NOW SHOWING

2012 Annual Report

漢傳媒集團有限公司

SEE CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 491)


2011
ASIAN FILM FESTIVAL
This award is presented to
Sandra Ng
吳君如
"All about Love"
for excellence in
Best Actress
得閒炒飯
天水圍的夜與霧
NIGHT & FOG
天水圍第二部曲
2010
ASIAN FILM FESTIVAL
Ann Hui
"Night and Fog"
BEST DIRECTOR
TITLE:
DIRECTOR:
CAMERA:
DATE
SCENE


天水圍的日與夜
The Way We Are
2009
Best Actress
Paw Hee-Ching
2009
Best Director
Ann Hui
2009
Best Screenplay
Lou Shiu Wa
2009
Best Supporting Actress
Chan Lai Wun

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Dr. Ma Ho Man, Hoffman *(Chairman)*
Mr. Wong Kui Shing, Danny *(Managing Director)*
Mr. Wong Chi Chiu
Ms. Ng Yuk Yee, Feona

Independent Non-executive Directors

Mr. Li Fui Lung, Danny
Mr. Ng Hoi Yue, Herman
Mr. Heung Pik Lun

COMPANY SECRETARY

Ms. Ng Yuk Yee, Feona

QUALIFIED ACCOUNTANT

Mr. Chow Chun Man, Jimmy

AUDIT COMMITTEE

Mr. Li Fui Lung, Danny
Mr. Ng Hoi Yue, Herman
Mr. Heung Pik Lun

REMUNERATION COMMITTEE

Mr. Ng Hoi Yue, Herman
Ms. Ng Yuk Yee, Feona
Mr. Li Fui Lung, Danny
Mr. Heung Pik Lun

NOMINATION COMMITTEE

Dr. Ma Ho Man, Hoffman
Ms. Ng Yuk Yee, Feona
Mr. Li Fui Lung, Danny
Mr. Ng Hoi Yue, Herman
Mr. Heung Pik Lun

COMPLIANCE ADVISER

Optima Capital Limited

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

LEGAL ADVISER

Reed Smith Richards Butler

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Office D & E, 20th Floor, EGL Tower
No. 83 Hung To Road, Kwun Tong
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Securities Services (Bermuda) Limited
6 Front Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

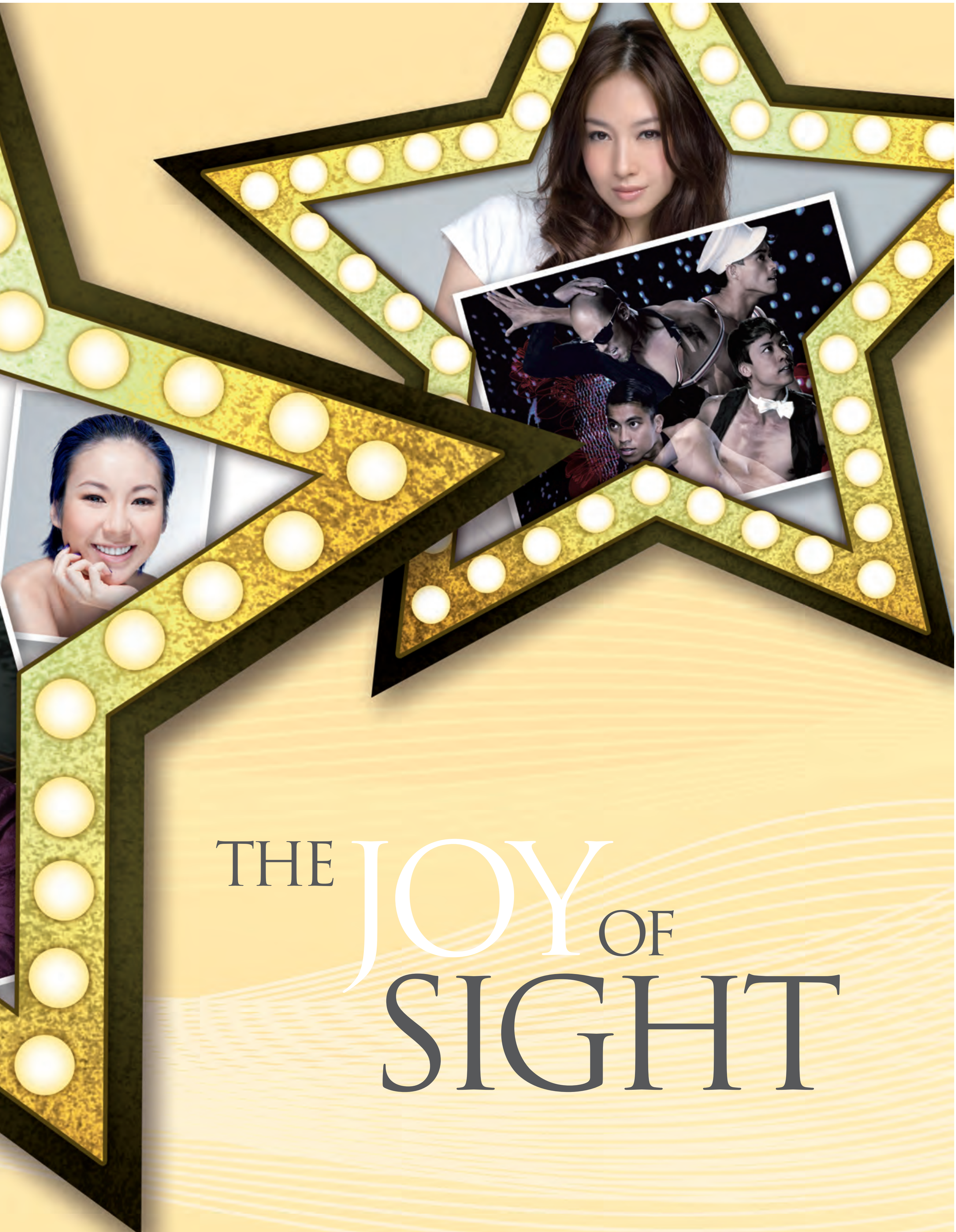
Tricor Tengis Limited
26th Floor Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

WEBSITE

http://www.irasia.com/listco/hk/see

STOCK CODE

491



THE JOY OF SIGHT

CHAIRMAN STATEMENT

On behalf of the board of Directors (the "Board"), I am pleased to announce the results of See Corporation Limited (hereafter referred to as the "Company") and its subsidiaries (the "Group") for the year ended 30 June 2012.

BUSINESS REVIEW AND PROSPECTS

Film and TV programme production and artiste & model management remained the core operations of the Group and accounted for the largest percentages of our turnover and gross profit during the year ended 30 June 2012. We expect this to remain the case for the foreseeable future.

Turnover for the year were mainly contributed by four films and two TV programmes released by the Group, namely "Love Is The Only Answer", "Marriage With A Liar", "MicroSex Office" and "All About Love", respectively for films, and "Rough Justice" and "The Dragon Gate" for TV programmes.

The Group will continue to produce high quality films and TV programmes for the greater china region, especially for the Mainland China market. Given the continuous opening up and expansion of the film and TV production market as well as the continuous growth in the box office in Mainland China, management strongly believe that there is great potential for the distribution of our film and TV production in Mainland China.

During the year under review, the artiste and model management operation was slowing down due to the keen competition in the market.

Although our music production business yields only a small percentage of the Group's total earnings, it plays a significant role in raising the profile of our artistes and the Group as a whole.

We are facing a challenging year ahead with the volatile financial markets and uncertain recovery trends in the world's major economies. We are cautiously optimistic in respect of our core operations as we monitor and control our cost and risk carefully.

We strongly believe that good stories and quality production are always well received by audience. We must therefore take the greatest care in choosing attractive stories and scripts for our film and TV programme production projects. The Group will reduce our exposure to such risks by forming joint venture projects to produce some of our medium-sized films and TV programmes in the next 12 months.

We will continue to enrol promising new talents in our artiste and model portfolio, while enhancing the professionalism of those we have already managed. In addition, we will make every effort to identify and secure more high-profile assignments for them.

APPRECIATION

Last but not least, I would like to take this opportunity to thank all the management and staff members for their dedicated efforts and continuing contributions during the year to the Group, as well as the unreserved support to myself. I look forward to growing the business together with the energetic team, and bringing the Group to a new next-level which continuously focus on financial and operating discipline, and strive for better results for our shareholders.

On behalf of the Board
Dr. Ma Ho Man, Hoffman
Chairman

Hong Kong, 3 September 2012

THE JOY OF MUSIC


DET
THE SECON
STEP.
BARRY
The Sixth Sense
賈 曉晨
Jin tian
Jiang lai

Results

The Group's total turnover during the year ended 30 June 2012 was approximately HK$34.1 million, representing an increase of approximately 13.7% from approximately HK$30.0 million for the year ended 30 June 2011. The Group's gross profit for the year was approximately HK$12.0 million, representing an increase of approximately 10.1% from approximately HK$10.9 million in the previous year. The increase in turnover was mainly attributable to an increase in the number of TV programme licence fee contracts being concluded during the year comparing to the fiscal year ended 30 June 2011.

Meanwhile, the Group recorded a loss from operations for the year of approximately HK$40.3 million, compared with approximately HK$56.0 million in the previous year. Such decrease in the loss from operations was mainly attributable to the decrease in the impairment loss in film rights from approximately HK$22.5 million in the fiscal year ended 30 June 2011 to approximately HK$7.8 million in the fiscal year ended 30 June 2012. As a result of the recognition of the one-off gain on partial disposal of associates of approximately HK$68.6 million in 2012, the profit for the year of the Group increased significantly to approximately HK$27.7 million from the loss of approximately HK$58.3 million in 2011.

Other operating expenses for the year decreased to approximately HK$11.8 million from approximately HK$27.4 million in the previous year. Such decrease was mainly contributed by the decrease in impairment loss recognised in respect of film rights during the year.

The profit attributable to owners for the year was approximately HK$30.9 million, compared with a loss of approximately HK$52.4 million in previous year. The earnings per share for the year ended 30 June 2012 was approximately HK$0.02 compared with the loss per share of approximately HK$0.05 for the year ended 30 June 2011.

REVIEW OF OPERATIONS

The Group was principally engaged in the entertainment and media business. Our activities can be categorised as (i) film and TV programme production; (ii) event production; (iii) artiste and model management; (iv) music production; (v) investment in securities; and (vi) investment in a pay TV operation.

Film and TV programme production

The Group generated turnover of approximately HK$23.7 million from film and TV programme production activities for the year ended 30 June 2012, representing an increase of approximately 34.7% from approximately HK$17.6 million in the previous year. The gross profit derived from these activities was approximately HK$8.8 million, compared with approximately HK$6.5 million in the fiscal year ended 30 June 2011. Turnover of this segment for the year was mainly contributed by four films and two TV programmes released by the Group, namely "Love Is The Only Answer", "Marriage With A Liar", "MicroSex Office" and "All About Love", respectively for films, and "Rough Justice" and "The Dragon Gate" for TV programmes.

