant assets are included but not limited to, the financial assets at fair value through profit or loss, film production in progress, trade receivables, other receivables and loans receivables. The measures being taken by the Group to manage the Group's liquidity needs are set out in Note 1 to 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 appropriateness of preparation of the consolidated financial statements on the going concern basis highly depends on whether the assumptions taken into account by the directors of the Company in the going concern assessment as disclosed in Note 1 to the consolidated financial statements are reasonable and whether the plans and measures can be implemented successfully. 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.

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. that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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

Leung Yu Ngong
Practising Certificate Number: P06734

Hong Kong, 28 September 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	7	21,166	37,162
Other income, gains and losses, net	8	(4,114)	6,574
Cost of distribution and production of films, television programmes and music production		(109,179)	(190,554)
Selling and distribution costs		(45,758)	(7,877)
Administrative expenses		(17,066)	(48,653)
Net (allowance for)/reversal of allowance for expected credit loss ("ECL") on trade receivables	5(b)(i)	(2,147)	14,445
Net (allowance for)/reversal of allowance for ECL on loan receivables	5(b)(ii)	(37,127)	25,583
Net (allowance for)/reversal of allowance for ECL on other receivables	5(b)(iii)	(6,977)	15,822
Net allowance for ECL on deposits	5(b)(iv)	(15,429)	(4,571)
Written-off of prepayments	23	(72,965)	(31,665)
Impairment loss on films production in progress	24	(91,879)	(77,904)
Impairment loss on property, plant and equipment	15	(1,935)	(571)
Impairment loss on right-of-use assets	16	(1,128)	–
Impairment loss on intangible assets	17	-	(1,199)
Impairment loss on goodwill	18	-	(13,148)
Impairment loss on interests in associates	19	-	(9,878)
Change in fair value of financial assets at fair value through profit or loss		(25,990)	(253,853)
Gain/(loss) on disposal of an associate	19	600	(23,483)
Share of results of associates	19	-	(6,577)
Loss on disposal of a joint venture	20	(107)	–
Finance costs	9	(132,071)	(129,437)
Loss before income tax	10	(542,106)	(699,784)
Income tax credit	12	-	708
Loss for the year		(542,106)	(699,076)

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

For the year ended 30 June 2021

	Note	2021 HK$'000	2020 HK$'000
Other comprehensive loss:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		(380)	165
Exchange difference arising from release on disposal of an associate		–	890
Item that will not be reclassified subsequently to profit or loss:			
Changes in fair value of financial assets at fair value through other comprehensive income		(27,633)	(83,166)
Total other comprehensive loss for the year, net of tax		(28,013)	(82,111)
Total comprehensive loss for the year		(570,119)	(781,187)
Loss for the year attributable to:			
Owners of the Company		(537,366)	(685,385)
Non-controlling interests		(4,740)	(13,691)
		(542,106)	(699,076)
Total comprehensive loss for the year attributable to:			
Owners of the Company		(565,379)	(767,496)
Non-controlling interests		(4,740)	(13,691)
		(570,119)	(781,187)
Loss per share attributable to owners of the Company			
– Basic and diluted	14	HK$(1.98)	HK$(2.53)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	15	–	3,901
Right-of-use assets	16	–	518
Intangible assets	17	2,930	2,930
Goodwill	18	–	–
Interests in associates	19	–	–
Interest in a joint venture	20	–	107
Financial assets at fair value through other comprehensive income	21	–	27,633
Financial assets at fair value through profit or loss	22	–	5,176
Prepayments and deposits	23	2,117	59,642
Film rights and films production in progress	24	16,258	214,685
		21,305	314,592
Current assets			
Financial assets at fair value through profit or loss	22	736	21,898
Prepayments, deposits and other receivables	23	5,755	41,101
Loan receivables	25	–	42,729
Inventories	26	7,737	7,773
Trade receivables	27	1,586	2,584
Contract assets	31	5,827	–
Bank and cash balances	29	4,686	4,844
		26,327	120,929
Current liabilities			
Trade payables	30	34,687	37,912
Contract liabilities	31	2,379	–
Accruals, deposits received and other payables	32	208,103	156,602
Amount due to a director	36	4,534	–
Lease liabilities	16	899	401
Other borrowings	33	122,742	111,547
Convertible bonds	34	294,913	260,913
Promissory note payables	35	568,174	487,419
Bank overdrafts	29, 33	397	–
		1,236,828	1,054,794

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2021

	Notes	2021 HK$'000	2020 HK$'000
Net current liabilities		(1,210,501)	(933,865)
Total assets less current liabilities		(1,189,196)	(619,273)
Non-current liabilities			
Lease liabilities	*16*	287	91
NET LIABILITIES		(1,189,483)	(619,364)
Capital and reserves			
Share capital	*38*	2,714	2,714
Reserves	*39*	(1,159,820)	(594,441)
Equity attributable to owners of the Company		(1,157,106)	(591,727)
Non-controlling interests	*44*	(32,377)	(27,637)
TOTAL CAPITAL DEFICITS		(1,189,483)	(619,364)

The consolidated financial statements on pages 33 to 136 were approved and authorised for issue by the board of directors on 28 September 2021 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 2021

	Notes	Share capital HK$'000	Share premium# HK$'000	Reorganisation reserve# HK$'000	Investment revaluation reserve# HK$'000	Foreign currency translation reserve# HK$'000	Convertible bonds equity reserve# HK$'000	Accumulated losses# HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
		Attributable to owners of the Company									
At 30 June 2019		2,714	2,537,203	132,990	(245,144)	(700)	34,059	(2,285,353)	175,769	(13,946)	161,823
Loss for the year		–	–	–	–	–	–	(685,385)	(685,385)	(13,691)	(699,076)
Other comprehensive loss, net of tax:											
Exchange differences arising on translation of financial statements of foreign operations		–	–	–	–	165	–	–	165	–	165
Disposal of an associate	19	–	–	–	–	890	–	–	890	–	890
Fair value change on financial assets at fair value through other comprehensive income	21	–	–	–	(83,166)	–	–	–	(83,166)	–	(83,166)
Other comprehensive loss for the year, net of tax		–	–	–	(83,166)	1,055	–	–	(82,111)	–	(82,111)
Total comprehensive loss for the year		–	–	–	(83,166)	1,055	–	(685,385)	(767,496)	(13,691)	(781,187)
Disposal of an associate		–	–	–	747	–	–	(747)	–	–	–
Disposal of financial assets at fair value through other comprehensive income	21	–	–	–	26,523	–	–	(26,523)	–	–	–
At 30 June 2020 and 1 July 2020		2,714	2,537,203	132,990	(301,040)	355	34,059	(2,998,008)	(591,727)	(27,637)	(619,364)
Loss for the year		-	-	-	-	-	-	(537,366)	(537,366)	(4,740)	(542,106)
Other comprehensive loss, net of tax:											
Exchange differences arising on translation of financial statements of foreign operations		-	-	-	-	(380)	-	-	(380)	-	(380)
Fair value change on financial assets at fair value through other comprehensive income	21	-	-	-	(27,633)	-	-	-	(27,633)	-	(27,633)
Other comprehensive loss for the year, net of tax		-	-	-	(27,633)	(380)	-	-	(28,013)	-	(28,013)
Total comprehensive loss for the year		-	-	-	(27,633)	(380)	-	(537,366)	(565,379)	(4,740)	(570,119)
At 30 June 2021		2,714	2,537,203	132,990	(328,673)	(25)	34,059	(3,535,374)	(1,157,106)	(32,377)	(1,189,483)

These reserve accounts comprise the consolidated reserves of approximately HK$(1,159,820,000) (2020: HK$(594,441,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	2021 HK$'000	2020 HK$'000
Cash flows from operating activities		
Loss before income tax	(542,106)	(699,784)
Adjustments for:		
Amortisation of film rights	106,812	118,642
Amortisation of intangible assets	–	150
Bank interest income	(1)	(3)
Change in fair value of financial assets at fair value through profit or loss	25,990	253,853
Depreciation of property, plant and equipment	1,966	3,036
Amortisation of right-of-use assets	1,985	1,535
Other lease income	(240)	–
Finance costs	132,071	129,437
(Gain)/loss on disposal of an associate	(600)	23,483
Loss on disposal of a joint venture	107	–
(Gain)/loss on disposal of property, plant and equipment	(52)	330
Gain on disposal of film rights	(4,880)	–
Loss on lease modification	61	–
Impairment loss on property, plant and equipment	1,935	571
Impairment loss on right-of-use assets	1,128	–
Impairment loss on intangible assets	–	1,199
Impairment loss on goodwill	–	13,148
Impairment loss on interests in associates	–	9,878
Impairment loss on films production in progress	91,879	77,904
Loan interest income	–	(197)
Allowance for ECL on trade receivables	2,379	13,730
Write back of allowance for ECL on trade receivables	(232)	(28,175)
Allowance for ECL on loan receivables	40,164	9,805
Write back of allowance for ECL on loan receivables	(3,037)	(35,388)
Allowance for ECL on other receivables	7,081	4,362
Write back of allowance for ECL on other receivables	(104)	(20,184)
Allowance for ECL on deposits	15,429	4,571
Written-off of prepayments	72,965	31,665
Share of results of associates	–	6,577
Exchange difference, net	392	–
Operating loss before working capital change	(48,908)	(79,855)
Decrease in inventories	36	1,428
Decrease in loan receivables	5,602	192,738
Increase in trade receivables	(1,149)	(1,190)
Increase in contract assets	(5,827)	–
(Increase)/decrease in prepayments, deposits and other receivables	(2,500)	105,297
(Decrease)/increase in trade payables	(3,225)	6,369
Increase in contract liabilities	2,379	–
Increase/(decrease) in accruals, deposits received and other payables	54,857	(133,567)
Cash generated from operations and net cash generated from operating activities	1,265	91,220

For the year ended 30 June 2021

	Notes	2021 HK$'000	2020 HK$'000
Cash flows from investing activities			
Additional costs incurred in and prepayments for film rights and films production in progress		(3,615)	(89,410)
Proceeds from disposal of film rights		4,880	–
Purchase of property, plant and equipment		–	(736)
Proceeds from sales of property, plant and equipment		52	210
Disposal of financial assets at fair value through other comprehensive income		–	14,454
Acquisition of financial assets at fair value through profit or loss		(1,272)	(28,190)
Disposal of financial assets at fair value through profit or loss		1,620	8,660
Disposal of an associate		600	16,127
Increase in cash held with a broker		(4,069)	–
Bank interest received		1	3
Net cash used in investing activities		(1,803)	(78,882)
Cash flows from financing activities			
Proceeds from other borrowings	43	8,600	–
Repayment of other borrowings	43	(9,427)	(14,395)
Repayment of promissory notes	43	(1,000)	(13,000)
Repayment of lease liabilities–principal	43	(1,722)	(1,561)
Repayment of lease liabilities–interests	43	(297)	(183)
Interests paid	43	(4,394)	(5,355)
Increase in amount due to a director	43	4,534	–
Net cash used in financing activities		(3,706)	(34,494)
Net decrease in cash and cash equivalents		(4,244)	(22,156)
Effect of changes in foreign exchange rate		(380)	(1,399)
Cash and cash equivalents at beginning of the year		4,844	28,399
Cash and cash equivalents at end of the year		220	4,844
Analysis of cash and cash equivalents			
Bank and cash balances	29	617	4,844
Less: bank overdrafts	29, 33	(397)	–
		220	4,844

Major non-cash transaction:

Additions of certain film rights during year ended 30 June 2020 of HK$20,000,000 represented a settlement arrangement entered by the Group with a debtor of trade and other receivables with outstanding balance of approximately HK$38,633,000 and HK$27,000,000, respectively, prior to the arrangement (Note 24).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

1. GENERAL INFORMATION, BASIS OF PREPARATION AND GOING CONCERN

China Creative Digital Entertainment Limited (the "Company") 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 was Unit C, 8/F., D2 Place Two, 15 Cheung Shun Stree, Cheung Sha Wan, Kowloon, Hong Kong. On 31 July 2021, the Company's principal place of business was changed to Unit 01B, 11/F., Eastmark, 21 Sheung Yuet Road, Kowloon Bay, 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 6 to 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 individual HKFRSs, 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 GEM of the Stock Exchange (the "GEM Listing Rules") and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for 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 2020 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(a).