As of 30 June 2012, the total net book value of the Group's film rights stood at approximately HK$14.1 million. The impairment loss recognised in respect of film rights during the year amounted to approximately HK$7.8 million. The Group's total film and TV programme production in progress as of 30 June 2012 amounted to approximately HK$227.2 million.

Event production

The Group organised a number of promotional events during the year. Turnover from the event production for the year was approximately HK$0.4 million compared with approximately HK$0.7 million in the previous year.

Artiste and model management

The Group continued to manage a group of popular artistes and models including 謝婷婷 (Jennifer Tse#), JJ 賈曉晨 (JJ Jia Xiao Chen#), 莊思敏 (Jacquelin Ch'ng#), 童菲 (Kimmy Tong#), 伍允龍 (Philip Ng#), 蔚雨芯 (Rainky Wai#), EO2 and 狄易達 (Det Dik#) .

Turnover and gross profit of the artiste and model management operation for the year were approximately HK$10.0 million and HK$2.9 million respectively, compared with approximately HK$11.2 million and HK$3.7 million, respectively, in the previous year.

Certain English translations of Chinese names or words in this annual report are included for identification purpose only and should not be regarded as the official English translation of such Chinese names or words.

Music production

The turnover of the Group's music album production business during the year was approximately HK$0.1 million, compared with approximately HK$0.5 million in the fiscal year ended 30 June 2011.

Although music production only accounts for a small portion of the Group's total earnings, the Group will continue to produce music albums for our artistes to boost the popularity of our artistes as well as the Group's image.

Investment in securities

No turnover has been recorded in the investment in securities operation during the year and in the previous year. The carrying value of the total segment assets of the investment in securities operation as of 30 June 2012 and 30 June 2011 were approximately HK$2.8 million and HK$5.7 million, respectively. The decrease in the carrying value mainly represented the loss in change in fair value of financial assets at fair value through profit or loss during the year.

Investment in a pay TV operation

On 20 March 2012, Enjoy Profits Limited, a wholly-owned subsidiary of the Company, entered into a conditional agreement to dispose of 13% entire issued ordinary share capital of TVB Pay Vision Holdings Limited (the "TVBP"), (the "Disposal") at a cash consideration of approximately HK$89.2 million. The Disposal was completed during the year and recorded a gain on the Disposal of approximately HK$68.6 million in the consolidated statement of comprehensive income. Details of the Disposal were set out in the Company's announcement and circular dated 22 March 2012 and 20 April 2012, respectively. Upon completion of the Disposal, the Group is entitled to 5% equity interest in TVBP and TVB Pay Vision Limited (the "TVBPV"). The directors of the Company consider that the Group has retained significant influence over TVBP and TVBPV by the representation of the Group on the board of directors of TVBP and TVBPV despite the interest held by the Group is below 20% and the Group has continuously accounted for TVBP and TVBPV as its associates for the year ended 30 June 2012.

GEOGRAPHICAL REVIEW

During the year under review, the Group continued to focus on the Hong Kong and Mainland China markets. The revenue derived from Hong Kong and Mainland China amounted to approximately HK$24.8 million and HK$7.4 million, respectively, representing approximately 72.7% and 21.7% of the total turnover of the Group, respectively.

FUTURE BUSINESS PROSPECTS AND PLANS

The Group has dedicated its efforts in strengthening and opening up distribution channels for its film and TV production in Mainland China. Given the continued opening and expansion of the film and TV production market as well as the continuous growth in the box office in Mainland China, we strongly believe that there is a great potential for the distribution of our film and TV production in Mainland China.

Neither the Group has any future plans for material investments or capital assets and their expected sources of funding in the coming year nor the Group has introduced or announced any new business including new products and services during the year.

We are facing a challenging year ahead with the volatile financial markets and uncertain recovery trends in the world's major economies. We are cautiously optimistic in respect to the prospects of the film and TV production industry in Hong Kong. The Group will be cautious in the selection of stories and scripts for the production of our films and TV programmes. Stringent measures will be adopted in the cost control and risk management for the Group's film and TV projects.

FINANCIAL REVIEW AND LIQUIDITY

As at 30 June 2012, the Group's net assets amounted to approximately HK$293.4 million, compared with approximately HK$265.6 million as at 30 June 2011. The current ratio, representing current assets divided by current liabilities was 4.02.

At the end of the reporting period, the Group had a short-term bank overdraft of approximately HK$9.9 million which bears interest at the lending bank's prime rate per annum or 1% per annum over Hong Kong Inter-bank Offer Rate ("HIBOR"), whichever is higher, and is repayable on demand. The cash and bank balances of the Group amounted to approximately HK$87.7 million. The gearing ratio, as a ratio of total borrowings over total assets, was 0.03.

The Group had contingent liabilities of approximately HK$24.0 million at the end of the reporting period, mainly as a result of a corporate guarantee provided to a financial institution in respect of banking facilities granted to former subsidiaries. Approximately HK$5.5 million of the banking facilities were utilised by those former subsidiaries and this amount was subject to a claim by the financial institution concerned.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

During the year, the revenue and cost for film and TV programme production, music album production, event production, artiste and model management and investment in securities were mainly dominated in Renminbi and Hong Kong dollars. Borrowings in terms of bank overdraft was denominated in Hong Kong dollars.

As the exchange rates of Hong Kong dollars against Renminbi were relatively stable during the year, the Group's exposure to fluctuations in exchange rates was minimal.

The Group will closely monitor the foreign currency exposure and to arrange for hedging facilities when necessary.

EMPLOYEE SCHEMES

As at 30 June 2012, the Group had 38 employees (All based in Hong Kong). The remuneration policy and package of the Group's employees are periodically reviewed and approved by the executive directors. Apart from provident fund scheme and in-house training programmes, medical insurance scheme, discretionary bonuses and share options may also be awarded to employees according to the assessment of individual performances.

PLEDGE OF ASSETS

As at 30 June 2012, certain assets of the Group with aggregate carrying value of approximately HK$20.4 million (2011: HK$20.6 million) were pledged to secure banking facilities granted to the Company.

MAJOR LITIGATION AND ARBITRATION PROCEEDINGS

1. The Company and its ex-subsidiary, P.N. Electronic Limited ("PNE") have been involved in arbitration proceedings with North American Foreign Trading Corporation ("NAFT") in respect of a gross receivable of HK$18 million and related damages from various parties for goods shipped by PNE and NAFT in 1996. The arbitration proceedings were initiated by NAFT against the Company and PNE claiming for alleged damages in New York, USA. The Company has upon legal advice, vigorously contested the alleged claims and has counterclaimed the said sum of HK$18 million as well as other damages. The Company has not received any documents in relation to the arbitration proceedings for a substantial period of time and insofar as the Company is aware, the proceedings remain dormant.

2. On 13 October 2003, a Writ of Summons and Statement of Claim was issued by BII Finance Company Limited ("BII Finance") against the Company under a guarantee allegedly given by the Company in favour of BII Finance in respect of certain liabilities of Welback Enterprises Limited, a former subsidiary of the Company. The claim is for a sum of approximately HK$3,583,000 and US$248,000 (approximately HK$1,936,000), together with interest.

   The Company has issued Third Party proceedings against Mr. Lee Chun Kwok and Mr. Fong Wing Seng, former directors of the Company, seeking a contribution to the extent of 49% of BII Finance's claim in the event that the Company is found liable to BII Finance (which is denied).

   BII Finance has not taken any steps to progress with the action since June 2006. The Company is prepared and ready to continue to defend BII Finance's claim, and also continue to pursue the Third Party proceedings against Mr. Lee Chun Kwok and Mr. Fong Wing Seng.

Save as disclosed above, no member of the Group is engaged in any litigation or claims of material importance and no litigation or claims of material importance is known to the directors to be pending or threatened by or against any member of the Group.

THE JOY OF SENSE


葉念琛 一年一度至激愛情話題作
婚前試愛
12月23日







葉念琛 作品
人約離婚後
LOVE IS THE ONLY ANSWER



王晶
曾瑞文
李公樂
潮性辦公室
MicroSex Office
6月9日笑傳性起

王晶
曾瑞文
李公樂
潮性辦公室
MicroSex Office
6月9日笑傳性起

CORPORATE GOVERNANCE REPORT

The board (the "Board") of directors (the "Directors") of the Company is pleased to present this Corporate Governance Report in the Company's annual report for the year ended 30 June 2012.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Board is committed to maintaining high standards of corporate governance so as to ensure "Accountability, Responsibility and Transparency" towards the shareholders, stakeholders, investors as well as the employees of the Company.

The Board has adopted all the code provisions (the "Code Provisions") as set out in the Code on Corporate Governance Practices (the "former Code"), which was revised and renamed as Corporate Governance Code (the "revised Code") on 1 April 2012, contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as the code of the Company (the "Code"). The Board has adopted certain amendments to the Company Code on Corporate Governance Practices on 23 March 2012 to reflect and comply with the relevant amendments of the Listing Rules effective on 1 April 2012. The Board shall review its Code from time to time to ensure its continuous compliance with the revised Code.

During the year ended 30 June 2012, the Company has complied with all the Code Provisions of the former Code for the period from 1 July 2011 to 31 March 2012 and of the revised Code for the period from 1 April 2012 to 30 June 2012. The key corporate governance principles and practices of the Company are summarized as follows:

BOARD COMPOSITION

The Board currently comprises seven members (four Executive Directors including the Chairman and the Managing Director and three Independent Non-executive Directors) of which Dr. Ma Ho Man, Hoffman is the Chairman of the Company. Messrs. Li Fui Lung, Danny and Ng Hoi Yue, Herman have the appropriate accounting qualification or related financial management expertise as required under Rule 3.21 of the Listing Rules.

The composition of the Board represents a mixture of expertise specializing in management, media and entertainment industry, accounts and finance and corporate development. All of the Directors have comprehensive qualifications and experience in and exposure to diversified businesses which is beneficial to the business development of the Company. Mr. Wong Kui Shing, Danny, the Managing Director, is the uncle of Mr. Wong Chi Chiu who is an Executive Director. Save as disclosed above, other Board members have no financial, business, family or other material/relevant relationship with each other.

BOARD COMPOSITION (Continued)

The Board is responsible for formulating and implementing the Company's strategic planning, promoting corporate development as well as policies and objectives setting. Each Executive Director is assigned with specific responsibilities to enhance the effectiveness of the Company:

– Dr. Ma Ho Man, Hoffman, Chairman, is responsible for formulating the Company's long term goal and strategy. He is the leader of the Board and takes the role of overseeing the effectiveness of the Board in achieving the Company's long term goal and strategy.

– Mr. Wong Kui Shing, Danny, Managing Director, is responsible for implementing the Company's strategy, managing and monitoring the performance of the management and overseeing the daily operation of the Company.

– Ms. Ng Yuk Yee, Feona is responsible for the Group's treasury management and soliciting securities investment and other investment opportunities for the Company.

– Mr. Wong Chi Chiu is responsible for overseeing the Group's general management.