Going concern

The Group incurred a net loss of approximately HK$542,106,000 (2020: HK$699,076,000) for the year ended 30 June 2021 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$1,210,501,000 (2020: HK$933,865,000) and capital deficits of approximately HK$1,189,483,000 (2020: HK$619,364,000). As at 30 June 2021, the Group had other borrowings, convertible bonds and promissory note payables amounted to approximately HK$122,742,000 (2020: HK$111,547,000), HK$294,913,000 (2020: HK$260,913,000) and HK$568,174,000 (2020: HK$487,419,000), respectively, out of which approximately HK$84,916,000 (2020: HK$80,166,000), HK$294,913,000 (2020: HK$258,913,000) and HK$568,174,000 (2020: HK$487,419,000), respectively had been overdue and had not been settled by the Group. No waiver was granted by the lenders of other borrowings, convertible bonds and promissory note payables during the year and up to the date when these consolidated financial statements were authorised for issue. Up to the date when these consolidated financial statements were authorised for issue, approximately HK$538,000 out of the overdue other borrowings as of 30 June 2021 have been settled, whereas none of the overdue convertible bonds and promissory note payables as of 30 June 2021 have been subsequently settled.

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

Going concern (Continued)

As of 30 June 2021, the interest and defaulted interest outstanding in aggregate as set out in Note 33 to 35 on other borrowings, convertible bonds and promissory note payables, respectively had not been settled by the Group up to the date when these consolidated financial statements were authorised for issue.

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 amounting to approximately HK$84,916,000 (2020: HK$80,166,000), HK$294,913,000 (2020: HK$258,913,000) and HK$568,174,000 (2020: HK$487,419,000) as at 30 June 2021.

During the year, the operations of the Group have deteriorated due to the COVID-19 pandemic as the effects of COVID-19 pandemic are hitting China's box office hard and led to temporary suspension of filming process or delays in the planned film release schedule. Due to the significant delay in filming process and uncertainty of the consequential impact of COVID-19 pandemic on consumers' behaviour, a fair value loss on those projects invested by the Group which are classified as financial assets at fair value through profit or loss of approximately HK$25,990,000 (2020: HK$253,853,000) was recognised in the consolidated profit or loss for the year. Furthermore, the management of the Group foresees the continuous of COVID-19 pandemic would also have a prolong adverse impact on the Group's other investments which are classified as financial assets at fair value through other comprehensive income and a fair value loss of approximately HK$27,633,000 (2020: HK$83,166,000) was recognised in the consolidated statement of changes in equity during the year. The COVID-19 pandemic has brought additional uncertainties to the renewal of the aforesaid other borrowings, convertible bonds and promissory note payables; and the Group's ability to generate sufficient cash flows to meet its liquidity needs.

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.

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 other borrowings;

(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 trade receivables, other receivables, loan receivables and loans classified as financial assets at fair value through profit or loss;

(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 assets of the Group, including non-core assets or investments classified as financial assets at fair value through profit or loss and other comprehensive income.

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

Going concern (Continued)

Based on the assessments 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 amounts 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. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

(a) Adoption of revised HKFRSs

Amendments to HKAS 1 (Revised) and HKAS 8	Definition of Material
Amendments to HKFRS 3 (Revised)	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	COVID-19-Related Rent Concessions
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of the above revised standards has had no significant effect on the consolidated financial statements of the Group.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (CONTINUED)

(b) New or amendments to HKFRSs issued but not yet effective

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[4]
Amendments to HKAS 8	Definition of Accounting Estimates[4]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[4]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to HKFRS 3 (Revised)	Reference to the Conceptual Framework[3]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021[2]
HKFRS 17	Insurance Contracts and the related Amendments[4]
Amendment to Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[3]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 April 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 January 2023
5 Effective for annual periods beginning on or after a date to be determined

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.

3. SIGNIFICANT ACCOUNTING POLICIES

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors of the Company 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 consolidated financial statements are disclosed in Note 4. 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. 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. 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. 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 HK$, 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. 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 lives and after taking into account of their estimated residual value, using the straight-line method. The principal annual rates are as follows:

Leasehold improvements	Over the shorter of unexpired lease term or 10%
Computer equipment	33.33%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	20%

3. 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.

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 episodes 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.

Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Such determination is made on an evaluation of the substance of the arrangement, regardless of whether the arrangements take the legal form of a lease.

Assets leased to the Group

Leases are initially recognised as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets leased to the Group (Continued)

Assets leased to the Group and the corresponding liabilities are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

– fixed payments (including in-substance fixed payments), less any lease incentives receivable;

– variable lease payments that are based on an index or a rate; and

– payments of penalties for terminating the lease, if the lease term reflects the Group, as a lessee, exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the incremental borrowing rate of respective entities. Right-of-use assets are measured at cost comprising the following:

– the amount of the initial measurement of lease liabilities;

– any lease payments made at or before the commencement date, less any lease incentive received;

– any initial direct costs; and

– restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of profit or loss and other comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (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 at 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 income, 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 other comprehensive income 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

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including bank and cash balances, loan receivables, trade receivables 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (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; and
- 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, 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.

(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. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(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.

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 Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

The Group's financial liabilities include trade payables, accruals, other payables, amount due to a director, lease liabilities, other borrowings, promissory note payables and bank overdrafts are subsequently measured at amortised cost, using the effective interest method except convertible bonds.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities (Continued)

Convertible bonds – compound instrument

Convertible bonds 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 expired. 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, 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

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

Revenue recognition

Revenue from contracts with customers

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. 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

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. 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 operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contributes to defined contribution retirement schemes which are available to all employees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' monthly relevant income, subject to a cap of HK$30,000. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

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. 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 consolidated 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.

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. 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); and

(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. 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 consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated 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 judgements, 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.

4. KEY ESTIMATES AND CRITICAL JUDGEMENTS (CONTINUED)

Key sources of estimation uncertainty (Continued)

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 non-financial assets

Determining whether non-financial assets 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 non-financial 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 non-financial assets using suitable discount rates.

For the year ended 30 June 2020, impairment losses of approximately HK$571,000, approximately HK$1,199,000 and approximately HK$13,148,000 on property, plant and equipment, intangible assets and goodwill were recognised in the consolidated statement of profit or loss and other comprehensive income for the year, respectively.

For the year ended 30 June 2021, the recoverable amount of the CGUs determined using value in use was lower than its carrying amount. Impairment loss of approximately HK$1,935,000 and approximately HK$1,128,000 on property, plant and equipment and right-of-use assets were recognised in the consolidated profit or loss and other comprehensive income for the year, respectively.

(b) Estimated impairment loss on film rights and films production in progress classified as non-financial assets

The management of the Company regularly reviews the recoverability of the Group's film rights and films 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 films 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.

For the year ended 30 June 2021, the recoverable amount of films production in progress determined using the above basis was lower than its carrying amount. Impairment loss of approximately HK$91,879,000 (2020: HK$77,904,000) on films production in progress was recognised in the consolidated statement of profit or loss and other comprehensive income for the year.

4. KEY ESTIMATES AND CRITICAL JUDGEMENTS (CONTINUED)

Key sources of estimation uncertainty (Continued)

(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 judgement and assumptions with reference to the prevailing and future market conditions to estimate total projected revenue over their economic lives. Amortisation of approximately HK$106,812,000 (2020: HK$118,642,000) on film rights was recognised in the consolidated statement of profit or loss and other comprehensive income for the year.

(d) Fair values of investments in films and television episodes production classified as financial assets at fair value through profit or loss

The Group has entered into investment agreements with counterparties on certain films and television episodes to produce and/or distribute films and television episodes and loans agreements which are classified as FVTPL. The fair values of these investments are determined based on the present value of the expected return that can be generated. In determining the expected return from these investments, the Group takes into consideration both internal and external market information available at the reporting date. Such assessment involves high degree of estimation and uncertainty.

Any change in consumption of economic benefits or estimations of costs to be incurred to complete production, projected revenues and related future cash flows may result in a change of the fair value measurement of investments in films and television episodes production. This could have a significant impact on the Group's financial performance.

Investments in films and television episodes production are stated at fair value based on the management assessment (2020: the valuation performed by GC Appraisals Services Company Limited, a firm of independent qualified professional valuers). The valuer uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments as at 30 June 2021. Note 5(b) provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets as at 30 June 2021.

As at 30 June 2021, a fair value loss on investments in films and television episodes production under financial assets at fair value through profit or loss of approximately HK$22,180,000 (2020: HK$247,189,000) was recognised in the consolidated statement of profit or loss during the year.

4. KEY ESTIMATES AND CRITICAL JUDGEMENTS (CONTINUED)

Key sources of estimation uncertainty (Continued)

(e) Allowance for ECLs on trade receivables, contract assets, other receivables and deposits and loan receivables

The allowance for ECLs on trade receivables, contract assets, other receivables and deposits and 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 ECLs:

Significant increase of credit risk

ECLs 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 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 respective 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; (ii) the risk-free rate, GDP growth, and etc. Judgements 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 respective receivables may also take into account the expected 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.

Based on the assessment at the reporting date, net ECL allowances (2020: net write back of ECL allowances) on trade receivables, other receivables and deposits and loan receivables were approximately HK$2,147,000 (2020: HK$14,445,000), HK$22,406,000 (2020: HK$11,251,000) and HK$37,127,000 (2020: HK$25,583,000), respectively, were charged (2020: credited) to the consolidated profit or loss for the year. No ECL allowance on contract assets was charged to the consolidated profit or loss for the year (2020: Nil).

4. KEY ESTIMATES AND CRITICAL JUDGEMENTS (CONTINUED)

Key sources of estimation uncertainty (Continued)

(f) Revenue recognition of the distribution of new films

Revenue recognition of 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.

Revenue recognition of the distribution of new films is dependent on the estimation of the box office after sharing with cinema. Based on the external market information, the Group estimates the revenue of the distribution of new films and the revenue can be reliably estimated. Actual outcome in terms of the revenue may be higher or lower than those estimated at the end of each reporting period, which would affect the revenue in the future years.

Significant judgement is required to estimate the revenue. The estimates are made based on the external market information.

(g) Going concern

The assessment of the going concern assumptions involves making judgements by the directors of the Company, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors of the Company consider that the Group has ability to continue as a going concern and the major conditions that may cast doubt on the going concern assumptions are set out in Note 1.

(h) Fair values of financial assets at FVTPL

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. Note 5(b) provides detailed information about key assumptions used in the determination of the fair value.

(i) Fair values of financial assets at FVTOCI

The fair value of financial assets at FVTOCI that are not traded in active market is determined by valuation techniques. Fair value of financial assets at FVTOCI is determined by an independent professional valuer with reference to the market value of underlying net assets. Valuation techniques that include inputs that are not based on observable market data and make assumptions that are primarily based on market conditions existing at the end of each reporting period. Note 5(b) provides detailed information about key assumptions used in the determination of the fair value.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 HK$'000	2020 HK$'000
Financial assets		
Financial assets at amortised cost	8,861	71,305
Financial assets at FVTPL	736	27,074
Financial assets at FVTOCI	–	27,633
	9,597	126,012
Financial liabilities		
Financial liabilities at amortised costs	1,232,464	1,052,977

(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, bank and cash balances, trade payables, accruals, other payables, amount due to a director, lease liabilities, other borrowings, convertible bonds, promissory note payables and bank overdrafts. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks, credit risk and liquidity 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 loan receivables, other borrowings, convertible bonds and promissory note payables bear interests at fixed interest rates and therefore are subject to fair value interest rate risks. Bank balances and bank overdrafts bear interests at variable rates varied with the then prevailing market conditions. Management does not anticipate significant impact to interest-bearing financial instruments resulted from the changes in interest rates, because the interest rates of bank balances and bank overdrafts are not expected to change significantly.

Currency risk

As at 30 June 2021 and 2020, the Group's primary foreign currency exposure mainly arises from its artist management services, distribution and production of films, 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, other receivables, bank and cash balances, trade payables, other payables and accruals, amount due to a director, lease liabilities, other borrowings, convertible bonds and promissory note payables) are denominated in HK$. No material 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 2021 and 2020, 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.

5. FINANCIAL INSTRUMENTS (CONTINUED)

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

Market risks (Continued)

Currency risk (Continued)

Sensitivity analysis

As HK$ 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 exposure to currency risk associated with US$ is minimal. 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 consolidated profit or loss, and the balance below would be negative.

	2021		2020	
	Increase/ (decrease) in foreign exchange rate	(Increase)/ decrease on post-tax loss HK$'000	Increase/ (decrease) in foreign exchange rate	(Increase)/ decrease on post-tax loss HK$'000
RMB	5%	(3,564)	5%	(1,875)
RMB	(5%)	3,564	(5%)	1,875

Equity price risk

The Group is exposed to equity price risk through its investments classified as financial assets at FVTPL. 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% (2020: 5%) on equity price would have negative impacts of approximately HK$2,000 (2020: HK$93,000) in the consolidated profit or loss. An increase of 5% (2020: 5%) in the value of the listed equity securities would impact the Group's performance in a similar amount.