Details of the composition of the Board, by category of Directors, including names of Chairman and Managing Director, Executive Directors, Independent Non-executive Directors and their respective experience and qualification are included in the "Profile of The Directors and Senior Management" section of this annual report.

BOARD MEETINGS

The Board met regularly throughout the year to discuss the business development, operational and financial performance of the Company.

BOARD MEETINGS (Continued)

The attendance rates of Board members at the Board meetings (either in person or by phone) held during the year ended 30 June 2012 are set out in the following table:

Attendance of Board Members

Name of Directors	Total Number of Board Meetings Held	Number of Board Meetings Attended by Individual Director
	8	
Executive Directors		
Ma Ho Man, Hoffman *(Chairman)*		8
Wong Kui Shing, Danny *(Managing Director)*		4
Wong Chi Chiu		1
Ng Yuk Yee, Feona		7
Independent Non-executive Directors		
Li Fui Lung, Danny		8
Ng Hoi Yue, Herman		8
Heung Pik Lun		8

All minutes of the Board meetings are prepared and kept by the Company Secretarial Department and are open for inspection by Directors at any time.

CHAIRMAN AND MANAGING DIRECTOR

The roles of Chairman and Managing Director of the Company are clearly segregated and performed by two Executive Directors of the Company. The role of Chairman is responsible for the Company's long term strategic planning and business development as well as the management of the full Board while that of Managing Director is responsible for implementing the Company's strategy, managing and monitoring the performance of the management and overseeing the daily operation of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has entered into appointment letters with all of the Independent Non-executive Directors of the Company. Pursuant to such appointment letters, each of the Independent Non-executive Directors of the Company is appointed for a fixed term of directorship of not more than three years and is subject to retirement by rotation and re-election at the annual general meeting of the Company.

The Chairman held a meeting with all Independent Non-executive Directors without the presence of any Executive Directors during the year for discussing, inter alia, directors' time commitments and contribution in performing their responsibilities to the Company.

MANAGEMENT FUNCTIONS

In general, the daily management and administration functions of the Company have been delegated to the management except for certain matters specifically reserved to the Board for decision. Those matters include the setting of the overall strategic direction and long-term objectives of the Company, approval of annual business plan, material acquisitions and disposals of assets, investments, connected transactions and capital projects, key human resources issue, preliminary interim and final results announcements, determination of interim and final dividends, appointment of Directors and annual assessment of internal control system.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

A set of formal and transparent procedures has been put in place for selecting Directors of the Company. The Board established a nomination committee on 23 March 2012 to review the structure, size and composition of the Board, identify suitable candidates to the Board, and to make recommendations on any matters in relation to the appointment or re-appointment of members of the Board. Appointment of new Directors is reserved for the Board's approval.

APPOINTMENT AND RE-ELECTION OF DIRECTORS (Continued)

The nomination committee ensures that the Board comprises members with mixed skills and experience with appropriate knowledge necessary to accomplish the Group's business development, strategies, operation, challenges and opportunities. The nomination committee takes into account of that person's skill, qualifications and expected contributions to the Company before making any recommendations to the Board in relation to the appointment or re-appointment of members of the Board. Although Mr. Li Fui Lung, Danny and Mr. Ng Hoi Yue, Herman each has served the Company as Independent Non-executive Director of the Company for more than nine years, they do not have any management role in the Company. The nomination committee considered that they have continuously contributed to the Company and the Board with their relevant experience and knowledge throughout their years of service and they maintained to provide an independent view in relation to the Company's affairs.

According to the Bye-Laws of the Company, a newly appointed Director shall hold office until the next following general meeting of the Company (in case of filling a casual vacancy) or until the next following annual general meeting of the Company (in case of an addition to the Board) and shall then be eligible for re-election at that general meeting.

In addition, at each annual general meeting one-third of the Directors (those appointed in that year shall not be counted in determining the number of Directors), including those appointed for specific terms, for the time being or if their number is not a multiple of three, the number nearest to but not greater than one-third, shall retire from office by rotation provided that notwithstanding anything herein, every Director shall be subject to retirement by rotation at least once every three years.

The procedures for shareholders of the Company (the "Shareholders") to propose a person for election as a Director are available and accessible on the Company's website at http://www.irasia.com/listco/hk/see.

NOMINATION COMMITTEE

A nomination committee was established on 23 March 2012, currently comprising the Chairman of the Company, Dr. Ma Ho Man, Hoffman, one Executive Director, Ms. Ng Yuk Yee, Feona and three Independent Non-executive Directors, being Messrs. Li Fui Lung, Danny, Ng Hoi Yue, Herman and Heung Pik Lun. Dr. Ma Ho Man, Hoffman is the chairman of the nomination committee. The terms of reference of the nomination committee are available on the respective websites of the Company and the Stock Exchange.

NOMINATION COMMITTEE (Continued)

The main duties and responsibilities of the nomination committee are to review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board, identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, assess the independence of Independent Non-executive Directors and make recommendations to the Board on the appointment or re-appointment of Directors.

One nomination committee meeting was held during the year ended 30 June 2012 to, inter alia, review the structure, size and composition of the Board and the independence of the Independent Non-executive Directors. The attendance rates of committee members at the nomination committee meeting (either in person or by phone) held during the year ended 30 June 2012 are set out in the following table:

Attendance of Nomination Committee Members

Name of Committee Members	**Total Number of Nomination Committee Meeting Held**	**Number of Nomination Committee Meeting Attended by Individual Committee Member**
	1	
Ma Ho Man, Hoffman *(Chairman)*		1
Li Fui Lung, Danny		1
Ng Hoi Yue, Herman		1
Heung Pik Lun		1

INDUCTION AND PROFESSIONAL DEVELOPMENT

Every newly appointed Director receives a comprehensive, formal and tailored induction on the first occasion of his appointment to make sure that he has a proper understanding of the operations and business of the Company and that he is fully aware of his responsibilities in the Company.

During the year ended 30 June 2012, the Company has organized two training sessions conducted by qualified professionals on "Updates on the Corporate Governance Rule Amendments" in February 2012 and "Update on Listing Rules relating to corporate governance" in March 2012 respectively. Dr. Ma Ho Man, Hoffman, Ms. Ng Yuk Yee, Feona, Mr. Li Fui Lung, Danny, Mr. Ng Hoi Yue, Herman and Mr. Heung Pik Lun attended both sessions.

INDUCTION AND PROFESSIONAL DEVELOPMENT (Continued)

In addition, Mr. Li Fui Lung, Danny also attended relevant seminars arranged by The Society of Chinese Accountants and Auditors and Hong Kong Institute of Certified Public Accountants. Mr. Ng Hoi Yue, Herman attended relevant seminars organized by Hong Kong Institute of Certified Public Accountants. Mr. Wong Chi Chiu attended relevant seminars organized by The Hong Kong Securities Institute. Mr. Wong Kui Shing, Danny and Mr. Heung Pik Lun have confirmed that they have studied reading materials which are relevant for their role as Directors.

During the year ended 30 June 2012, Ms. Ng Yuk Yee, Feona, an Executive Director and the Company Secretary, has undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Listing Rules issued by the Stock Exchange as its Code and Guidelines for the Directors and certain employees (who are likely to be in possession of unpublished price-sensitive information) of the Company to follow and observe in dealing with the securities of the Company.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Company's Code and Guidelines and the Model Code throughout the year ended 30 June 2012.

No incident of non-compliance of the Code and Guidelines by the employees was noted by the Company.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Directors acknowledge their responsibility for preparing the financial statements for each financial period to give a true and fair view of the state of affairs of the Company. In preparing the financial statements for the year ended 30 June 2012, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The statement of the external auditors of the Company regarding their reporting responsibilities on the financial statement of the Company is set out on pages 51 and 52 of this annual report.

REMUNERATION OF DIRECTORS

A remuneration committee was established on 26 October 2005, currently comprising one Executive Director, Ms. Ng Yuk Yee, Feona and three Independent Non-executive Directors, being Messrs. Li Fui Lung, Danny, Ng Hoi Yue, Herman and Heung Pik Lun. In light of the amendments of the Listing Rules which became effective on 1 April 2012, the Board resolved to adopt a revised terms of reference for the remuneration committee and to change its composition by accepting the cessation of Ms. Ng Yuk Yee, Feona and the appointment of Mr. Ng Hoi Yue, Herman as the chairman of the remuneration committee on 23 March 2012. Ms. Ng remained as a member of the remuneration committee. The revised terms of reference of the remuneration committee are available on the respective websites of the Company and the Stock Exchange.

The main duties and responsibilities of the remuneration committee are to make recommendations to the Board on the remuneration packages of the Executive Directors and Independent Non-executive Directors and the senior management of the Company for the Board's approval, make recommendations to the Board to improve the transparency of the Company's overall remuneration policy and to review and approve the compensation arrangements relating to any loss or termination of office of Directors and senior management.

One remuneration committee meeting was held during the year ended 30 June 2012 to review the remuneration packages of the Directors and the senior management. The attendance rates of committee members at the remuneration committee meeting (either in person or by phone) held during the year ended 30 June 2012 are set out in the following table:

Attendance of Remuneration Committee Members

Name of Committee Members	Total Number of Remuneration Committee Meeting Held	Number of Remuneration Committee Meeting Attended by Individual Committee Member
	1	
Ng Hoi Yue, Herman *(Chairman)*		1
Ng Yuk Yee, Feona		1
Li Fui Lung, Danny		1
Heung Pik Lun		1

All minutes of the remuneration committee meetings are prepared and kept by the Company Secretarial Department and are open for inspection by Directors and remuneration committee members at any time.

REMUNERATION OF DIRECTORS (Continued)

The summary of the work performed by the remuneration committee during the year ended 30 June 2012 included:

- Considering and confirming the policy for the remuneration of Executive Directors;
- Reviewing and making recommendation to the Board on a discretionary increment on the monthly salary of all staff of the Company with effect from 1 January 2012 based on their individual performance and taking into account the recommendation of their immediate supervisor; and
- Reviewing (which includes assessing the performance of Executive Directors) and making recommendation to the Board on the remuneration packages of the Directors and the senior management.

AUDIT COMMITTEE

An audit committee was established on 4 December 1998, currently comprising three Independent Non-executive Directors, being Messrs. Li Fui Lung, Danny, Ng Hoi Yue, Herman and Heung Pik Lun. Mr. Li Fui Lung, Danny is the chairman of the audit committee. Amongst the audit committee members, two members have the appropriate professional qualification and experience in financial matters as required by Rule 3.21 of the Listing Rules.

In light of the amendments of the Listing Rules which became effective on 1 April 2012, the Board resolved to adopt a revised terms of reference for the audit committee on 23 March 2012. The revised terms of reference of the audit committee are available on the respective websites of the Company and the Stock Exchange.

The Board also resolved to adopt the arrangements on 23 March 2012 for employees of the Company to raise genuine concerns about possible improprieties in financial reporting, internal control or other matters in the Company and its subsidiaries.

The main duties and responsibilities of the audit committee are to review the Company's financial information such as the interim and annual results, financial reporting principles and practices; to recommend the appointment and reappointment or removal of the external auditor, to determine their independence and objectivity as well as to review the scope of audit and the reporting obligation of the external auditor; to oversee the financial reporting system and the internal control and risk management system of the Company.

Four audit committee meetings were held during the year ended 30 June 2012 mainly to review the appointment of auditor, the financial performance of the Company for the year ended 30 June 2011 and for the six months ended 31 December 2011, the adequacy of resources, accounting staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function and the internal control system and related issues.

AUDIT COMMITTEE (Continued)

The attendance rates of committee members at the audit committee meetings (either in person or by phone) held during the year ended 30 June 2012 are set out in the following table:

Attendance of Audit Committee Members

Name of Committee Members	Total Number of Audit Committee Meetings Held	Number of Audit Committee Meetings Attended by Individual Committee Member
	4	
Li Fui Lung, Danny *(Chairman)*		4
Ng Hoi Yue, Herman		4
Heung Pik Lun		4

All minutes of the audit committee meetings are prepared and kept by the Company Secretarial Department and are open for inspection by Directors and audit committee members at any time.

PREVENTION OF BRIBERY COMMITTEE

A prevention of bribery committee ("POB Committee") was established on 28 June 2010, currently comprising three Executive Directors, being Mr. Wong Kui Shing, Danny, Dr. Ma Ho Man, Hoffman and Ms. Ng Yuk Yee, Feona. Mr. Wong Kui Shing, Danny is the chairman of the POB Committee.

The main duties and responsibilities of the POB Committee are to establish the criteria for application and approval process in connection with prevention of bribery matters taking into account provisions under the Prevention of Bribery Ordinance (Cap. 201). One POB Committee meeting was held during the year ended 30 June 2012 to review and discuss prevention of bribery matters.

PREVENTION OF BRIBERY COMMITTEE (Continued)

The attendance rates of committee members at the POB Committee meeting (either in person or by phone) held during the year ended 30 June 2012 are set out in the following table:

Attendance of POB Committee Members

Name of Committee Members	Total Number of POB Committee Meeting Held	Number of POB Committee Meeting Attended by Individual Committee Member
	1	
Wong Kui Shing, Danny *(Chairman)*		1
Ma Ho Man, Hoffman		1
Ng Yuk Yee, Feona		1

AUDITOR'S REMUNERATION

The total auditors' remuneration in respect of statutory audit and non-audit services provided by HLB Hodgson Impey Cheng, the Company's external auditors, during the year ended 30 June 2012 are set out at the table below:

Services rendered	Fees paid/payable
Statutory audit fees	HK$600,000
Fees for non-audit services	HK$500,000
Total	HK$1,100,000

The accounts for the year were audited by HLB Hodgson Impey Cheng whose term of office will expire upon the forthcoming annual general meeting. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be nominated for appointment as the auditors of the Company at the forthcoming annual general meeting.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal control is fundamental to the successful operation and day-to-day running of a business and it assists a company in achieving its business objectives. While it aims to support the achievement of business objectives, it should serve as an early warning system of possible impediments to achieving those objectives. Internal control shall be useful to Directors, senior management and other key personnel that are accountable for control in the Company as well as acting as a tool in providing Directors and senior management with information of sufficient quality to make good business decisions and meet their regulatory obligations.

In light of the above, an Internal Control Policy and Procedures has been formulated and implemented within the Company with the primary objective of providing general guidance and recommendations on a basic framework of internal control and risk management. The key objectives of the internal control include:

– Safeguarding assets

– Ensuring completeness, accuracy and validity of financial records and reports

– Promoting adherence to policies, procedures, regulations and laws

– Promoting effectiveness and efficiency of operations

The Internal Control Policy and Procedures covers, amongst others, the following material activities – finance, operational and compliance controls:

Finance

Effective financial control is a vital element of internal control. It helps in identifying and managing liabilities to ensure that the Company is not unnecessarily exposed to avoidable financial risks. It also contributes to the safeguarding of assets from inappropriate use or loss, including the prevention and detection of fraud and errors.

In order to achieve effective financial control, a set of measures have been formulated and implemented to tighten the control on cash flow. All payments are required to be properly checked and approved. Proper accounting and financial records shall be maintained in supporting financial budgets, monthly management accounts and reports.

There should be a reliable interim and year-end reporting. The Company's assets should be properly recorded, maintained and used.

INTERNAL CONTROL AND RISK MANAGEMENT (Continued)

Operational

With regard to the Company's entertainment and media businesses, different sets of principles and procedures have been set up for different teams (film and TV programme production team, music production team, model management team and artiste management team) to follow. It is expected that through the implementation of the above principles and procedures, the production process and budget approval process should become more transparent and efficient.

These principles and procedures include the preparation of production plans and budgets, formulating a screening and approval process, setting up of an on-going monitoring system for production in progress and production cost spending and guidelines for music and movie products stocks keeping.

Compliance

The Company has fully complied with the Listing Rules requirements. Financial reports, announcements and circulars have been prepared and published in accordance with the requirements of the Listing Rules.

The Company has engaged Lak & Associates Consultancy Services Limited ("Lak & Associates") to undertake the role of reviewing and assessing the Company's internal control and risk management system and to evaluate its effectiveness and efficiency on the internal control. Lak & Associates has prepared a report to the Board and senior management on the findings of the internal control and risk management systems implemented by the Company and help to identify any significant areas of concern and made recommendations to the Board accordingly.

WHISTLE BLOWING POLICY

To deter wrongdoing and to promote standards of good corporate practices, the Company has adopted a whistle blowing policy at a Board meeting held on 30 December 2008. The policy aims at encouraging and enabling employees of the Group at all levels and others to report violations or suspected violations and to raise serious concerns about possible improprieties in matters of financial reporting or other matters of the Group.

CODE OF CONDUCT

As a responsible corporation, the Company is committed to maintaining a high level of standard of integrity in its businesses. Therefore, the Company has adopted a code of conduct on 28 June 2010 to provide guidelines on the manner in which business should be conducted and outline expected responsibilities and behaviors of all Directors, managers, officers, consultants and full time and part time employees. The major provisions include ethics, conflict of interest, prevention of bribery, intellectual property rights and confidential information, fraud, dealing in securities, record-keeping, financial controls and disclosures and whistle blowing.

CORPORATE GOVERNANCE POLICY

In light of the amendments of the Listing Rules which became effective on 1 April 2012 and in order to establish the duties and responsibilities of the Board in performing its corporate governance functions, the Board resolved to adopt a corporate governance charter which sets out the corporate governance functions of the Board on 23 March 2012. The Board also resolved to adopt certain amendments to the Company Code on Corporate Governance Practices on 23 March 2012 to reflect and comply with the relevant amendments of the Listing Rules effective on 1 April 2012.

One Board meeting was held during the year ended 30 June 2012 to review, inter alia, (i) the Company's policies and practices on corporate governance and compliance with legal and regulatory requirements; (ii) the training and continuous professional development of Directors; and (iii) the code of conduct applicable to employees and Directors.

COMMUNICATION WITH SHAREHOLDERS

The Company continues to pursue a proactive policy of promoting investor relations and communications with Shareholders.

The Board resolved to adopt a shareholders' communication policy on 23 March 2012 to set out the Company's procedures in providing the Shareholders with prompt and equal access to information about the Company, in order to enable the Shareholders to access the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company.

COMMUNICATION WITH SHAREHOLDERS (Continued)

The Company's senior management has undertaken the role of establishing an effective communication system. They are responsible for responding to the enquiries from Shareholders/investing public or the media from time to time. The Company also maintains a website (http://www.irasia.com/listco/hk/see) through which the Company's updated financial information, announcements, circulars, notices of meetings, press releases and contact details can be accessed by the Shareholders and investors. The Board believes that the Company's website provides an alternative means for the investing public to obtain information of the Company in a convenient and timely manner.

The annual general meeting also provides an important opportunity for constructive communication between the Board and the Shareholders. The Chairman and the chairmen of the audit committee and remuneration committee as well as the Company's auditor maintained an on-going dialogue with the Shareholders and answered all questions raised by the Shareholders throughout the last annual general meeting held on 8 November 2011.

The attendance rates of Board members at the general meetings held during the year ended 30 June 2012 are set out in the following table:

Attendance of Board Members

Name of Directors	Total Number of General Meetings Held	Number of General Meetings Attended by Individual Director
	2	
Executive Directors		
Ma Ho Man, Hoffman *(Chairman)*		2
Wong Kui Shing, Danny *(Managing Director)*		2
Wong Chi Chiu		1
Ng Yuk Yee, Feona		2
Independent Non-executive Directors		
Li Fui Lung, Danny		2
Ng Hoi Yue, Herman		2
Heung Pik Lun		2

SHAREHOLDERS' RIGHTS

Set out below are procedures by which Shareholders may: (1) convene a special general meeting; (2) put forward enquiries to the Board; and (3) put forward proposals at Shareholders' meetings. These procedures are generally governed by the provisions of the Company's Bye-Laws and applicable laws, rules and regulations, which prevail over what is stated in this section in case of inconsistencies.

1. Procedures by which Shareholders may convene a special general meeting

1.1 Shareholders holding not less than one-tenth of the paid-up capital of the Company as at the date of the deposit of the requisition carrying the right of voting at general meetings of the Company may by written requisition deposit at the Company's registered office at Clarendon House, Church Street, Hamilton, HM11 Bermuda for the attention of the Board or the company secretary of the Company (the "Company Secretary"), to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

1.2 The requisition must specify the purposes of the meeting, signed by the requisitionists and may consist of several documents in like form each signed by one or more of those requisitionists.

1.3 The signatures and the requisition will be verified by the Company's share registrars. The Board will proceed to convene a special general meeting for the transaction of any business specified in the requisition within 21 days from the date of deposit of such requisition if it has been validly raised.

1.4 If the Board does not within 21 days from the date of the deposit of a valid requisition, proceed duly to convene such meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date. In addition, such meeting convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Board.

Shareholders who have enquiries regarding the above procedures may write to the Company Secretary, whose contact details are set out in paragraph 2.1 below.

SHAREHOLDERS' RIGHTS (Continued)

2. Procedures for putting forward enquiries to the Board

2.1 Shareholders may put forward enquiries to the Board through the Company Secretary who will direct the enquiries to the Board for handling. The contact details of the Company Secretary are as follows:

The Company Secretary
See Corporation Limited
Office D & E, 20th Floor, EGL Tower
No. 83 Hung To Road
Kwun Tong, Kowloon
Hong Kong

Email: info@seecorphk.com
Tel No.: (852) 2542 2212
Fax No.: (852) 2544 2212

3. Procedures for putting forward proposals at a Shareholders' meeting

3.1 The Company holds an annual general meeting every year, and may hold a general meeting known as a special general meeting whenever necessary.