5. FINANCIAL INSTRUMENTS (CONTINUED)

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

Credit risk and impairment assessment

As at the reporting date, 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 the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In order to minimise the credit risk on trade receivables, other receivables, loan receivables and contract assets, the management of the Group closely monitors the aging to discover any receivables past due over 90 days. In addition, the Group monitors expected 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 of HKFRS 9 on trade receivables and contract assets based on past due analysis and individual credit evaluations are performed on all customers and counterparties. 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. For deposits, the directors of the Company make periodic individual assessment on the recoverability of deposits based on past experience and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

The Group's exposure to credit risk on loan receivables of the money lending segment is influenced mainly by the individual characteristics of each lender rather than the industry in which the lenders operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual lender. As at 30 June 2021, approximately 38.2% (2020: 33.4%) and 94.5% (2020: 82.9%) of the total loan receivables were due from the Group's the largest lender and the five largest lenders respectively.

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

Trade receivables, other receivables and deposits, loan receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the Group.

ECL allowances on trade receivables, other receivables and deposits, loan receivables and contract assets are presented as net allowances for ECL within operating losses. Subsequent recoveries of amounts previously written off are credited against the same line item.

5. FINANCIAL INSTRUMENTS (CONTINUED)

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

Credit risk and impairment assessment (Continued)

Set out below are the Group's assessment of ECL on trade receivables, loan receivables, other receivables, deposits and contract assets as at the reporting date:

(i) Trade receivables (Note 27)

The Group uses debtors' ageing 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 the past due analysis as at the reporting date within lifetime ECL (credit impaired). Allowance for ECL is fully provided on each of the customers with balances past due over 90 days. The Group assessed the lifetime ECL (not credit impaired) of trade receivables and considered that the allowance for ECL is immaterial.

	Lifetime ECL (credit impaired) HK$'000
As at 1 July 2019	89,281
Changes due to:	
– ECL recognised during the year due to increase in past due balances	13,730
– Reversal of ECL recognised in prior year due to settlement of trade receivables	(28,175)
	(14,445)
As at 30 June 2020 and 1 July 2020	74,836
Changes due to:	
– ECL recognised during the year due to remeasurement	2,379
– Reversal of ECL recognised in prior year due to settlement of trade receivables	(232)
– Written off as uncollectible	(921)
	1,226
As at 30 June 2021	**76,062**

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, allowance for ECL is fully provided.

	12m ECL HK$'000	Lifetime ECL (credit impaired) HK$'000	Total HK$'000
As at 1 July 2019	6,233	69,991	76,224
Transfer to lifetime ECL (credit impaired)	(537)	537	–
Changes due to:			
– ECL recognised during the year due to remeasurement	2,467	7,338	9,805
– Reversal of ECL recognised in prior year due to settlement of loan receivables	(1,834)	(33,554)	(35,388)
	633	(26,216)	(25,583)
As at 30 June 2020 and 1 July 2020	6,329	44,312	50,641
Transfer to credit impaired	(5,792)	5,792	–
Changes due to:			
– ECL recognised during the year due to remeasurement	–	40,164	40,164
– Reversal of ECL recognised in prior year due to settlement of loan receivables	(537)	(2,500)	(3,037)
– Written off as uncollectible	–	(10,815)	(10,815)
	(537)	26,849	26,312
As at 30 June 2021	**–**	**76,953**	**76,953**

5. FINANCIAL INSTRUMENTS (CONTINUED)

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

Credit risk and impairment assessment (Continued)

(iii) Other receivables (Note 23(b))

The following table provides information about the exposure to credit risk for other receivables which are assessed based on the aging analysis as at the reporting date within lifetime ECL (credit impaired). Allowance for ECL is fully provided based on each of the debtors with balances past due over 90 days.

	12m ECL HK$'000	Lifetime ECL (credit impaired) HK$'000	Total HK$'000
As at 1 July 2019	137,554	25,245	162,799
Changes due to:			
– ECL recognised during the year due to remeasurement	4,362	–	4,362
– Reversal of ECL recognised in prior year due to settlement of other receivables	(20,184)	–	(20,184)
	(15,822)	–	(15,822)
As at 30 June 2020 and 1 July 2020	121,732	25,245	146,977
Transfer to credit impaired	(121,732)	121,732	–
Changes due to:			
– ECL recognised during the year due to remeasurement	–	7,081	7,081
– Reversal of ECL recognised in prior year due to settlement of other receivables	–	(104)	(104)
– Written off as uncollectible	–	(3,639)	(3,639)
	–	3,338	3,338
As at 30 June 2021	**–**	**150,315**	**150,315**

5. FINANCIAL INSTRUMENTS (CONTINUED)

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

Credit risk and impairment assessment (Continued)

(iv) Deposits (Note 23(c))

The following table provides information about the exposure to credit risk for deposits which are assessed based on the management estimation. Allowance for ECL is provided based on the management estimation.

	12m ECL HK$'000	Lifetime ECL (credit impaired) HK$'000	Total HK$'000
As at 1 July 2019	–	–	–
Changes due to:			
– ECL recognised during the year due to increase in past due balances	4,571	–	4,571
As at 30 June 2020 and 1 July 2020	4,571	–	4,571
Transfer to credit impaired	(4,571)	4,571	–
Changes due to:			
– ECL recognised during the year due to increase in past due balances	–	15,429	15,429
– Written off as uncollectible	–	(20,000)	(20,000)
	–	(4,571)	(4,571)
As at 30 June 2021	**–**	**–**	**–**

5. FINANCIAL INSTRUMENTS (CONTINUED)

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

Credit risk and impairment assessment (Continued)

(v) Contract assets

The Group uses debtors' ageing to assess the impairment for its customers in relation to its operations individually. During the year, no allowance for ECL on contract assets is recognised (2020: Nil) as minimal credit risk on the debtors.

The Group writes off certain trade receivables, loan receivables, other receivables, deposits and prepayment when there is information indicating that the debtors are in severe financial difficulty and, therefore, there is no reasonable expectation of recovery, e.g. when the debtors have been placed under liquidation or have entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. The written off of the following trade receivables, loan receivables, other receivables, deposits and prepayment which is subject to enforcement activities is as follows:

	2021		2020	
	Written off HK$'000	Written off is subject to enforcement activities HK$'000	Written off HK$'000	Written off is subject to enforcement activities HK$'000
Trade receivables	921	921	–	–
Loan receivables	10,815	10,485	–	–
Other receivables	3,639	-	–	–
Deposits	20,000	20,000	–	–
Prepayment	72,965	55,031	31,665	31,665
	108,340	86,437	31,665	31,665

5. FINANCIAL INSTRUMENTS (CONTINUED)

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

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 other borrowings upon their maturities. The directors of the Company are of the opinion that the existing facilities from other borrowings, convertible bonds and promissory note payables could be successfully renewed after the negotiation based on the past history and good relationships of the Group with its creditors. The management monitors the utilisation of other borrowings, convertible bonds and promissory note 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 other borrowings, convertible bonds and promissory note payables, 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.

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.

5. FINANCIAL INSTRUMENTS (CONTINUED)

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

Liquidity risk (Continued)

	Less than 1 month or repayable on demand	1 to 3 months	3 months to 1 year	1-2 years	Total: Undiscounted cash flows	Total: Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 30 June 2021						
Trade payables	34,687	-	-	-	34,687	34,687
Accruals and other payables	205,831	-	-	-	205,831	205,831
Amount due to a director	4,534	-	-	-	4,534	4,534
Other borrowings	123,659	-	-	-	123,659	122,742
Convertible bonds	294,913	-	-	-	294,913	294,913
Promissory note payables	568,174	-	-	-	568,174	568,174
Bank overdrafts	397	-	-	-	397	397
Lease liabilities	213	227	575	300	1,315	1,186
	1,232,408	227	575	300	1,233,510	1,232,464
At 30 June 2020						
Trade payables	37,912	–	–	–	37,912	37,912
Accruals and other payables	154,694	–	–	–	154,694	154,694
Other borrowings	112,030	–	–	–	112,030	111,547
Convertible bonds	260,913	–	–	–	260,913	260,913
Promissory note payables	487,419	–	–	–	487,419	487,419
Lease liabilities	153	107	180	95	535	492
	1,053,121	107	180	95	1,053,503	1,052,977

5. FINANCIAL INSTRUMENTS (CONTINUED)

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

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, bank balances and cash, trade and other payables, amount due to a director, other borrowings, convertible bonds, promissory note payables and bank overdrafts) 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 2021			
Financial assets at FVTPL			
– Equity securities listed in Hong Kong, at fair value	41	–	–
– Debt instrument at FVTPL	–	–	695
– Other debt instrument	–	–	–
Financial assets at FVTOCI			
– Unlisted equity securities at fair value	–	–	–
As at 30 June 2020			
Financial assets at FVTPL			
– Equity securities listed in Hong Kong, at fair value	1,851	–	–
– Debt instrument at FVTPL	–	–	22,875
– Other debt instrument	–	–	2,348
Financial assets at FVTOCI			
– Unlisted equity securities at fair value	–	–	27,633

There were no transfers between the three levels during the year (2020: Nil).

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

The Group's chief operating decision maker ("CODM") is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The CODM 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 2021

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value HK$'000
Investments in films and television episodes production classified as financial assets at FVTPL	Discounted cash flow	Weighted average cost of capital	**23%–26%**	**Decrease**	**695**

At 30 June 2020

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value HK$'000
Shadow Factory Limited – private equity investments classified as financial assets at FVTOCI	Forward price-to-earnings approach	Forward price-to-earnings multiple	26.5	Increase	441
Touchbase Tech. Inc – private equity investments classified as financial assets at FVTOCI	Discounted cash flow	Weighted average cost of capital	20%	Decrease	3,200
		Terminal growth rate	3%	Increase	
		Discount for lack of marketability	21%	Decrease	
		Discount for lack of control	23%	Decrease	
Bintan Mining Corporation – private equity investments classified as financial assets at FVTOCI	Discounted cash flow	Weighted average cost of capital	17%	Decrease	23,992
		Terminal growth rate	0%	Increase	
		Discount for lack of marketability	21%	Decrease	
		Discount for lack of control	23%	Decrease	

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 2020 (Continued)

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value HK$'000
Maventus Group Inc. – Other debt investments classified as financial assets at FVTPL	Market discount rate of convertible loans	Weighted average cost of capital	15%	Decrease	2,348
Investments in films and television episodes production classified as financial assets at FVTPL	Discounted cash flow	Weighted average cost of capital	18%–20%	Decrease	22,875

6. SEGMENT INFORMATION

The Group has four reportable and operating segments as follows:

- Artiste management services
- Distribution and production of films, television episodes and music production and other film related production ("Entertainment business")
- Money lending
- Securities and bonds investment

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 expertise and marketing strategies. The operating segments are identified by senior management who is designated as CODM to make decisions about resource allocation to the segments and assess their performance.