3.2 In general, subject to paragraph 3.3 below, no resolution may be proposed at a Shareholders' meeting (whether it is a special general meeting or an annual general meeting) if such resolution is not included in the notice convening the general meeting. However, if the proposal is to amend an existing resolution set out in the notice convening the general meeting and such amendment is within the scope of the notice, such amendment may be made if approved by the Shareholders by ordinary resolution. In the case of a resolution duly proposed as a special resolution no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted upon.

SHAREHOLDERS' RIGHTS (Continued)

3. Procedures for putting forward proposals at a Shareholders' meeting (Continued)

3.3 On the requisition in writing of (i) either any number of Shareholders representing not less than one-twentieth of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates, or (ii) not less than 100 Shareholders, the Company shall be under a duty to:

(a) give to Shareholders entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and

(b) circulate to Shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

3.4 The requisition under paragraph 3.3 must be signed by the requisitionists and deposited at the registered office of the Company at Clarendon House, Church Street, Hamilton, HM 11 Bermuda for the attention of the Company Secretary and:

(i) in the case of a requisition requiring notice of a resolution, not less than six weeks before the annual general meeting and in the case of any other requisition, not less than one week before the meeting; and

(ii) there is deposited or tendered with the requisition a sum reasonably determined by the Board to be sufficient to meet the Company's expenses in serving the notice of the resolution and/or circulating any statement in accordance with the statutory requirements to all the registered Shareholders.

SHAREHOLDERS' RIGHTS (Continued)

3. Procedures for putting forward proposals at a Shareholders' meeting (Continued)

3.5 If the written request is in order, the Company Secretary will ask the Board (i) to include the resolution in the agenda for the annual general meeting or (ii) to circulate any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the general meeting. On the contrary, if the requisition is invalid or the Shareholder(s) concerned have failed to deposit sufficient money to meet the Company's expenses mentioned in paragraph 3.4(ii), the Shareholder(s) concerned will be advised of this outcome and accordingly, the proposed resolution will not be included in the agenda for the annual general meeting or the statement will not be circulated for the general meeting.

3.6 Notice of any such intended resolution shall be given, and any such statement shall be circulated, to Shareholders entitled to have notice of the meeting sent to them by serving a copy of the resolution or statement on each such Shareholder in any manner permitted for service of notice of the meeting, and notice of any such resolution shall be given to any other Shareholders by giving notice of the general effect of the resolution in any manner permitted for giving him notice of meetings of the Company, provided that the copy shall be served, or notice of the effect of the resolution shall be given, as the case may be, in the same manner and, so far as practicable, at the same time as notice of the meeting and, where it is not practicable for it to be served or given at that time, it shall be served or given as soon as practicable thereafter.

Shareholders who have enquiries regarding the above procedures may write to the Company Secretary, whose contact details are set out in paragraph 2.1 above.

INVESTOR RELATIONS

During the year ended 30 June 2012, there has not been any change in the Company's constitutional documents.

The Directors hereby present the report of the Directors of the Group for the year ended 30 June 2012.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group is principally engaged in (i) film and TV programme production, (ii) event production, (iii) artiste and model management, (iv) music production, (v) investment in securities and (vi) investment in a pay TV operation. Details of the principal activities and other particulars of the Company's significant subsidiaries are set out in note 22 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's performance for the year by business and geographical segments is set out in note 8 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2012 are set out in the consolidated statement of comprehensive income on page 53.

The states of affairs of the Group and the Company as at 30 June 2012 are set out in the consolidated statement of financial position and the statement of financial position on page 54 and page 56 respectively.

The consolidated statement of cash flows of the Group are set out on pages 58 and 59.

The Directors do not recommend a payment of dividend nor transfer of any amount to reserves for the year ended 30 June 2012.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 142.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 19 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company during the year are set out in notes 33 and 12 to the consolidated financial statements respectively.

RESERVES

Details of movements in the reserve of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 57 and in note 34 to the consolidated financial statements respectively.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors in office during the financial year and up to the date of this report are:

Executive Directors

Dr. Ma Ho Man, Hoffman *(Chairman)*
Mr. Wong Kui Shing, Danny *(Managing Director)*
Mr. Wong Chi Chiu
Ms. Ng Yuk Yee, Feona

Independent Non-executive Directors

Mr. Li Fui Lung, Danny
Mr. Ng Hoi Yue, Herman
Mr. Heung Pik Lun

Pursuant to Bye-Law 87(2) of the Company's Bye-Laws, Dr. Ma Ho Man, Hoffman, Mr. Li Fui Lung, Danny and Mr. Ng Hoi Yue, Herman shall retire from office by rotation at the forthcoming annual general meeting; and they, being eligible, will offer themselves for re-election at that meeting.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract 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.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence in accordance with Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Notwithstanding that Mr. Li Fui Lung, Danny and Mr. Ng Hoi Yue, Herman have served as Independent Non-executive Directors for more than nine years, they meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are not involved in the daily management of the Company nor are they in any relationships or circumstance which would interfere with the exercise of their independent judgment. The nomination committee of the Company (excluding Mr. Li Fui Lung, Danny and Mr. Ng Hoi Yue, Herman who have abstained from voting) has assessed and is satisfied of the independence of Mr. Li Fui Lung, Danny and Mr. Ng Hoi Yue, Herman. Hence, the Board is of the opinion that all the Independent Non-executive Directors remain independent within the definition of the Listing Rules by reference to the factors stated in the Listing Rules and the annual confirmations of independence received from all the Independent Non-executive Directors.

PROFILE OF THE DIRECTORS AND SENIOR MANAGEMENT

Profile of the Directors and senior management of the Company as at the date of this report are set out on pages 43 to 50.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Details of the related party transactions entered into during the year were disclosed in note 37 to the consolidated financial statements. These related party transactions did not constitute connected transactions under the Listing Rules. Save as the transactions aforementioned, no contracts of significance to which the Company or any of its subsidiaries or its holding company or any of its fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, which subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2012, to the best knowledge, information and belief of the Company after making reasonable enquiries, the interests and short positions of the Directors and chief executive of the Company 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 required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

(A) Shares

As at 30 June 2012, the interests of the Directors and chief executive in the share capital of the Company and its associated corporations as defined in the SFO were as follows:

Name of Director	Name of Company	Nature of Interest	Number of Shares	Approximate Percentage of Interest
Ma Ho Man, Hoffman	See Corporation Limited	Beneficial Owner	236,042,361	18.95%

(B) Share options

The Company has a share option scheme under which Directors may, at their discretion, grant options to employees, including any directors of the Company or its subsidiaries to subscribe for shares in the Company, subject to the terms and conditions stipulated therein. During the year ended 30 June 2012, there were no share options granted to the Directors of the Company.

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

(B) Share options (Continued)

Save as aforesaid, as at 30 June 2012, to the knowledge of the Company:

(i) none of the Directors or chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and the chief executive are taken or deemed to have under the provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules;

(ii) none of the Directors or chief executive or their spouses or children under 18 had any right to subscribe for the shares, underlying shares or debentures of the Company, or had exercised any right during the year ended 30 June 2012.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries or its holding company or any of its fellow subsidiaries a party to any arrangements to enable the Directors or the chief executive of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors, the chief executive, their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right, save as the share options disclosed in the previous section headed "Directors' Interest in Shares, Underlying Shares and Debentures".

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, to the best knowledge, information and belief of the Company after making reasonable enquiries, shareholders (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained pursuant to Section 336 of the SFO or otherwise notified to the Company and/or the Stock Exchange were as follows:

Name of Shareholder	Long Position/ Short Position	Capacity	Number of Shares Held/ Involved	Number of Underlying Shares Held/ Involved	Approximate Percentage of Interest
高榮顧問有限公司	Long Position	Beneficial Owner	72,000,000	–	6.90%

Save as disclosed above, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company and recorded in the register maintained under Section 336 of the SFO or otherwise notified to the Company and/or the Stock Exchange as at 30 June 2012.

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

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

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.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, 29.4% of the Group's purchases were attributable to the Group's five largest suppliers with the largest supplier accounting for 21% of the Group's purchases. In addition, 58.3% of the Group's turnover was attributable to the Group's five largest customers with the largest customer accounting for 18.2% of the Group's turnover.

As at 30 June 2012, to the knowledge of the Directors of the Company, none of the Directors, their associates or any shareholders owning more than 5% of the Company's share capital had any beneficial interests in the Group's five largest suppliers and customers.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 30 June 2012, the following Director(s) were considered to have interests in the following businesses, being businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

Name of Director	Name of Entity the businesses of which are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the Entity which are considered to compete or likely to compete with the businesses of the Group	Nature of Interests of the Director in the Entity
Wong Kui Shing, Danny	SMI Corporation Limited	Movie and TV series production	As a director

Save as disclosed above, during the year ended 30 June 2012, none of the Directors have any interest in business which competes or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at 3 September 2012, being the latest practicable date prior to the issue of this report for the purposes of ascertaining certain information contained in this report, there is sufficient public float of the Company's issued shares as required under the Listing Rules throughout the year ended 30 June 2012.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Details of significant events after the end of the reporting period are set out in note 38 to the consolidated financial statements.

AUDITORS

The accounts for the year were audited by HLB Hodgson Impey Cheng whose term of office will expire upon the forthcoming annual general meeting. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited. A resolution for the appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board
Dr. Ma Ho Man, Hoffman
Chairman

Hong Kong, 3 September 2012

EXECUTIVE DIRECTOR

Dr. Ma Ho Man, Hoffman, aged 39, was appointed as an Executive Director and Chairman of the Company on 14 October 2010. He was also appointed as a member of the prevention of bribery committee of the Company on 21 October 2010 and the chairman of nomination committee of the Company on 23 March 2012. Save as disclosed above, Dr. Ma does not hold any positions with the Company or any subsidiary of the Company.

Dr. Ma has over 16 years of experience in the financial industry and extensive managerial experience. He was awarded Fellowship by Canadian Chartered Institute of Business Administration and Honorary Doctorate of Management by Lincoln University in 2009 and 2010 respectively.

Dr. Ma is currently an executive director and the deputy chairman of Success Universe Group Limited (shares of which are listed on the Main Board of the Stock Exchange). In addition, he is a director of Success Securities Limited, which is a licensed corporation under the SFO and a participant of the Stock Exchange. Save as disclosed in this report, Dr. Ma did not hold any other directorship in listed public companies in the last three years.

As at the date of this report, Dr. Ma does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company. As at the date of this report, he is interested in 236,042,361 shares of the Company, representing approximately 18.95% of the total issued share capital of the Company, within the meaning of Part XV of the SFO.

Dr. Ma has entered into a service agreement with the Company for a term of 3 years from 1 April 2012 to 31 March 2015. He is subject to retirement by rotation and re-election pursuant to the Bye-Laws of the Company ("Bye-Laws"). Dr. Ma has not received any director's emolument, bonus payment or other benefits from the Company for the year ended 30 June 2012. The amount of his director's emolument will be reviewed by the remuneration committee of the Company with reference to his position, his level of responsibilities, the remuneration policy of the Company and prevailing market conditions.

Save as disclosed above, there are no other matters which are required to be brought to the attention of the shareholders of the Company, or to be disclosed pursuant to any of the requirements under Rule 13.51(2)(h) to (w) of the Listing Rules.

EXECUTIVE DIRECTOR

Mr. Wong Kui Shing, Danny, aged 53, was appointed as an Executive Director and Managing Director of the Company on 21 December 2009. He was also appointed as the chairman of the prevention of bribery committee of the Company on 28 June 2010. Save as disclosed above, Mr. Wong does not hold any positions with the Company or any subsidiary of the Company.

Mr. Wong holds a Bachelor of Arts degree from the University of Hong Kong. He has over 21 years of extensive exposure in the financial and investment fields and is well experienced in the international investment market.

Mr. Wong was appointed as an executive director and the chief executive officer of SMI Corporation Limited ("SMI") (shares of which are listed on the Main Board of the Stock Exchange) on 5 August 2009 and was re-designated as the chairman of SMI and ceased to be the chief executive officer of SMI on 25 November 2009. Due to re-designation of duties, he ceased to be an executive director of SMI on 31 December 2009 and was appointed as a non-executive director of SMI on 1 January 2010. Mr. Wong had remained as the chairman and a non-executive director of SMI until 26 March 2010 when his resignation as the chairman and a non-executive director of SMI took effect. He was appointed as an executive director of SMI on 22 November 2011. Save as disclosed in this report, Mr. Wong did not hold any other directorship in listed public companies in the last three years.

Mr. Wong was a former executive director of China Oil and Gas Group Limited ("China Oil and Gas Group") (shares of which are listed on the Main Board of the Stock Exchange). Pursuant to the listing enforcement notice/announcement of the Stock Exchange dated 16 October 2008, he, together with another former director of China Oil and Gas Group, had admitted breaching the directors' declaration, undertaking and acknowledgement with regard to directors given by each of them to the Stock Exchange in the form set out in Appendix 5B to the Listing Rules in failing to use their best endeavours to procure China Oil and Gas Group's compliance with the Listing Rules in relation to the failure of China Oil and Gas Group to publish its annual results and annual report for the year ended 31 July 2005 by 30 November 2005 and interim results and interim report for the six months ended 31 January 2006 by 30 April 2006. Accordingly, the Listing Committee publicly criticised Mr. Wong and another former director of China Oil and Gas Group for their respective breaches mentioned above.

Save that Mr. Wong is the uncle of Mr. Wong Chi Chiu who is an Executive Director of the Company, he is not related to any directors, senior management, substantial or controlling shareholders of the Company. As at the date of this report, Mr. Wong does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Wong has entered into a service agreement with the Company for a term of 3 years from 1 April 2012 to 31 March 2015. He is subject to retirement by rotation and re-election pursuant to the Bye-Laws. The director's emolument of Mr. Wong for the year ended 30 June 2012 was approximately HK$1,212,000. The amount of his director's emolument was determined with reference to his position, his level of responsibilities, the remuneration policy of the Company and prevailing market conditions.

Save as disclosed above, there are no other matters which are required to be brought to the attention of the shareholders of the Company, or to be disclosed pursuant to any of the requirements under Rule 13.51(2)(h) to (w) of the Listing Rules.

EXECUTIVE DIRECTOR

Mr. Wong Chi Chiu, aged 34, was appointed as an Executive Director of the Company on 21 December 2010. Save as disclosed above, he does not hold any positions with the Company or any subsidiary of the Company.

Mr. Wong has over 11 years of experience in corporate finance and auditing with participation in activities including mergers and acquisitions, initial public offerings and fund raising exercises. He holds a bachelor of business administration degree in accounting from the Hong Kong University of Science and Technology.

Mr. Wong was an executive director of KH Investment Holdings Limited (shares of which are listed on the Growth Enterprise Market of the Stock Exchange) until 1 November 2010 when his resignation as an executive director of the company took effect. Save as disclosed in this report, he did not hold any other directorship in listed public companies in the last three years.

Save that Mr. Wong is the nephew of Mr. Wong Kui Shing, Danny who is the Managing Director of the Company, he is not related to any directors, senior management, substantial or controlling shareholders of the Company. As at the date of this report, Mr. Wong does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Wong has entered into a service agreement with the Company for a term of 3 years from 1 April 2012 to 31 March 2015. He is subject to retirement by rotation and re-election pursuant to the Bye-Laws. Mr. Wong has not received any director's emolument, bonus payment or other benefits from the Company for the year ended 30 June 2012. The amount of his director's emolument will be reviewed by the remuneration committee of the Company with reference to his position, his level of responsibilities, the remuneration policy of the Company and prevailing market conditions.

Save as disclosed above, there are no other matters which are required to be brought to the attention of the shareholders of the Company, or to be disclosed pursuant to any of the requirements under Rule 13.51(2)(h) to (w) of the Listing Rules.

EXECUTIVE DIRECTOR

Ms. Ng Yuk Yee, Feona, aged 41, was appointed as an Executive Director of the Company on 13 June 2011. She was also appointed as the chairman of the remuneration committee of the Company and a member of the prevention of bribery committee of the Company on 13 June 2011 and a member of the nomination committee of the Company on 6 August 2012. Ms. Ng ceased to be the chairman of the remuneration committee of the Company but remained as a member of the remuneration committee of the Company on 23 March 2012. She joined the Group since 5 August 2004 and is currently the company secretary, authorised representative of the Company, the Company's process agent under Part XI of the Companies Ordinance and director of various subsidiaries of the Company.

Ms. Ng is a solicitor of the High Court of the Hong Kong Special Administrative Region and is experienced in handling legal and company secretarial matters. She holds a bachelor of laws with honors degree from the City University of Hong Kong. Ms. Ng did not hold any directorship in listed public companies in the last three years.

As at the date of this report, Ms. Ng does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company. As at the date of this report, she does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

Ms. Ng has entered into a service agreement with the Company for a term of 3 years from 1 April 2012 to 31 March 2015. She is subject to retirement by rotation and re-election pursuant to the Bye-Laws. Ms. Ng has received director's emolument of approximately HK$1,473,000 for the year ended 30 June 2012. The amount of her director's emolument was determined with reference to her position, her level of responsibilities, the remuneration policy of the Company and prevailing market conditions.

Save as disclosed above, there are no other matters which are required to be brought to the attention of the shareholders of the Company, or to be disclosed pursuant to any of the requirements under Rule 13.51(2)(h) to (w) of the Listing Rules.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Li Fui Lung, Danny, aged 59, was appointed as an Independent Non-executive Director of the Company on 23 October 2001. He was also appointed as the chairman of the audit committee of the Company on 23 October 2001, a member of the remuneration committee of the Company on 26 October 2005 and a member of the nomination committee of the Company on 23 March 2012. Save as disclosed above, Mr. Li does not hold any positions with the Company or any subsidiary of the Company.

Mr. Li graduated with a Bachelor of Science Degree from the University of Hong Kong and subsequently obtained a postgraduate certificate in accountancy from the University of Stirling in Scotland. He has over 31 years of experience in the accounting profession and after qualifying as Chartered Accountant in 1980 with Ernst & Whinney in Scotland, has worked as finance manager, controller and internal auditor in major multinational companies. Mr. Li is the sole proprietor of Messrs. Danny Li & Company, a certified public accountants firm in Hong Kong, and has been practising as a certified public accountant in Hong Kong for more than 11 years. He is a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in Scotland and the Institute of Chartered Accountants in Australia.

Mr. Li was an independent non-executive director of Centraland Limited (shares of which ceased to be listed on the Singapore Stock Exchange on 11 November 2011) until 14 November 2011 when his resignation as an independent non-executive director of the company took effect. Save as disclosed in this report, he did not hold any other directorship in listed public companies in the last three years.

As at the date of this report, Mr. Li does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company. As at the date of this report, he does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Li has entered into an appointment letter with the Company for a period from 1 April 2012 to 30 September 2013. He is subject to retirement by rotation and re-election pursuant to the Bye-Laws. Mr. Li has received director's fee of approximately HK$220,000 for the year ended 30 June 2012. The amount of his director's fee was determined with reference to his duties and responsibilities in the Company and market benchmark.

Save as disclosed above, there are no other matters which are required to be brought to the attention of the shareholders of the Company, or to be disclosed pursuant to any of the requirements under Rule 13.51(2)(h) to (w) of the Listing Rules.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Ng Hoi Yue, Herman, aged 48, was appointed as an Independent Non-executive Director of the Company on 16 May 2002. He was also appointed as a member of the audit committee of the Company on 16 May 2002 and a member of the remuneration committee of the Company on 26 October 2005. Mr. Ng was appointed as the chairman of the remuneration committee of the Company and a member of the nomination committee of the Company on 23 March 2012. Save as disclosed above, he does not hold any positions with the Company or any subsidiary of the Company.

Mr. Ng is an associate member of The Institute of Chartered Accountants in England and Wales and a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has been practising as a certified public accountant in Hong Kong since 1989.

Mr. Ng is an independent non-executive director of Greenfield Chemical Holdings Limited (shares of which are listed on the Main Board of the Stock Exchange). He was an independent non-executive director of Henry Group Holdings Limited (shares of which are listed on the Main Board of the Stock Exchange) until 19 February 2010 when his resignation as an independent non-executive director of the company took effect. Save as disclosed in this report, Mr. Ng did not hold any other directorship in listed public companies in the last three years.

As at the date of this report, Mr. Ng does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company. As at the date of this report, he does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Ng has entered into an appointment letter with the Company for a period from 1 April 2012 to 30 September 2013. He is subject to retirement by rotation and re-election pursuant to the Bye-Laws. Mr. Ng has received director's fee of approximately HK$190,000 for the year ended 30 June 2012. The amount of his director's fee was determined with reference to his duties and responsibilities in the Company and market benchmark.

Save as disclosed above, there are no other matters which are required to be brought to the attention of the shareholders of the Company, or to be disclosed pursuant to any of the requirements under Rule 13.51(2)(h) to (w) of the Listing Rules.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Heung Pik Lun, aged 50, was appointed as an Independent Non-executive Director of the Company on 20 March 2009. He was also appointed as a member of the audit committee of the Company and the remuneration committee of the Company on 20 March 2009 and a member of the nomination committee of the Company on 23 March 2012. Save as disclosed above, Mr. Heung does not hold any positions with the Company or any subsidiary of the Company.

Mr. Heung graduated from the University of Windsor, Canada with a bachelor degree of Arts in 1985. He has started developing real estate projects in China since 1992 and has maintained a strong business network. Possessing in-depth knowledge in the South China market, Mr. Heung has participated over a hundred real estate development projects. Apart from development in China property market, he also had decades of experience in property development in Canada and South East Asia. In addition, Mr. Heung has substantial experience in general management and administrative affairs.

Mr. Heung is an executive director of Hanny Holdings Limited (shares of which are listed on the Main Board of the Stock Exchange). Save as disclosed in this report, he did not hold any other directorship in listed public companies in the last three years.