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	
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
REVENUE:										
Revenue from external customers	7	1,925	18,778	28,539	2,381	6,698	-	–	21,166	37,162
RESULTS:										
Segment (loss)/profit	(18,637)	(4,710)	(352,084)	(480,791)	(35,129)	29,859	-	(6,664)	(405,850)	(462,306)
Bank interest income									1	3
Other loan interest income									-	197
Unallocated corporate expenses									(4,679)	(68,303)
Finance costs									(132,071)	(129,437)
Share of results of associates									-	(6,577)
Impairment loss on investment in an associate									-	(9,878)
Loss on disposal of a joint venture									(107)	–
Gain/(loss) on disposal of an associate									600	(23,483)
Loss before income tax									(542,106)	(699,784)
Income tax credit									-	708
Loss for the year									(542,106)	(699,076)

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, other loan interest income, finance costs impairment loss on investment in an associate, loss on disposal of a joint venture, gain/loss on disposal of an associate, share of results of associates and income tax. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

6. SEGMENT INFORMATION (CONTINUED)

(b) Segment assets and liabilities

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

	Artiste management services		Entertainment business		Money lending		Securities and bonds investment		Total	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
ASSETS:										
Segment assets	**564**	10,068	**39,042**	312,023	**357**	43,144	**6,556**	31,832	**46,519**	397,067
Interest in a joint venture									**-**	107
Unallocated corporate assets									**1,113**	38,347
Total assets									**47,632**	435,521
LIABILITIES:										
Segment liabilities	**14,014**	14,079	**288,850**	100,725	**14,608**	24	**3,743**	31,380	**321,215**	146,208
Unallocated corporate liabilities									**915,900**	908,677
Total liabilities									**1,237,115**	1,054,885

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, 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, convertible bonds, promissory notes payables, 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 years:

	Artiste management services		Entertainment business		Money lending		Unallocated		Total	
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
Capital expenditure	-	–	-	736	-	–	-	–	-	736
Depreciation of property, plant and equipment	-	15	938	1,993	-	–	1,028	1,028	1,966	3,036
Depreciation of right-of-use assets	-	–	202	123	-	–	1,783	1,412	1,985	1,535
Amortisation of film rights	-	–	106,812	118,642	-	–	-	–	106,812	118,642
Amortisation of intangible assets	-	–	-	150	-	–	-	–	-	150
Impairment loss on property, plant and equipment	-	–	537	571	-	–	1,398	–	1,935	571
Impairment loss on right-of-use assets	-	–	1,128	–	-	–	-	–	1,128	–
Impairment loss on intangible assets	-	–	-	1,199	-	–	-	–	-	1,199
Impairment loss on goodwill	-	–	-	13,148	-	–	-	–	-	13,148
Written-off of prepayments	17,934	1,511	55,031	30,154	-	–	-	–	72,965	31,665
Net allowance for/(reversal of allowance for) ECL on trade receivables	80	1,371	2,067	(15,816)	-	–	-	–	2,147	(14,445)
Net allowance for/(reversal of allowance for) ECL on loan receivables	-	–	-	–	37,127	(25,583)	-	–	37,127	(25,583)
Net allowance for/(reversal of allowance for) ECL on other receivables	-	(206)	6,902	(15,616)	-	–	75	–	6,977	(15,822)
Net allowance for ECL on deposits	-	–	15,429	4,571	-	–	-	–	15,429	4,571

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 classified in accordance with geographical location of customers during the reporting period and information about the non-current assets, except financial assets, 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	
	2021 **HK$'000**	2020 HK$'000	**2021** **HK$'000**	2020 HK$'000
Hong Kong (place of domicile)	**13,409**	22,101	**21,099**	281,064
The PRC, excluding Hong Kong	**6,951**	12,072	**–**	–
Taiwan	**–**	314	**–**	–
Japan	**386**	–	**–**	–
Other Asian countries	**211**	1,954	**–**	–
North America	**209**	599	**–**	–
European countries	**–**	5	**–**	–
Other areas	**–**	117	**–**	–
	21,166	37,162	**21,099**	281,064

(e) Information about major customers

During the years ended 30 June 2021, one customer (2020: Nil) from entertainment business amounting to approximately HK$5,828,000 contributing over 10% of the total revenue of the Group.

7. REVENUE

	2021 HK$'000	2020 HK$'000
Revenue from contracts with customers		
Recognised at point in time basis:		
Distribution and production of films, television episodes and music production	8,604	15,127
Sales of goods	9,401	11,147
	18,005	26,274
Recognised on over time basis:		
Artiste management services fee income	7	1,925
Distribution of new films	773	2,265
	780	4,190
Revenue from other sources		
Interest income and handling charge income from money lending	2,381	6,698
	21,166	37,162

8. OTHER INCOME, GAINS AND LOSSES, NET

	2021 HK$'000	2020 HK$'000
Compensation loss *(Note 32b)*	(11,908)	–
Bank interest income	1	3
Other loan interest income	–	197
Event and commission income	84	1,812
Government grants *(Note)*	2,424	512
Loss on lease modification *(Note 16)*	(61)	–
Other lease income *(Note 16)*	240	–
Gain on disposal of film rights *(Note 24)*	4,880	–
Others	226	4,050
	(4,114)	6,574

Note: During the year ended 30 June 2021, government grants mainly included subsidies obtained from "Employment Support Scheme" under the "Anti-epidemic Fund" launched by the Hong Kong Special Administrative Region Government. At the end of the reporting period, there are no unfulfilled conditions or contingencies relating to these grants.

9. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on other borrowings	12,720	12,776
Interest on overdraft balances	3,696	3,941
Interest on lease liabilities *(Note 16)*	297	183
Interest on convertible bonds *(Note 34)*	34,000	34,000
Interest on promissory notes *(Note 35)*	81,363	80,156
Total finance costs	132,076	131,056
Amount capitalised	(5)	(1,619)
	132,071	129,437

The table sets out below the analysis of the Group's interests and defaulted interests for the year:

	Interests HK$'000	Defaulted interests HK$'000	Total HK$'000
For the year ended 30 June 2021			
Interest on other borrowings	1,752	10,968	12,720
Interest on overdraft balances	3,696	–	3,696
Interest on lease liabilities *(Note 16)*	297	–	297
Interest on convertible bonds *(Note 34)*	–	34,000	34,000
Interest on promissory notes *(Note 35)*	18,823	62,540	81,363
For the year ended 30 June 2020			
Interest on other borrowings	1,647	11,129	12,776
Interest on overdraft balances	3,941	–	3,941
Interest on lease liabilities *(Note 16)*	183	–	183
Interest on convertible bonds *(Note 34)*	–	34,000	34,000
Interest on promissory notes *(Note 35)*	18,699	61,457	80,156

During the year, borrowing costs on funds borrowed generally were capitalised at a rate of 0.37% (2020: 2.34%) per annum.

10. LOSS BEFORE INCOME TAX

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

	Notes	2021 HK$'000	2020 HK$'000
Staff costs (including directors' remuneration):			
Salaries, allowances and other benefits in kind		14,322	21,517
Retirement benefits scheme contributions		452	732
Total staff costs		14,774	22,249
Auditor's remuneration		880	1,200
Amortisation of film rights*	*24*	106,812	118,642
Amortisation of intangible assets	*17*	–	150
Cost of inventories recognised as expenses*		3,312	9,848
Depreciation of property, plant and equipment	*15*	1,966	3,036
Depreciation of right-of-use assets	*16*	1,985	1,535
Minimum lease payments under operating leases:			
– Land and building		–	770
Leasing expenses	*16*	120	814
Exchange (gain)/loss, net		(6,593)	9,994
Compensation loss		11,908	–
(Gain)/loss on disposal of property, plant and equipment		(52)	330

* 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 contribution HK$'000	Total emoluments HK$'000
Year ended 30 June 2021					
Executive Directors:					
Shiu Stephen Junior ("Mr. Shiu")#		–	2,400	18	2,418
Sun Lap Key, Christopher		–	270	14	284
Lee Wing Ho, Albert		50	450	18	518
Independent Non-executive directors:					
Lee Wing Lun	*(iii)*	150	–	–	150
Lee Lun Cheong	*(iv)*	150	–	–	150
Lee King Fui	*(v)*	150	–	–	150
		500	3,120	50	3,670
Year ended 30 June 2020					
Executive Directors:					
Shiu Stephen Junior ("Mr. Shiu")#		–	2,235	18	2,253
Sun Lap Key, Christopher		–	428	17	445
Lee Wing Ho, Albert		100	450	18	568
Independent Non-executive directors:					
Kam Tik Lun	*(i)*	6	–	–	6
Yang Yusi	*(ii)*	70	–	–	70
Lee Wing Lun	*(iii)*	150	–	–	150
Lee Lun Cheong	*(iv)*	25	–	–	25
Lee King Fui	*(v)*	144	–	–	144
		495	3,113	53	3,661

Chief executive of the Company

No directors of the Company waived any remuneration during the year (2020: Nil). No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors during the year (2020: Nil).

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

(a) Directors' emoluments (Continued)

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

(ii) Resigned as an independent non-executive director on 18 December 2019.

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

(iv) Appointed as an independent non-executive director on 1 May 2020.

(v) Appointed as an independent non-executive director on 15 July 2019.

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 (2020: one) directors of the Company whose emoluments are set out in (a) above. The emoluments of the remaining three (2020: four) individuals of which three (2020: four) are senior management are as follows:

	2021 HK$'000	2020 HK$'000
Salaries and other benefits	1,367	3,100
Retirement benefits scheme contributions	54	54
	1,421	3,154

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

	2021	2020
Nil to HK$1,000,000	3	4

During the year, no emoluments (2020: 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 (2020: Nil). Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2020: 25%) for the year. No overseas profits tax has been calculated for the group entities that are incorporated in the British Virgin Islands (the "BVI") or Bermuda as they are exempted from tax (2020: Nil).

	2021 HK$'000	2020 HK$'000
Deferred tax	–	(708)

The income tax credit for the year can be reconciled to the loss before income tax as follows:

	2021 HK$'000	2020 HK$'000
Loss before income tax	(542,106)	(699,784)
Calculated at domestic tax rate of 16.5% (2020: 16.5%)	(89,447)	(115,464)
Effect of different tax rate of subsidiaries operating in other jurisdiction	(7)	(14)
Tax effect of share of results of associates	–	1,085
Tax effect of expenses not deductible for tax purpose	28,136	55,973
Tax effect of income not taxable for tax purpose	(1,247)	(10,688)
Tax effect of tax losses not recognised	8,352	50,977
Tax effect of utilisation of tax losses previously not recognised	(1,130)	(2,631)
Tax effect of other temporary differences not recognised	55,343	20,054
Income tax credit for the year at the Group's effective rate	–	(708)

13. DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the year (2020: Nil).

14. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year attributable to the owners of the Company and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted loss per share is 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 2021 and 2020, 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 2021 and 2020 had an anti-dilutive effect to the basic loss per share, the conversion of these potential ordinary shares is not assumed in the computation of diluted loss per share.

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:

	2021	2020
Loss for the year attributable to owners of the Company (HK$'000)	(537,366)	(685,385)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	271,407,779	271,407,779

15. 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 2019	6,954	4,680	3,408	1,314	1,496	17,852
Exchange realignment	(15)	–	–	–	–	(15)
Additions	84	52	–	–	600	736
Disposal	–	–	–	–	(600)	(600)
At 30 June 2020 and 1 July 2020	7,023	4,732	3,408	1,314	1,496	17,973
Exchange realignment	33	–	–	–	–	33
Disposal	–	–	–	–	(445)	(445)
At 30 June 2021	**7,056**	**4,732**	**3,408**	**1,314**	**1,051**	**17,561**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES:						
At 1 July 2019	3,791	3,026	2,245	501	977	10,540
Exchange realignment	(15)	–	–	–	–	(15)
Provided during the year	1,181	760	410	415	270	3,036
Disposal	–	–	–	–	(60)	(60)
Impairment loss recognised	254	–	14	303	–	571
At 30 June 2020 and 1 July 2020	5,211	3,786	2,669	1,219	1,187	14,072
Exchange realignment	33	–	–	–	–	33
Provided during the year	764	660	372	44	126	1,966
Disposal	–	–	–	–	(445)	(445)
Impairment loss recognised	1,048	286	367	51	183	1,935
At 30 June 2021	**7,056**	**4,732**	**3,408**	**1,314**	**1,051**	**17,561**
NET CARRYING AMOUNTS:						
At 30 June 2021	**-**	**-**	**-**	**-**	**-**	**-**
At 30 June 2020	1,812	946	739	95	309	3,901

As at 30 June 2021 and 2020, the Group assessed the recoverable amounts of property, plant and equipment, together with right-of-use assets, intangible assets and goodwill of the Group as set out in Note 18.

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group has lease contracts for various office premises and staff quarter and warehouse used for its operation. Those leases generally run for an initial period of one to two years. There are no lease contracts that include variable lease payments.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Office premises and staff quarter HK$'000	Warehouse HK$'000	Total HK$'000
COST:			
At 1 July 2019	1,648	–	1,648
Additions	405	–	405
At 30 June 2020 and 1 July 2020	2,053	–	2,053
Lease modification	192	–	192
Additions	–	1,228	1,228
At 30 June 2021	**2,245**	**1,228**	**3,473**
ACCUMULATED DEPRECIATION AND IMPAIRMENT:			
At 1 July 2019	–	–	–
Charge for the year *(Note 10)*	1,535	–	1,535
At 30 June 2020 and 1 July 2020	1,535	–	1,535
Lease modification	(1,175)	–	(1,175)
Charge for the year *(Note 10)*	1,627	358	1,985
Impairment loss recognised	258	870	1,128
At 30 June 2021	**2,245**	**1,228**	**3,473**
NET CARRYING AMOUNTS:			
At 30 June 2021	–	–	–
At 30 June 2020	518	–	518

Note: As at 30 June 2021 and 2020, the Group assessed the recoverable amounts of right-of-use assets, together with property, plant and equipment and intangible assets of the Group as set out in Note 18.

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(a) Right-of-use assets (Continued)

	2021 HK$'000	2020 HK$'000
Fixed payments	2,019	1,744
Short-term leasing expenses *(Note 10)*	120	814
Total cash outflow for leases	2,139	2,558

(b) Lease liabilities

The carrying amounts of the Group's lease liabilities and the movements during the year are as follows:

	Office premises and staff quarter HK$'000
At 1 July 2019	1,648
Additions	405
Accretion of interest recognised *(Note 9)*	183
Payments	(1,744)
At 30 June 2020 and 1 July 2020	492
Lease modification	1,428
Additions	1,228
Accretion of interest recognised *(Note 9)*	297
Other lease income *(Note)*	(240)
Payments	(2,019)
At 30 June 2021	**1,186**

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(b) Lease liabilities (Continued)

Analysed into:	2021 HK$'000	2020 HK$'000
Current portion	899	401
Non-current portion	287	91
	1,186	492

Note: During the year ended 30 June 2021, undiscounted rental payment of staff quarter of approximately HK$240,000 (2020: Nil) was borne by the related staff.

(C) The analysis of income and expense items in relation to leases recognised in the consolidated profit or loss is as follows:

	2021 HK$'000	2020 HK$'000
Interest on lease liabilities *(Note 9)*	297	183
Depreciation charged of right-of-use assets *(Note 10)*	1,985	1,535
Impairment loss of right-of-use assets	1,128	–
Loss on lease modification *(Note 8)*	61	–
Other lease income *(Note 8)*	(240)	–
Expense relating to short-term leases *(Note 10)*	120	814
Total amounts recognised in consolidated profit or loss	3,351	2,532

Details of changes in cash flow for lease liabilities is set out in Note 43.

17. INTANGIBLE ASSETS

	Trademarks HK$'000	Club membership HK$'000 *Note (a)*	Management contract HK$'000	Customer relationship HK$'000 *Note (b)*	Total HK$'000
COST:					
As at 1 July 2019, 30 June 2020, 1 July 2020 and 30 June 2021	7,840	2,930	731	1,499	13,000
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES:					
As at 1 July 2019	7,840	–	731	150	8,721
Charged for the year *(Note 10)*	–	–	–	150	150
Impairment loss recognised	–	–	–	1,199	1,199
As at 30 June 2020, 1 July 2020 and 30 June 2021	7,840	–	731	1,499	10,070
NET CARRYING AMOUNTS:					
As at 30 June 2021	**–**	**2,930**	**–**	**–**	**2,930**
As at 30 June 2020	–	2,930	–	–	2,930

Notes:

(a) The Group's club membership of approximately HK$2,930,000 (2020: HK$2,930,000) as at 30 June 2021 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 2021 and 2020 (level 2 fair value measurements).

(b) Customer relationship of approximately HK$1,499,000 arose from the acquisition of Parkway on 1 November 2018. Customer relationship represents the long and good business relationship maintained by Parkway and the customer relationship has useful lives of 10 years.

As at 30 June 2021 and 2020, the Group assessed the recoverable amounts of intangible assets, together with property, plant and equipment and right-of-use assets of the Group as set out in Note 18.

18. GOODWILL

	HK$'000
COST:	
As at 1 July 2019, 30 June 2020, 1 July 2020 and 30 June 2021	27,601
ACCUMULATED IMPAIRMENT LOSSES:	
As at 1 July 2019	14,453
Impairment loss during the year	13,148
As at 30 June 2020, 1 July 2020 and 30 June 2021	27,601
NET CARRYING AMOUNTS:	
As at 30 June 2021	**–**
As at 30 June 2020	–

As at 30 June 2020, as the result of the continuously unfavourable market circumstances and sustained operating loss of the entertainment businesses in relation to Parkway Licensing Company Limited ("Parkway") and Panorama Corporation Limited ("Panorama"), the recoverable amounts of the Parkway and Panorama CGUs were lower than their net carrying amounts resulting in impairment loss in property, plant and equipment, right-of-use assets, intangible assets and goodwill of approximately HK$571,000, HK$Nil, HK$1,199,000 and HK$13,148,000, respectively.

The estimates of recoverable amounts as at 30 June 2020 of each of the Parkway and Panorama CGUs containing the property, plant and equipment, right-of-use assets, intangible assets and goodwill in the companies were based on their value-in-use with reference to respective professional valuation reports issued by an independent professional valuer.

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, 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.

18. GOODWILL (CONTINUED)

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 6.50% and 9.24% respectively. The rates used to discount the forecast cash flows of Panorama and Parkway are 13.1% and 14.6% respectively.

As at 30 June 2021, the Group has suffered operating loss continuously. The management of the Group assessed the recoverable amount of Panorama and Parkway based on the management assessments and concluded that the recoverable amount of Panorama and Parkway as at 30 June 2021 is Nil resulting in impairment loss in property, plant and equipment, right-of-use assets and intangible assets of approximately HK$1,935,000, HK$1,128,000 and Nil, respectively.

19. INTERESTS IN ASSOCIATES

	2021 HK$'000	2020 HK$'000
Listed in Hong Kong:		
Share of net liabilities	–	(54,788)
Goodwill	–	100,063
Less: Disposal	–	(38,720)
Less: Provision for impairment	–	(6,555)
	–	–
Unlisted investments *(Note)*:		
Share of net assets	–	2,979
Goodwill	–	10,532
Less: Provision for impairment	–	(13,511)
	–	–
	–	–

19. INTERESTS IN ASSOCIATES (CONTINUED)

Particulars of the associates are as follows:

Name	Particulars issued shares held	Place of incorporation and operation	Percentage of ownership interest attributable to the Group		Principal activities
			2021	2020	
Starz Holdings Limited ("Starz")	Ordinary shares	The BVI	25%	25%	Investment holding
Vision Lion Limited ("Vision Lion")	Ordinary shares	Hong Kong	0%	25%	Yacht holding
HMV East Magic Holding Group Company Limited ("HMV East Magic")	Ordinary shares	Hong Kong	49%	49%	Inactive

Notes:

Starz

For the year ended 30 June 2020, 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 operate. 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%. The rates used to discount the forecast cash flows of Starz is 15.4%.

For the year ended 30 June 2021, the management of the Group reassessed the recoverable amounts of Starz with reference to the management assessment. Due to the sustained operating loss, the management considered the recoverable amounts as at 30 June 2021 were Nil (2020: Nil). No impairment loss was recognised in the consolidated profit or loss for the year ended 30 June 2021 (2020: approximately HK$7,671,000).

19. INTERESTS IN ASSOCIATES (CONTINUED)

Notes: (Continued)

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.

	2021 HK$'000	2020 HK$'000
As at 30 June		
Group's share of carrying amount of interests	–	–
Years ended 30 June:		
Group's share of loss and total comprehensive loss for the years	–	(3,992)

Vision Lion

The recoverable amount of Vision Lion as at 30 June 2020 was Nil. Impairment loss of approximately HK$2,207,000 was recognised in the consolidated profit or loss for the year ended 30 June 2020.

On 9 September 2020, the Group has disposed of all of its equity interests in Vision Lion to an independent third party at cash consideration of approximately HK$600,000, resulting in the gain on disposal of an associate of approximately HK$600,000 recognised in the consolidated profit or loss.

The Group has discontinued the recognition of its share of losses of associates because the share of losses of the associate exceeded the Group's interests in the associates and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of associates for the current year and cumulatively were approximately HK$233,000 (2020: HK$3,992,000) and HK$4,946,000 (2020: HK$4,713,000), respectively.

20. INTEREST IN A JOINT VENTURE

	2021 HK$'000	2020 HK$'000
Unlisted investments in Hong Kong:		
Share of net assets	–	107

Details of the Group's joint venture as at 30 June 2021 and 2020 are as follows:

Name	Principal place of business and country of incorporation	Percentage of ownership interests 2021	Percentage of ownership interests 2020	Principal activities
Mustard Seed Entertainment Company Limited	Hong Kong	0%	50%	Provision for consultancy services

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

	2021 HK$'000	2020 HK$'000
At 30 June:		
Carrying amount of interest	–	107
Years ended 30 June:		
Revenue	–	–
Group's share of loss and total comprehensive loss for the years	–	–

Note: On 5 August 2020, the Group has disposed of all of its equity interests in Mustard Seed Entertainment Company Limited to an independent third party. The loss on disposal of a joint venture of approximately HK$107,000 has been recognised in the consolidated profit or loss.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Notes	2021 HK$'000	2020 HK$'000
Unlisted equity securities, at fair value	*(a) and (b)*	–	27,633

Notes:

(a) Unlisted equity securities include:

Touchbase Tech. Inc. ("Touchbase")

During the year ended 30 June 2018, the Group acquired 10% interests on Touchbase at a cash consideration of approximately HK$19,700,000. Touchbase is a corporation duly incorporated and existing in good standing under the laws of the state of Nevada, United States of America, principally engaged in the provision of information technology services. During the year ended 30 June 2021, a fair value loss on FVTOCI of approximately HK$3,200,000 (2020: HK$3,900,000) was recognised in the other comprehensive income under investment revaluation reserve as Touchbase is inactive as at 30 June 2021.

Bintan Mining Corporate ("Bintan") (In liquidation)

The Group entered into loan agreements with Party A and Party B on 5 January 2018 and 7 February 2018, respectively, in respect of loans to the respective parties. The loan to Party A with principal amount of HK$30,000,000 was secured by shares of 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 settle their loans totalling of HK$90,000,000 by 2,148 ordinary shares of Bintan which represents 10.57% of equity interest in Bintan.

Bintan is a limited company incorporated in the BVI and its principal activity is operating a bauxite mine in Rennell Island, Solomon Islands. As at 30 June 2021, 2,148 (2020: 2,148) ordinary shares of Bintan were held by the Group, representing 10.57% (2020: 10.57%) of the issued shares capital of Bintan.

Bintan was in a shareholders' voluntary liquidation on 25 March 2021 and the joint liquidators were appointed on the same date.

During the year, a fair value loss on FVTOCI of approximately HK$23,992,000 (2020: HK$47,654,000) was recognised in the other comprehensive income under investment revaluation reserve.

Shadow Factory Limited ("Shadow Factory")

The Group entered into a sale and purchase agreement with an independent third party to acquire 3,000 ordinary shares of Shadow Factory, representing 3% equity interest of Shadow, at the consideration of US$750,000 (equivalent to approximately HK$5,850,000). Shadow Factory is a registered Hong Kong company limited by shares and it is a full service production company specialising in content development, post-production, immersive media, technology and application development and digital strategy. During the year, a fair value loss on FVTOCI of approximately HK$441,000 (2020: HK$3,911,000) was recognised in the other comprehensive income under investment revaluation reserve as Shadow Factory only maintain minimal operation as at 30 June 2021.

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

Notes: (Continued)

(a) Unlisted equity securities include: (Continued)

Full Wealthy International Limited ("Full Wealthy")

On 5 April 2017, Full Wealthy was incorporated in the Cayman Islands with an authorised share capital of US$50,000 divided into 50,000 shares of par value of US$1 each. On the date of incorporation, 1 share of Full Wealthy was allotted and issued at US$1 to Full Times Investment Limited ("Full Times"), a wholly-owned subsidiary of the Company. On 29 May 2017, Full Wealthy further allotted and issued 99 fully paid shares with par value of US$1 per share to Full Times.

On 27 June 2017, Full Times, entered into a sale and purchase agreement with another independent third party to dispose of 85% equity interest in Full Wealthy at a cash consideration of approximately HK$46,070,000.

During the year, a fair value loss on FVTOCI of Nil (2020: approximately HK$1,171,000) was recognised in the other comprehensive income under investment revaluation reserve.

(b) The fair values of unlisted equity investments were assessed by the directors of the Company with reference to the management assessment (2020: professional valuation carried out by GC Appraisals Services Company Limited, an independent professional valuer). Details on the disclosure of valuation process, valuation techniques and inputs used in fair value measurements by the Group for the year ended 30 June 2020 are set out in Note 5(b).

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK$'000	2020 HK$'000
Listed securities held for trading, at fair value:		
Equity securities listed in Hong Kong *(Note (a))*	41	1,851
Investments in films and television episodes production *(Note (b))*	695	22,875
Other debt investment *(Note (c))*	–	2,348
	736	27,074
Analysed as:		
Non-current assets	–	5,176
Current assets *(Note (d))*	736	21,898
	736	27,074

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)(i) Certain loans to entities engaging in film production with principal amounts of approximately HK$81,838,000 as at 30 June 2019 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 to an additional return from these loans, with reference to sum received or receivable from the film producers in connection to the box office of the film. These loans were matured on 30 June 2019 and the Group had not entered into any new arrangements with the relevant counter parties.