As at the date of this report, Mr. Heung does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company. As at the date of this report, he does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Heung has entered into an appointment letter with the Company for a term of 3 years from 20 March 2012 to 19 March 2015. He is subject to retirement by rotation and re-election pursuant to the Bye-Laws. Mr. Heung has received director's fee of approximately HK$161,000 for the year ended 30 June 2012. The amount of his director's fee was determined with reference to his duties and responsibilities in the Company and market benchmark.

Save as disclosed above, there are no other matters which are required to be brought to the attention of the shareholders of the Company, or to be disclosed pursuant to any of the requirements under Rule 13.51(2)(h) to (w) of the Listing Rules.

SENIOR MANAGEMENT

Mr. Wong Yat Cheung, aged 57, was appointed as an Executive Director and Managing Director of the Company on 13 February 2007 and a member of the prevention of bribery committee of the Company on 28 June 2010. He has resigned as the Managing Director and the Executive Director of the Company on 8 June 2009 and 1 December 2010 respectively. Mr. Wong has ceased to be the member of the prevention of bribery committee of the Company with effect from 1 December 2010. He has also resigned as a director of Grand Class Investment Limited, Seethru Limited and See Base Limited on 1 December 2010 but continued to act as a director of Mega-Vision Productions Limited and Mega-Vision Pictures Limited, all of which are subsidiaries of the Company.

Mr. Wong is a prominent director, producer and scriptwriter in Hong Kong, both in terms of box-office success and breaking new grounds for film production. He graduated from the Chinese University of Hong Kong in 1978 and holds a bachelor's degree in Chinese Language and Literature. Having over 30 years experience in the Hong Kong film and television industry, Mr. Wong has produced over 100 films and TV drama-series. Some of his reputable film sequels are "The Romancing Star", "God of Gamblers" and "Young and Dangerous", all of which set new movie box-office records as well as new trends for the Hong Kong movie scene. He was recently awarded by UA Cinemas as the Movie Director with the Highest Box-Office Record between 1985 and 2005.

As at the date of this report, Mr. Wong does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company.

HLB 國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

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The Landmark
11 Pedder Street
Central
Hong Kong

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SEE CORPORATION LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of See Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 53 to 141, which comprise the consolidated and company statement of financial position as at 30 June 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the Group's and of the Company's state of affairs as at 30 June 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 3 September 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
Turnover	*7*	**34,128**	30,003
Cost of sales		**(22,174)**	(19,140)
Gross profit		**11,954**	10,863
Other revenue	*9*	**768**	884
Distribution costs		**(6,511)**	(3,762)
Administrative expenses		**(31,786)**	(32,880)
Other operating expenses	*10*	**(11,779)**	(27,355)
Change in fair value of financial assets at fair value through profit or loss		**(2,911)**	(3,798)
Loss from operations	*10*	**(40,265)**	(56,048)
Finance costs	*11*	**(629)**	(2,291)
Gain on partial disposal of associates	*20(a)*	**68,617**	–
Profit/(loss) before taxation		**27,723**	(58,339)
Taxation	*13*	**–**	–
Profit/(loss) for the year		**27,723**	(58,339)
Other comprehensive income for the year, net of tax		**–**	–
Total comprehensive income/(loss) for the year		**27,723**	(58,339)
Profit/(loss) for the year attributable to:			
Owners of the Company	*14*	**30,868**	(52,362)
Non-controlling interests		**(3,145)**	(5,977)
		27,723	(58,339)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**30,868**	(52,362)
Non-controlling interests		**(3,145)**	(5,977)
		27,723	(58,339)
Earnings/(loss) per share attributable to the owners of the Company	*15*		
– Basic and diluted		**HK$0.02**	HK$(0.05)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Notes	At 30 June 2012 HK$'000	At 30 June 2011 HK$'000
Non-current assets			
Intangible assets	*18*	**–**	–
Property, plant and equipment	*19*	**21,804**	21,603
Interests in associates	*20*	**7,384**	26,583
Loan receivable	*23*	**10,000**	10,000
		39,188	58,186
Current assets			
Film rights	*24*	**14,089**	25,735
Film production in progress	*25(a)*	**227,230**	129,414
Music production in progress	*25(b)*	**597**	1,465
Inventories	*26*	**67**	55
Trade and other receivables, deposits and prepayments	*27*	**5,817**	9,249
Financial assets at fair value through profit or loss	*28*	**2,805**	5,716
Cash and bank balances	*29*	**87,672**	102,994
		338,277	274,628
Current liabilities			
Trade and other payables	*30*	**74,159**	57,221
Bank overdraft – secured	*31*	**9,943**	9,953
		84,102	67,174
Net current assets		**254,175**	207,454
Total assets less current liabilities		**293,363**	265,640
Net assets		**293,363**	265,640

At 30 June 2012

	Notes	At 30 June 2012 HK$'000	At 30 June 2011 HK$'000
Equity			
Capital and reserves attributable to the owners of the Company			
Share capital	33	**12,455**	12,455
Reserves		**297,144**	266,276
		309,599	278,731
Non-controlling interests		**(16,236)**	(13,091)
		293,363	265,640

Approved and authorised for issue by the Board of Directors on 3 September 2012 and signed on its behalf by:

Mr. Wong Kui Shing, Danny
Executive Director

Dr. Ma Ho Man, Hoffman
Executive Director

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

STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Intangible assets	*18*	**–**	–
Property, plant and equipment	*19*	**249**	470
Investment in subsidiaries	*22*	**23,029**	22,643
		23,278	23,113
Current assets			
Trade and other receivables, deposits and prepayments	*27*	**299**	534
Cash and bank balances	*29*	**85,119**	100,051
		85,418	100,585
Current liabilities			
Trade and other payables	*30*	**21,213**	15,611
		21,213	15,611
Net current assets		**64,205**	84,974
Net assets		**87,483**	108,087
Equity			
Capital and reserves attributable to the owners of the Company			
Share capital	*33*	**12,455**	12,455
Reserves	*34*	**75,028**	95,632
		87,483	108,087

Approved and authorised for issue by the Board of Directors on 3 September 2012 and signed on its behalf by:

Mr. Wong Kui Shing, Danny
Executive Director

Dr. Ma Ho Man, Hoffman
Executive Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

At 30 June 2012

	Attributable to the owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Convertible note reserve (note 34(c)) HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 July 2010	10,435	683,935	–	–	45,920	(444,436)	295,854	(7,114)	288,740
Loss for the year	–	–	–	–	–	(52,362)	(52,362)	(5,977)	(58,339)
Other comprehensive loss for the year	–	–	–	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	–	(52,362)	(52,362)	(5,977)	(58,339)
Repurchase and cancellation of shares *(note 33 (ii))*	(50)	(848)	–	–	–	77	(821)	–	(821)
Transfer to capital redemption reserve	–	(50)	–	50	–	–	–	–	–
Placing of shares *(note 33 (i))*	2,070	–	–	–	–	–	2,070	–	2,070
Premium arising from placing of shares	–	35,190	–	–	–	–	35,190	–	35,190
Share issue expenses on placing of shares	–	(1,200)	–	–	–	–	(1,200)	–	(1,200)
Redemption of convertible note – equity component	–	–	–	–	(45,920)	45,920	–	–	–
At 30 June 2011 and 1 July 2011	12,455	717,027	–	50	–	(450,801)	278,731	(13,091)	265,640
Profit for the year	–	–	–	–	–	30,868	30,868	(3,145)	27,723
Other comprehensive income for the year	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	30,868	30,868	(3,145)	27,723
At 30 June 2012	**12,455**	**717,027**	**–**	**50**	**–**	**(419,933)**	**309,599**	**(16,236)**	**293,363**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2012

	2012 HK$'000	2011 HK$'000
Cash flows from operating activities		
Profit/(loss) before taxation	**27,723**	(58,339)
Adjustments for:		
Gain on partial disposal of associates	**(68,617)**	–
Impairment loss recognised in respect of:		
– trade and other receivables, deposits and prepayments	**3,037**	4,888
– film rights	**7,785**	22,466
– music production in progress	**902**	–
Write down on inventories	**55**	1
Interest income	**(99)**	(427)
Interest expenses	**629**	2,291
Change in fair value of financial assets at fair value through profit or loss	**2,911**	3,798
Depreciation of property, plant and equipment	**808**	890
Amortisation of intangible assets	**–**	17
Amortisation of film rights	**14,861**	11,081
Loss on disposal of property, plant and equipment	**–**	613
Operating cash flows before working capital changes	**(10,005)**	(12,721)
Increase in film rights	**–**	(18,000)
Increase in film production in progress	**(108,816)**	(27,880)
Increase in music production in progress	**(34)**	(909)
Increase in inventories	**(67)**	(52)
Decrease/(increase) in trade and other receivables, deposits and prepayments	**494**	(2,557)
Increase in financial assets at fair value through profit or loss	**–**	(3,550)
Increase in trade and other payables	**16,938**	21,167
Cash used in operations	**(101,490)**	(44,502)
Income tax paid	**–**	–
Net cash used in operating activities	**(101,490)**	(44,502)

For the year ended 30 June 2012

	2012 HK$'000	2011 HK$'000
Cash flows from investing activities		
Interest income received	–	239
Purchase of property, plant and equipment	**(1,009)**	(431)
Proceeds from partial disposal of associates	**89,216**	–
Transaction costs of partial disposal of associates	**(1,400)**	–
Net cash generated from/(used in) investing activities	**86,807**	(192)
Cash flows from financing activities		
Proceeds from placing of shares	–	37,260
Share issue expenses on placing of shares	–	(1,200)
Payment for repurchase of shares	–	(898)
Redemption of convertible note	–	(187,000)
Interest expense paid	**(629)**	(583)
Net cash used in from financing activities	**(629)**	(152,421)
Net decrease in cash and cash equivalents	**(15,312)**	(197,115)
Cash and cash equivalents at the beginning of the year	**93,041**	290,156
Cash and cash equivalents at the end of the year	**77,729**	93,041
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**87,672**	102,994
Bank overdraft	**(9,943)**	(9,953)
	77,729	93,041

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

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda on 27 March 1992 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended) and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The address of the registered office of the Company is Clarendon House, Church Street, Hamilton HM11, Bermuda and the address of the principal place of business of the Company is Office D & E, 20th Floor, EGL Tower, No. 83 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 22 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

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

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised)	Related Party Disclosures
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adoptors
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

New and revised Standards and Interpretations in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKAS 1 (Revised) (Amendments)	Presentation of Items of Other Comprehensive Income[2]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[1]
HKAS 19 (2011)	Employee Benefits[3]
HKAS 27 (2011)	Separate Financial Statements[3]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[3]
HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 1 (Amendments)	Government Loan[3]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[3]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[5]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 11	Joint Arrangements[3]
HKFRS 12	Disclosure of Interests in Other Entities[3]
HKFRS 13	Fair Value Measurement[3]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[3]

[1] Effective for annual periods beginning on or after 1 January 2012.

[2] Effective for annual periods beginning on or after 1 July 2012.