Save for aforesaid, as at 30 June 2021, the Group has four (2020: four) agreements with production houses, which are independent third parties. The investments are governed by the relevant agreements entered into between the Group and the production houses whereby the Group is entitled to benefits generated from the distribution of the related films and television episodes productions.

(b)(ii) During the year ended 30 June 2020, as affected by the COVID-19 pandemic, a number of films and television episodes invested by the Group had to be delayed in debuting on cinema screens or had to be temporarily suspended from filming due to travel restrictions, lockdown of cities and other uncertainties that may affect the film and television episodes' industries right after COVID-19 pandemic. However, one of its film producers had notified the Group that the film at an investment cost of RMB40,000,000 (equivalent to approximately HK$45,614,000) debuted on cinema screens during the year ended 30 June 2021.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Notes: (Continued)

(b)(iii) As at 30 June 2021, the directors of the Company reassess the status of the investments in films and television episodes recoverable amounts of films production in progress as at 30 June 2021 due to extension of the release date of these films and television episodes.

As at 30 June 2020, the fair values of investments in films and television episodes production were assessed by the directors of the Company with reference to the professional valuation carried out by GC Appraisals Services Company Limited, an independent professional valuer. Details on the disclosure of valuation process, valuation techniques and inputs used in fair value measurements by the Group for the year ended 30 June 2020 are set out in Note 5(b).

The fair values of the investments in film and loans classified as FVTPL, have been determined based on the present value of expected return which is assessed with reference to films that have similar movie genre, which were observable market information. The management of the Group made reference to the average of the actual box offices of the aforesaid comparable films to estimate the expected gross box offices of the films.

The fair value of investment in television episodes has been determined based on the present value of the expected return of television episodes which will be displayed on OTT platform or broadcasted on television. The data about distribution income generated is observable on both internal and external market information available, the management of the Group measured the fair value of such investments by making reference to the average of the actual viewing rates to estimate the expected distribution income.

Based on the above assessments, a fair value loss of approximately HK$22,180,000 (2020: HK$247,189,000) was recognised in the consolidated statement of profit or loss and other comprehensive income during the year.

(c) During the year ended 30 June 2019, the Group subscribed for a convertible note ("Maventus Note") with a principal amount of for US$500,000 (equivalent to approximately HK$3,900,000) which is interest-bearing at a rate of 10% per annum which was issued by Maventus Group Inc. (the "Note Issuer"), an independent third party incorporated in Delaware, The United States. The maturity date of the Maventus Note is 23 July 2021. Pursuant to the note purchase agreement dated 24 July 2018, the Maventus Note is convertible into shares of the Note Issuer at the option of the Group at the time when the Note Issuer launches the next sale (or series of related sales) of its equity securities which the Note Issuer receives gross proceeds of not less than US$5,000,000 (the "Next Equity Financing").

During the year ended 30 June 2019, the Group had subscribed US$300,000 (equivalent to approximately HK$2,340,000) of the Maventus Note. As at 30 June 2021 and 2020, in the opinion of the directors of the Company, the Group did not have the right to convert the Maventus Note as the Note Issuer has not notified the Group of any launch of Next Equity Financing during the years ended 30 June 2021 and 2020.

As the convertible note would be matured within 1 year after the reporting date, the amount has been reclassified as current assets as at 30 June 2021. In the opinion of the management of the Group, the balance of Maventus Note is not recoverable in full based on the financial information of the investee. Hence, a fair value loss of approximately HK$2,348,000 (2020: Nil) was recognised in the consolidated statement of profit or loss and other comprehensive income during the year.

(d) Investments that are expected to be realised within 12 months from the reporting date or trading in nature is classified as current assets.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2021 HK$'000	2020 HK$'000
Non-current portions			
Prepayments	*(a)*	1,911	58,923
Deposits	*(c)*	206	719
		2,117	59,642
Current portions			
Prepayments	*(a)*	3,372	20,672
Deposits	*(c)*	2,050	16,542
Other receivables	*(b)*	333	3,887
		5,755	41,101
		7,872	100,743

Notes:

(a) At the reporting date, 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 reporting date are as follows:

	2021 HK$'000	2020 HK$'000
Prepayments for:		
Film and television episodes production costs	2,537	53,122
Artiste fee	–	17,626
Others	2,746	8,847
	5,283	79,595
Less: non-current portion	(1,911)	(58,923)
Current portion	3,372	20,672

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

(a) (Continued)

During the year, the following prepayments were written-off:

	2021 HK$'000	2020 HK$'000
Film and television episodes production costs	55,031	28,007
Artiste fee	17,934	3,596
Others	–	62
	72,965	31,665

Certain prepayments for film and television episodes production costs were written off during the year as a result of (i) the expiration of a license for a drama production not yet commenced of Nil (2020: approximately HK$828,000); and (ii) the termination of film and drama production project of approximately HK$55,031,000 (2020: HK$24,473,000) as the additional funding in respect of changing film director and main artists may not be achievable. Although the Group is still negotiating with the relevant counterparties on the extension of license or refund of prepaid investment fund, the management of the Group consider that the recovery of such prepayment costs is remote and write off the full amount in the consolidated profit or loss during the year.

Prepaid artiste fees of approximately HK$17,934,000 (2020: HK$3,596,000) were written off due to the expiration of certain non-refundable artiste contracts during the year.

(b) Details of other receivables are as follows:

	2021 HK$'000	2020 HK$'000
Other receivables	150,648	150,864
Less: Allowance for ECL *(Note 5(b)(iii))*	(150,315)	(146,977)
	333	3,887

Other receivables as at 30 June 2021 include amounts receivable from a former wholly-owned subsidiary and an independent third party of approximately HK$23,665,000 (2020: HK$21,556,000) and HK$52,331,000 (2020: HK$52,331,000), respectively, which were fully impaired in prior years.

As at 30 June 2021, other receivables also include amount of approximately HK$5,790,000 (2020: HK$5,790,000) receivable from an associate. The receivable is unsecured, interest bearing at 8% per annum and repayable on 2 May 2020. The amount was fully impaired during the year as credit impaired since they are past due over 90 days.

In addition, other receivables as at 30 June 2021 include amount of approximately HK$27,000,000 (2020: HK$27,000,000) in relation to a transfer of copyright of a film which was fully impaired in prior years.

Details and movements of ECL assessment of other receivables are set out in Note 5(b)(iii).

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

(c) Details of deposits are as follows:

	2021 HK$'000	2020 HK$'000
Deposits	2,256	21,832
Less: Allowance for ECL *(Note 5(b)(iv))*	–	(4,571)
	2,256	17,261
Less: non-current portion	(206)	(719)
Current portion	2,050	16,542

During the year ended 30 June 2021, Bintan has been engaged in a process of voluntary winding up. The management of the Group reassessed the recoverable amount of deposits paid to Bintan in prior years and considered the amount is remote. Therefore, further impairment loss of approximately HK$15,429,000 has been recognised in the consolidated profit or loss during the year ended 30 June 2021 and the deposits of approximately HK$20,000,000 has been fully written off as at 30 June 2021.

Details and movements of ECL assessment of deposits are set out in Note 5(b)(iv).

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 2019	518,332	250,658	768,990
Additions	31,208	78,202	109,410
Net off by deposits received	(2,081)	–	(2,081)
Transfer to film rights	44,506	(44,506)	–
At 30 June 2020 and 1 July 2020	591,965	284,354	876,319
Additions	2,244	1,376	3,620
Disposal *(Note)*	(6,000)	–	(6,000)
Net off by deposits received	(3,356)	–	(3,356)
Transfer to film rights	115,947	(115,947)	–
At 30 June 2021	**700,800**	**169,783**	**870,583**
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES:			
At 1 July 2019	465,088	–	465,088
Charged for the year *(Note 10)*	118,642	–	118,642
Impairment loss	–	77,904	77,904
At 30 June 2020 and 1 July 2020	583,730	77,904	661,634
Charged for the year *(Note 10)*	106,812	–	106,812
Disposal *(Note)*	(6,000)	–	(6,000)
Impairment loss	–	91,879	91,879
At 30 June 2021	**684,542**	**169,783**	**854,325**
NET CARRYING VALUES:			
At 30 June 2021	**16,258**	**–**	**16,258**
At 30 June 2020	8,235	206,450	214,685

Note: During the year ended 30 June 2021, the Company disposed certain film rights to an independent third party at a cash consideration of approximately HK$4,880,000. Gain on disposal has been recognised in consolidated profit or loss as "Other income, gains and losses, net".

24. FILM RIGHTS AND FILMS PRODUCTION IN PROGRESS (CONTINUED)

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 (2020: 3 years). The discount rate used was 18.28% (2020: 18.46%). During the year, the Group performed impairment tests as at 30 June 2021 by comparing the attributable carrying amounts of the film rights with the recoverable amounts and no impairment for film rights was recognised for the both years.

The management of the Group assessed the recoverable amounts of films production in progress as at 30 June 2021 and an impairment loss of approximately HK$91,879,000 has been recognised for the year due to enhanced regulation and norm of the film production industry in the PRC and Hong Kong during the current year resulting in significant uncertainties and difficulties in release of films in the PRC and Hong Kong film markets and the management of the Group considered that the recovery of the amount of the films production in progress is remote as at 30 June 2021.

The management of the Group assessed the recoverable amounts of films production in progress as at 30 June 2020 and an impairment loss of approximately HK$77,904,000 has been recognised for the year due to the postponement of certain production plan for the films production in progress and the management of the Group considered that the amount may not be fully recovered as at 30 June 2020. The estimated recoverable amount was determined based on the present value of estimated discounted future cash flows attributable to Group which is assessed with reference to films that have similar genre or casting which were observable market information. The discount rate used was 18.46%.

The aforesaid impairments for the year ended 30 June 2020 were assessed by the management of the Group with reference to the professional valuation carried out by GC Appraisals Services Company Limited, an independent professional valuer. Details on the disclosure of valuation process, valuation techniques and inputs used in fair value measurements by the Group are set out in Note 5(b).

25. LOAN RECEIVABLES

	2021 HK$'000	2020 HK$'000
Loan receivables	**76,953**	93,370
Less: Allowance for ECL *(Note 5(b)(ii))*	**(76,953)**	(50,641)
	–	42,729

Movement and details of ECL assessment of loan receivables are set out in Note 5(b)(ii).

All loan receivables are denominated in HK$ and carried fixed interest rates with effective interest rate ranging from 5% to 18% (2020: 5% to 18%) per annum and repayable on demand (2020: with the terms ranging from 1 month to 4 years).

25. LOAN RECEIVABLES (CONTINUED)

The following is an ageing analysis for the loan receivables, net of allowance for ECL, based on loan drawn down date, at the reporting date:

	2021 HK$'000	2020 HK$'000
Over 365 days	–	42,729

At the reporting date, the past due analysis of loan receivables, net of allowance for ECL, is as follow:

	2021 HK$'000	2020 HK$'000
Neither past due nor impaired	–	10,552
Within 1 to 90 days past due	–	29,302
Over 90 days past due	–	2,875
	–	42,729

26. INVENTORIES

	2021 HK$'000	2020 HK$'000
Finished goods	3,309	4,791
Work in process	4,428	2,982
	7,737	7,773

27. TRADE RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables	77,648	77,420
Less: Allowance for ECL *(Note 5(b)(i))*	(76,062)	(74,836)
	1,586	2,584

Trade receivables of approximately HK$921,000 (2020: Nil) has been written of during the year as certain customers were liquidated and the management of the Group considered the recovery of the amounts are remote.

Movement and details of ECL assessment of trade receivables are set out in Note 5(b)(i).

Included in trade receivables is an amount of approximately HK$31,459,000 (2020: HK$31,459,000) due from a company controlled by the director of certain subsidiaries of the Group. The amount due has been fully impaired in prior years as being past due over 90 days.

The Group allows credit periods of 30 days to 60 days to its trade debtors. The Group does not hold any collateral over these balances.

As at the reporting date, the ageing analysis of the trade receivables, based on invoice date and net of ECL, is as follows:

	2021 HK$'000	2020 HK$'000
0 to 90 days	1,586	2,024
91 to 180 days	–	560
	1,586	2,584

As at the reporting date, the ageing analysis of the trade receivables, based on due date and net of ECL is as follows:

	2021 HK$'000	2020 HK$'000
Neither past due nor impaired	1,425	2,024
0 to 90 days past due	161	560
	1,586	2,584

28. DEFERRED TAX (LIABILITIES)/ASSETS

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

	Tax losses	Intangible assets	Accelerated depreciation allowance	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 July 2019	1,438	(2,243)	97	(708)
Credited to consolidated profit or loss *(Note 12)*	(1,438)	2,243	(97)	708
At 30 June 2020, 1 July 2020 and 30 June 2021	–	–	–	–

As at 30 June 2021, subject to agreement by tax authorities, the Group has unused tax losses of approximately HK$706,626,000 (2020: HK$890,183,000) 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. Included in unrecognised tax losses are losses of approximately HK$4.1 million (2020: HK$4.1 million) that will expire within 5 years. Other tax losses may be carried forward indefinitely. Such tax losses are subject to the approved of the Inland Revenue Department (the "IRD").

Regarding to the letters from the IRD to the Company dated 26 August 2020, the IRD had a dispute on the tax losses claimed by the Company and certain subsidiaries of the Group for the assessment years of 2019/2020 and considered certain deductible expenses incurred in the assessment years shall not be eligible for the tax deduction. The Company agreed to withdraw the claim for loss under the assessment year of 2019/2020 in an aggregate amount of approximately HK$227,318,000. The agreed loss carried forward for the year of assessment 2019/2020 based on the statement of loss issued by the IRD was approximately HK$119,215,000.

29. BANK AND CASH BALANCES/BANK OVERDRAFTS

	2021 HK$'000	2020 HK$'000
Cash at banks	592	750
Cash on hand	25	25
Cash held with broker	4,069	4,069
Bank and cash balances	4,686	4,844
Less: bank overdrafts *(Note 33)*	(397)	–
Less: cash held with a broker *(Note)*	(4,069)	–
Cash and cash equivalents	220	4,844

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

	2021 HK$'000	2020 HK$'000
RMB	14	16
US$	13	4
HK$	4,649	4,812
Others	10	12
	4,686	4,844

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Regulations. Bank balances carry interest at market rate of approximately 0.01% (2020: 0.01%) per annum. Bank overdrafts carry interest at market rates which range from 5.25% to 14.25% (2020: Nil) per annum.

Note: The cash held with a broker of approximately HK$4,069,000 (2020: Nil) was restricted and charged for promissory note payables (Note 35).

30. TRADE PAYABLES

As at the reporting date, the ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	2021 HK$'000	2020 HK$'000
0 to 90 days	496	4,982
91 to 180 days	427	1,594
181 to 365 days	297	3,507
Over 365 days	33,467	27,829
	34,687	37,912

31. CONTRACT ASSETS AND CONTRACT LIABILITIES

	2021 HK$'000	2020 HK$'000
Contract assets	5,827	–
Contract liabilities	2,379	–

The contract assets primarily relate to the Group's right consideration for distribution of a new film and not billed because the rights are conditioned on factors other than passage of time. The contract assets are transferred to trade receivables when the rights become unconditional.

The contract assets, before recognition of impairment loss, would be settled, based on the cinema circuit confirms to the Group its share of box office receipts at the end of the reporting period as follow:

	2021 HK$'000	2020 HK$'000
Within one year	5,827	–

Movement and details of ECL assessment of contract assets are set out in Note 5(b)(v).

31. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

	2021 HK$'000	2020 HK$'000
Contract liabilities arising from:		
– Distribution and production of films, television episodes and music production	2,379	–

The increase in contract liabilities of approximately HK$2,379,000 was mainly due to the advanced licensing fee received before the release of certain film in relation to the distribution and production of films, television episodes and music production.

32. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	Notes	2021 HK$'000	2020 HK$'000
Accruals		19,520	24,344
Deposits received	*(a)*	2,272	1,908
Other payables	*(b)*	186,311	130,350
		208,103	156,602

Notes:

(a) Balance represents funds received and not utilised by the Group from certain independent third parties for films production in progress (Note 24) production carried out by the Group.

(b) (i) As at 30 June 2021, other payables include an amount of approximately HK$29,340,000 (2020: HK$29,346,000) which is payable to a shareholder of non-controlling interests of Panorama and Parkway. The payable is unsecured, interest-fee and repayable on demand.

(ii) On 4 June 2020, an originating summons was issued to a non-wholly owned subsidiary, Panorama Corporation Limited ("Panorama"), and the directors of HMV Marketing Limited (in voluntary liquidation) ("HMV Marketing") for:

i) A declaration that the transfer from HMV Marketing to Panorama on 19 November 2018 in the total sum of approximately HK$3,023,000 was unfair preference given by Panorama, is null and void;

ii) A declaration that the directors of HMV Marketing at the material time were guilty and misfeasance, breach of duties and/or breach of trust in relation to Panorama, and are liable to contribute such sum to the assets of Panorama by way of compensation; and

iii) An order that Panorama and the directors of HMV Marketing do jointly and severally make payment to the joint and several liquidators of HMV Marketing and/or contribute to the assets of HMV Marketing at such sums received by Panorama.

The management of the Group made provision for this litigation of HK$4,000,000 (2020: HK$4,000,000) included in other payables as at 30 June 2021.

32. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES (CONTINUED)

Notes: (Continued)

(b) (Continued)

(iii) A wholly-own subsidiary, First Digital Group Limited ("First Digital"), entered into a director, artist and action director agreement (the "Original Agreement") dated on 17 October 2011 with Power Perfect Holdings Limited ("Power Perfect").

In July 2012, First Digital, Power Perfect, Bullet International Limited ("Bullet") and a fourth party entered into a deed of novation whereby Bullet assumed all the rights, benefits, interests, powers and obligations of Power Perfect under this agreement (the "Novation Agreement").

Following the Novation Agreement, the Original Agreement was subsequently supplemented by a first supplemental agreement dated 15 April 2013 and a second supplemental agreement in December 2013 (collectively "Revised Agreement").

On 18 September 2020, an amended writ of summons was issued against First Digital, by Bullet to claim the outstanding sum of RMB2,000,000 of Revised Agreement and interest on the outstanding sum at interest rate of 8% per annum from 1 February 2014 to 31 December 2018; 8.088% per annum form 1 January 2019 to 31 March 2019; 8.125% per annum from 1 April 2019 to 31 December 2019; 8.084% per annum from 1 January 2020 to 31 March 2020; 8% per annum from 1 April 2020 to the date hereof and thereafter at judgement rate until payment.

On 29 October 2020, a final judgement was made that First Digital shall pay to Bullet for the outstanding sum, related interest and related legal costs.

The management of the Group made provision for this litigation of approximately HK$4,102,000 (2020: HK$2,540,000) included in other payables as at 30 June 2021.

(iv) On 20 January 2020, a judgement was made that 霍爾果斯新益影視文化傳播有限公司 ("霍爾果斯"), which receives the investment fund of film rights on behalf of the Group in the PRC, shall return the investment fund of certain film rights, of which the Group is the ultimate owner, related interest and related legal costs to 珠江影業傳媒股份有限公司. The investment fund has been passed by 霍爾果斯 to the Group in previous years.

During the year, the Group has remitted HK$964,000 to 霍爾果斯. The management of the Group made provision for this litigation of approximately HK$9,382,000 (2020: Nil) included in other payables as at 30 June 2021.

During the year, the further provision in relation to these litigations of approximately HK$11,908,000 (2020: Nil) in aggregate were recognised in consolidated profit or loss.

33. OTHER BORROWINGS/BANK OVERDRAFTS

	2021 HK$'000	2020 HK$'000
Secured by:		
Personal guarantee provided by a director of the Company	80,855	77,144
A combination of personal guarantee provided by a director of the Company, corporate guarantee, certain film rights and charged shares over a subsidiary of the Group	1,450	–
Share of profit from box office of certain films	1,016	–
Equity securities listed in Hong Kong	–	203
	83,321	77,347
Unsecured	39,421	34,200
	122,742	111,547
Unsecured bank overdrafts *(Note 29)*	397	–
	123,139	111,547

Interest rates of other borrowings are as follows:

	2021 HK$'000	2020 HK$'000
8% per annum	1,500	–
8.25% per annum	–	203
9% per annum	3,045	3,022
10% per annum#	1,016	–
11.25% per annum	34,876	31,178
14% per annum@	11,547	10,333
16% per annum	39,570	38,465
24% per annum	31,188	28,346
	122,742	111,547
Analysed as:		
On demand or within 1 year	122,742	111,547

As of 30 June 2021, other borrowings of approximately HK$1,016,000 (2020: Nil) were borrowed from a related company, in which the spouse of a director of the company has equity interest.

@ The repayment date of the borrowing has been extended to 1 October 2021 during the year ended 30 June 2021.

33. OTHER BORROWINGS/BANK OVERDRAFTS (CONTINUED)

Notes:

(i) As at 30 June 2021, listed equity securities secured for other borrowings including financial assets at FVTPL with carrying amount of approximately HK$41,000 (2020: HK$1,851,000).

(ii) On 25 June 2019, Ocean Bridge Investments Limited ("Ocean Bridge"), Hong Kong Finance Company Limited ("HKFC") and the Company entered into a restructuring agreement, pursuant to which Mr. Shiu acts as the personal guarantor, King Universe Inc. Limited, a subsidiary of the Group, act as the corporate guarantor, in an aggregate amounts of HK$35,700,000.

(iii) During the year, interests of approximately HK$1,752,000 (2020: HK$1,647,000) from other borrowings were recognised in the consolidated profit or loss.

During the year, defaulted interests of approximately HK$4,800,000 (2020: HK$4,800,000) and HK$6,168,000 (2020: HK$6,329,000) arising from the overdue other borrowing balances of approximately HK$30,000,000 and HK$22,017,000, respectively, were recognised in the consolidated profit or loss.

(iv) As at 30 June 2021, other borrowings of approximately HK$34,876,000 (2020: HK$31,381,000) were not past due which represents the overdraft of certain margin accounts of the Group which had no due date.

(v) As of 30 June 2021, the interest and defaulted interest outstanding in aggregate of approximately HK$22,391,000 (2020: HK$15,150,000) were included in other borrowings which approximately HK$538,000 (2020: HK$712,000) had been settled by the Group up to the date when these consolidated financial statements were authorised for issue.

(vi) As of 30 June 2021, other borrowings of approximately HK$84,916,000 (2020: HK$80,166,000) had been overdue and had not been settled by the Group.

34. CONVERTIBLE BONDS

	2021 HK$'000	2020 HK$'000
Convertible bonds classified as:		
Compound instruments and current liabilities		
At beginning of year	260,913	226,913
Interest charged for the year *(Note 9)*	34,000	34,000
At end of year	294,913	260,913

Convertible bonds include:

A convertible bond issued on 21 October 2009 which was mature on 20 October 2014 and the remaining nominal value is HK$2,000,000 (2020: HK$2,000,000) as at 30 June 2021. The adjusted conversion price at the date of maturity was HK$0.610. The interest charged for the year was calculated by applying an effective interest rate of 11.37% per annum to the liability component for prior years before maturity.

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.

In December 2018, the Group breached its specific obligation and became an event of default under the terms of 2017 CB. The holders of 2017 CB have the right to require redemption of all the outstanding amounts immediately.

Defaulted interests of HK$4,000,000 (2020: HK$4,000,000) have been accrued as at 30 June 2021.

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 prior year. The 2018 CB was issued together with the promissory notes with principal amount of HK$148,000,000 (the "2018 PN") (Note 35) which is interest bearing at 8% per annum and repayable on 1 January 2019.

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 "Chargers") in favour of the holders of 2018 CB (the "Bondholders") on the default securities trading account (the "Account") with 6,000,000, 22,200,000 and 8,800,000 ordinary shares of the Company (collectively the "Security") respectively; and (2) personal guarantee granted by Mr. Shiu.

34. CONVERTIBLE BONDS (CONTINUED)

Convertible bonds include: (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 Chargers to jointly and severally to, within 3 days;

(a) transfer additional shares of the Company which are beneficially owned by any or each Charger 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 of 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
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

34. CONVERTIBLE BONDS (CONTINUED)

Convertible bonds include: (Continued)

The interest charged for the year is calculated by applying an effective interest rate of 15.8% (2020: 15.8%) per annum to the liability components of both 2018 CB and 2018 PN.

In September 2018, the Group 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 have the right to require redemption of all the outstanding amounts immediately, interest at the default rate of 20% per annum was applied to the outstanding amounts of 2018 CB and 2018 PN.

Defaulted interest of approximately HK$30,000,000 (2020: HK$30,000,000) have been accrued as at 30 June 2021.

As of 30 June 2021, the interest and defaulted interest outstanding in aggregate of approximately HK$92,913,000 (2020: HK$58,913,000) were included in convertible bonds, which had not been settled by the Group up to the date when these consolidated financial statements were authorised for issue.

35. PROMISSORY NOTE PAYABLES

	HK$'000
As at 1 July 2019	421,827
Interest *(Note 9)*	80,156
Repayment of principal	(13,000)
Exchange difference	(1,564)
As at 30 June 2020 and 1 July 2020	487,419
Interest *(Note 9)*	81,363
Repayment of principal	(1,000)
Exchange difference	392
As at 30 June 2021	**568,174**

35. PROMISSORY NOTE PAYABLES (CONTINUED)

Promissory note payables include:

On 2 January 2018, the Group issued 2018 PN as detailed in Note 34.

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.

Pursuant to the placing and subscription agreement dated 12 June 2018, the Group issued promissory notes for an aggregate principal amount of US$25,000,000 (equivalent to approximately HK$195,000,000) at 8% interest per annum for cash ("2019 PN"). Promissory notes have a maturity date of 2 years after the date of issue, and are secured by the followings:

a) 100% of issued share capital of a wholly-owned subsidiary, Lead Supreme Limited;

b) Designated account (which is set up as a designated broker account to receive certain proceeds from the production and distribution of certain movie(s)) (Note 29); and

c) 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% (2020: 12.71%) per annum.

On the date of maturity, the amount to be paid by the Group would result in an internal rate of return of 11% (2020: 11%) per annum on the outstanding principal amount of 2019 PN.

In September 2018, the Group had 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 of 15% per annum was applied to the outstanding amounts of 2019 PN. Interest expense and defaulted interest had been accrued as at 30 June 2021 and 2020.

On 25 June 2019, Ocean Bridge, a wholly-owned subsidiary of the Group, entered into a deed of loan restructuring (the "Deed") with HKFC, the Company, King Universe Inc. Limited, Mr. Shiu and Blueway Corporation Limited on 25 June 2019 for the settlement of the certain other borrowings in an aggregate sum of HK$30,700,000. According to the Deed, the Group issued a promissory note with a principal amount of HK$3,000,000 which is unsecured, interest-free and repayable on 3 August 2019. The promissory note is measured at amortised cost using effective interest rate of 24% per annum. In August 2019, the Group breached its specific obligation and became an event of default under the terms of the Deed, the relevant defaulted interests of approximately HK$6,168,000 (2020: HK$6,329,000) (Note 33) have been incurred for the year ended 30 June 2021.

35. PROMISSORY NOTE PAYABLES (CONTINUED)

Promissory note payables include: (Continued)

Interest expenses of approximately HK$18,823,000 (2020: HK$18,699,000) and defaulted interest of approximately HK$62,540,000 (2020: HK$61,457,000) have been accrued as at 30 June 2021.

The Group is currently negotiating with the lenders to renew promissory notes at the end of the reporting period. As at the date of approval of the consolidated financial statements, the aforesaid promissory notes were not yet renewed nor repaid.

During the year, the Group has settled other borrowings of approximately HK$4,776,000 (2020: HK$8,200,000) and promissory note payables of Nil (2020: HK$3,000,000) in accordance with the terms of the Deed.

As of 30 June 2021, the interest and defaulted interest outstanding in aggregate of approximately HK$211,021,000 (2020: HK$129,658,000) were included in promissory note payables, which Nil (2020: approximately HK$1,000,000) had been settled by the Group up to the date when these consolidated financial statements were authorised for issue.

36. AMOUNT DUE TO A DIRECTOR

The amount due was non-trade in nature, unsecured, non-interest bearing and repayable on demand.

37. LITIGATIONS

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 ("Soliton"), a subsidiary of the Company 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 Warner Music Hong Kong Limited an amount of HK$850,000 and shall destroy and/or return all licensed material of Warner.

Up to the date when these consolidated financial statements were authorised for issue, the aforesaid amounts have not been repaid. As a result of the foregoing, the amounts of HK$2,100,000 and HK$850,000 have already been recognised as payables to WEA International Inc. and Warner Music Hong Kong Limited and included in other payables in the consolidated statement of financial position as at 30 June 2021 and 2020.

38. SHARE CAPITAL

	Number of shares		Amount	
	2021	2020	**2021**	2020
			HK$'000	HK$'000
Ordinary shares of HK$0.01 each (2020: 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

	Number of shares		Amount	
	2021	2020	**2021**	2020
			HK$'000	HK$'000
Issued and fully paid:				
At the beginning of the year and end of the year	**271,407**	271,407	**2,714**	2,714

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.

39. 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.

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. HK$) 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.

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment		–	1,439
Intangible assets		2,930	2,930
Interests in subsidiaries		–	3,451
Financial assets at FVTPL		–	2,348
		2,930	10,168
Current assets			
Prepayments, deposits and other receivables		2,055	12,013
Financial assets at FVTPL		41	414
Amounts due from subsidiaries		612	9,198
Bank and cash balances		4,428	4,224
		7,136	25,849
Current liabilities			
Trade payables		651	359
Accruals, deposits received and other payables		145,064	135,455
Amounts due to subsidiaries		73,092	81,794
Amount due to a director		4,534	–
Other borrowings		74,067	70,356
Convertible bonds		294,913	260,913
Promissory note payables		568,174	487,419
		1,160,495	1,036,296
Net current liabilities		(1,153,359)	(1,010,447)
Total assets less current liabilities		(1,150,429)	(1,000,279)
NET LIABILITIES		(1,150,429)	(1,000,279)
Capital and reserves attributable to owners of the Company			
Share capital		2,714	2,714
Reserves	40(b)	(1,153,143)	(1,002,993)
CAPITAL DEFICITS		(1,150,429)	(1,000,279)

40. 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 2021						
At 1 July 2020	2,537,203	132,990	(28,773)	34,059	(3,678,472)	(1,002,993)
Loss and total comprehensive loss for the year	–	–	–	–	(150,150)	(150,150)
At 30 June 2021	**2,537,203**	**132,990**	**(28,773)**	**34,059**	**(3,828,622)**	**(1,153,143)**
Year ended 30 June 2020						
At 1 July 2019	2,537,203	132,990	(27,254)	34,059	(3,452,447)	(775,449)
Loss for the year	–	–	–	–	(226,025)	(226,025)
Other comprehensive loss for the year	–	–	(1,519)	–	–	(1,519)
Total comprehensive loss for the year	–	–	(1,519)	–	(226,025)	(227,544)
At 30 June 2020	2,537,203	132,990	(28,773)	34,059	(3,678,472)	(1,002,993)

41. MATERIAL RELATED PARTY TRANSACTIONS

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:

	2021 HK$'000	2020 HK$'000
Film production costs paid to a related company *(Note (i))*	–	2,050
Film production costs paid to a director *(Note (ii))*	–	120

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

	2021 HK$'000	2020 HK$'000
Balances with related companies		
Other payables	–	(122)
Other borrowings	(1,016)	–
Balances with a director		
Prepayments	–	120

Notes:

(i) The amount represents upfront payment for film productions paid to a related company of the Company, of which Mr. Shiu is a shareholder.

(ii) The amount represents upfront payment for film production paid to a director of the Company.

42. CONTINGENT LIABILITIES

The Group, in the ordinary course of its business, is involved in various immaterial amount of claims, suits investigations, and legal proceedings that arise from time to time. Although the Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable, except the Note 32(b).

43. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Amount due to a director HK$'000	Other borrowings HK$'000	Promissory note payables HK$'000	Convertible bonds HK$'000	Lease liabilities HK$'000	Total liabilities arising from financing activities HK$'000
At 1 July 2019	–	114,580	421,827	226,913	1,648	764,968
Changes in cash flow	–	(15,809)	(13,000)	–	(1,744)	(30,553)
Non-cash changes						
Additions of lease liabilities	–	–	–	–	405	405
Interest charged	–	12,776	80,156	34,000	183	127,115
Exchange difference	–	–	(1,564)	–	–	(1,564)
At 30 June 2020 and 1 July 2020	–	111,547	487,419	260,913	492	860,371
Changes in cash flow	4,534	(5,221)	(1,000)	–	(2,019)	(3,706)
Non-cash changes						
Additions of lease liabilities	–	–	–	–	2,656	2,656
Interest charged	–	16,416	81,363	34,000	297	132,076
Other lease income	–	–	–	–	(240)	(240)
Exchange difference	–	–	392	–	–	392
At 30 June 2021	**4,534**	**122,742**	**568,174**	**294,913**	**1,186**	**991,549**

44. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

(i) Panorama

	2021	2020
Percentage of equity interest held by non-controlling interest of Panorama:	30%	30%

The following table illustrates the summarised financial information of Panorama. The amounts disclosed are before any inter-company eliminations:

	2021 HK$'000	2020 HK$'000
Total revenue for the year	9,401	9,203
Total expenses for the year	(14,379)	(32,828)
Loss for the year	(4,173)	(42,652)
Total comprehensive loss for the year	(4,173)	(42,652)
Loss for the year allocated to non-controlling interest of Panorama	(1,252)	(12,796)
Current assets	10,781	11,859
Non-current assets	–	400
Current liabilities	(64,990)	(62,850)
Non-current liabilities	(13,396)	(12,154)
Net liabilities	(67,605)	(62,745)
Accumulated loss of non-controlling interest of Panorama at the reporting date	(23,445)	(22,193)
Net cash flows generated from operating activities	1,858	6,871
Net cash flows used in investing activities	(2,244)	(6,585)
Net (decrease)/increase in cash and cash equivalents	(386)	286

44. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

Details of the Group's subsidiaries that have material non-controlling interests are set out below: (Continued)

(ii) Parkway

	2021	2020
Percentage of equity interest held by non-controlling interest of Parkway:	30%	30%

The following table illustrates the summarised financial information of Parkway. The amounts disclosed are before any inter-company eliminations:

	2021 HK$'000	2020 HK$'000
Total expenses for the year	(301)	(5,059)
Loss for the year	(301)	(3,732)
Total comprehensive loss for the year	(301)	(3,732)
Loss for the year allocated to non-controlling interest of Parkway	(90)	(1,120)
Current assets	287	391
Non-current assets	–	171
Current liabilities	(2,266)	(2,356)
Non-current liabilities	(2,231)	(2,115)
Net liabilities	(4,210)	(3,909)
Accumulated loss of non-controlling interest of Parkway at the reporting date	(1,920)	(1,830)
Net cash flows generated from operating activities	83	41
Net increase in cash and cash equivalents	83	41

45. INTERESTS IN SUBSIDIARIES

Particulars of the subsidiaries as at 30 June 2021 and 2020 are as follows:

Name of subsidiary	Place of incorporation/ registration/ operations	Issued and fully paid share capital	Percentage of ownership interest 2021	Percentage of ownership interest 2020	Principal activities
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	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

45. INTERESTS IN SUBSIDIARIES (CONTINUED)

Particulars of the subsidiaries as at 30 June 2021 and 2020 are as follows: (Continued)

Name of subsidiary	Place of incorporation/ registration/ operations	Issued and fully paid share capital	Percentage of ownership interest		Principal activities
			2021	2020	
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
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	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	The 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	**68%**	68%	Artiste management
Golden Chinny Limited	Hong Kong	HK$1	**100%**	100%	Production of film
Double Spirit Development Limited	Hong Kong	HK$1	**100%**	100%	Production of film

45. INTERESTS IN SUBSIDIARIES (CONTINUED)

Particulars of the subsidiaries as at 30 June 2021 and 2020 are as follows: (Continued)

Name of subsidiary	Place of incorporation/ registration/ operations	Issued and fully paid share capital	Percentage of ownership interest		Principal activities
			2021	2020	
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*

46. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) On 21 July 2021, the Company completed the placing of 54,200,000 new shares under general mandate (the "Placing") at the placing price of HK$0.059 per shares in accordance with the terms and conditions of the placing agreement, representing approximately 16.65% of the issued share capital of the Company immediately after the completion of the Placing.

The gross proceeds of the Placing will be approximately HK$3,197,800 and the net proceeds (after deduction of placing commission and other fees, costs, charges and expenses of the Placing) will be approximately HK$3,030,000. The Company intends to apply the net proceeds from the Placing to the Group's business operations and general working capital.

(b) On 3 September 2021, Markwin Investment Limited, a subsidiary of the Group, entered a joint venture agreement with Lionheart Media Group Limited, an independent third party, to form a joint venture company ("JV Company") to produce different kind of entertainment contents such as reality shows, variety show, movie or drama. Markwin and Lionheart will own 60% and 40% of the JV Company respectively.

47. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Board of Directors on 28 September 2021.