[3] Effective for annual periods beginning on or after 1 January 2013.

[4] Effective for annual periods beginning on or after 1 January 2014.

[5] Effective for annual periods beginning on or after 1 January 2015.

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

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

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

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

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

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

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

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK (SIC)-Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting. The application of HKFRS 11 might results in changes in the classification of the Group's joint arrangements and their accounting treatments.

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

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

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

HKFRS 13 Fair Value Measurement

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

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012.

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

Amendments to HKAS 19 Employee Benefits

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions.

Amendments to HKAS 32 – Presentation – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 address inconsistencies in current practice when applying the offsetting criteria and clarify:

- the meaning of 'currently has a legally enforceable right of set-off'; and
- that some gross settlement systems may be considered equivalent to net settlement.

The amendments are effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively.

The Group is in the process of assessing the potential impact of the above new HKFRSs upon initial application but is not yet in a position to state whether the above new HKFRSs will have a significant impact on the Group's results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), and Interpretations ("Ints") issued by the HKICPA and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under historical cost convention except for certain financial assets which are carried at fair values. The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All inter-group transactions, balances, income and expenses are eliminated in full on consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When certain assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

(c) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Business combinations (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered to replace share-based payment arrangement of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specific in another Standard.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Business combinations (Continued)

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

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

The policy described above is applied to all business combinations that take place on or after 1 July 2009.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Investment in subsidiaries

A subsidiary is an enterprise controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

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

(e) Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise in the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of future losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Interests in associates (Continued)

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Interest in jointly controlled entity

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over the economic activity when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the "venturers").

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The Group recognises its interest in jointly controlled entity using proportionate consolidation. The Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entity are combined with the Group's similar line items, line by line, in the consolidated financial statements.

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

(g) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Goodwill (Continued)

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising from acquisition of an associate is included in the carrying amount of the investment and is assessed for impairment as part of the investment.

(h) Property, plant and equipment

Property, plant and equipment including buildings and leasehold land held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

The cost of an asset comprises its purchase price, any directly attributable costs of bringing the asset to its present working condition and location for its intended use and the initial estimate of the costs of dismantling and removing the item and restoring the site on which is located. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the statement of comprehensive income in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Property, plant and equipment (Continued)

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method, at the following annual rates:

Leasehold land	:	Over the lease term
Buildings	:	40 years
Leasehold improvement	:	20%
Furniture, fixture and equipment	:	20%
Motor vehicles	:	20%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income.

(i) Film rights

Film rights represent films and television drama series produced or acquired by the Group for reproduction, distribution and sub-licensing, are stated at cost less accumulated amortisation and any identified impairment losses. Amortisation is charged to the consolidated statement of comprehensive income based on the proportion of actual income earned during the year to the total estimated income from the distribution of film rights. The amortisation of film rights will not exceed two years. In the case where there is any impairment in value, the unamortised balance is written down to its estimated recoverable amount.

(j) Film and music production in progress

Film and music production in progress represent films, televisions drama series and music records under production, are stated at cost incurred to date, less any identified impairment losses. Cost is transferred to films and music production rights upon completion.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Intangible assets

Intangible assets, which comprise artiste contract rights and trademarks, are stated at cost less accumulated amortisation and any identified impairment losses. The categories of the intangible assets are summarised as follows:

(i) Artiste contract rights

Artiste contract rights are stated at cost less accumulated amortisation and any identified impairment losses. Amortisation is charged to the consolidated statement of comprehensive income over the contract terms.

(ii) Trademarks

Trademarks are stated at cost less accumulated amortisation and any identified impairment losses. Amortisation is charged to the consolidated statement of comprehensive income over the estimated useful life.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in consolidated statement of comprehensive income when the asset is derecognised.

(l) Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined on the first-in, first-out basis and comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present locations and conditions. Net realisable value represents the estimated selling price for inventories less all costs of completion and costs necessary to make the sale.

(m) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably, revenue is recognised in the consolidated statement of comprehensive income as follows:

(i) Sales of goods are recognised when goods are delivered and the significant risks and rewards of ownership of the goods has passed to the buyer.

(ii) Revenue from licensing of the distribution rights over films and television programmes is recognised when the master materials of films are delivered to customers.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Revenue recognition (Continued)

(iii) Revenue from provision of model and artiste services is recognised when services are rendered.

(iv) Revenue from event productions is recognised when the events are completed or the services are provided.

(v) Sale of securities investments are recognised on a trade date basis.

(vi) Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition.

(vii) Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

(n) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings related to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Foreign currencies (Continued)

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in a foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of the foreign currency translation reserve.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Leases

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

(p) Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statement of comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

i. *Financial assets*

The Group's financial assets are classified into financial assets at fair value through profit or loss and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on 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 debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at financial assets at fair value through profit or loss.

A financial asset is classified as held for trading if:

(i) it has been acquired principally for the purpose of selling in the near future; or

(ii) on initial recognition it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

(iii) it is a derivative that is not designated and effective as a hedging instrument.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

i. Financial assets (Continued)

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

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

(i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

(ii) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

(iii) it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "change in value of financial assets at fair value through profit or loss" line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in note 5.

Loans and receivables

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

i. Financial assets (Continued)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

The objective evidence of impairment could include:

(i) significant financial difficulty of the issuer or counterparty; or

(ii) breach of contract, such as default or delinquency in interest or principal payments; or

(iii) it becoming probable that the borrower will enter bankruptcy or financial reorganisation; or

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 to 180 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

i. Financial assets (Continued)

Impairment of financial assets (Continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance amount. Changes in the carrying amount of the allowance amount are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

ii. Financial liabilities and equity instruments

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

Equity instruments

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

ii. Financial liabilities and equity instruments (Continued)

Effective interest method

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

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated at fair value through profit or loss on initial recognition.

A financial liability is classified as held for trading if:

(i) it has been acquired principally for the purpose of repurchasing in the near term; or

(ii) on initial recognition it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

(iii) it is a derivative that is not designated and effective as a hedging instrument.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

ii. Financial liabilities and equity instruments (Continued)

Financial liabilities at fair value through profit or loss (Continued)

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

(i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

(ii) the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

(iii) it forms part of a contract containing one of more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are measured at fair value, with any gains or losses arising on remeasurement recognised directly in the consolidated statement of comprehensive income in the period in which they arise. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in consolidated statement of comprehensive income. Fair value is determined in the manner described in note 5.

Other financial liabilities

Other financial liabilities including trade and other payables and secured bank overdraft are subsequently measured at amortised cost, using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

ii. Financial liabilities and equity instruments (Continued)

Convertible notes

Convertible notes issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the embedded call option for the holder to convert the notes into equity, is included in equity (convertible notes – equity reserve). Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing by the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes reserve until the embedded option is exercised (in which case the balance stated in convertible notes – equity reserve will be transferred to share capital and share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes – equity reserve will be released to retained profits. No gain or loss is recognised in statement of comprehensive income upon conversion or expiration of the option.

If the conversion option of convertible notes exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible notes is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible notes based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the consolidated statement of comprehensive income.

Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible notes using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (Continued)

ii. Financial liabilities and equity instruments (Continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries, interests in associates and interests in jointly control entity except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Taxation (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in consolidated income statement, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Impairment of tangible and intangible assets other than goodwill (Continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(s) Cash and cash equivalents

Cash and cash equivalents comprises cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position.

(t) Provisions

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(u) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowing using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(w) Employee benefits

(i) Salaries, annual bonuses, paid annual leaves, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to Mandatory Provident Funds are required under the Hong Kong Mandatory Provident Funds Schemes Ordinance are recognised as an expense in the consolidated statement of comprehensive income as incurred.

(iii) The fair value of the employee services received in exchange for the grant of the share options and restricted share awards is recognised as an expense in the consolidated statement of comprehensive income. The total amount to be expensed over the vesting period is determined with reference to the fair value of the share options and restricted share awards granted. At the end of the reporting period, the Company revises its estimates of the number of share options that are expected to become exercisable and the number of restricted share awards that become vested. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of comprehensive income, and a corresponding adjustment to equity in the consolidated statement of financial position will be made over the remaining vesting period.

(iv) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Related parties

A party is considered to be related to the Group if:

(i) the party, directly or indirectly through one or more intermediaries, (a) controls, is controlled by, or is under common control with, the Group; (b) has an interest in the Group that gives it significant influence over the Group; or (c) has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a jointly-controlled entity;

(iv) the party is a member of the key management personnel of the Group or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

(y) Borrowing costs

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

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.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is 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 underlying 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 ongoing 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.

Key source of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty of 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.

(i) Impairment of trade and other receivables

The provision of impairment loss on trade and other receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. In determining whether impairment is required, the Group takes into consideration the aging status and likelihood of collection. When recoverability of trade and other receivables are called into doubts, specific provision of impairment loss on trade and other receivables is made on the difference between the estimated future cash flow expected to receive being discounted using the original effective interest rate and the carrying value.

(ii) Impairment of film and music production in progress

The Group reviews aging analysis of the film and music production in progress at the end of the each reporting period. The recoverable amounts of film and music production in progress are assessed with reference to the value-in-use calculation at the end of the reporting period. The key assumptions include the discount rate, budgeted gross margin and estimated turnover based on past practices, experience and expectations in the film and music distribution and production industry. Changes in these estimates and assumptions would result in additional impairment provision or reversal of impairment in future years.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key source of estimation uncertainty (Continued)

(iii) Impairment of films rights

At the end of each reporting period, the management of the Group performs review of the carrying amount of each film rights by reference to its estimated total projected revenues from each film, which is based on the historical performance and incorporating factors such as the past box office record of the lead actors and actress, the genre of the film, pre-release market research, the expected number of theatres that the film will be released to and the anticipated performance in the home entertainment, television and other ancillary markets, and agreement for future sales. The residual values of each film rights are continually evaluated based on the changes in consumer demand.

(iv) Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2012 HK$'000	2011 HK$'000
Financial assets		
Loans and receivables (including cash and bank balances)	**102,670**	121,268
Financial assets designated as at fair value through profit or loss	**2,805**	5,716
Financial liabilities		
Amortised cost	**84,102**	67,174

(b) Financial risk management objectives and policies

The Group's major financial instruments include loan receivable, trade and other receivables, deposits, financial assets at fair value through profit or loss, cash and bank balances, trade and other payables and secured bank overdraft. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and 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 risk

(i) Foreign currency risk management

Certain assets and liabilities of the Group are denominated in foreign currencies, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy in respect of foreign currency 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 risk (Continued)

(i) Foreign currency risk management (Continued)

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

	Liabilities		Assets	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Renminbi ("RMB")	**6,920**	6,124	**5,939**	5,977

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in Renminbi.

The following table details the Group's sensitivity to a 5% increase and decrease in Hong Kong dollars against RMB. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit where the Hong Kong dollars strengthen 5% against the relevant currency. For a 5% weakening of the Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the profit, and the balance below would be positive.

	Impact of RMB	
	2012	2011
	HK$'000	HK$'000
Profit or loss *(note)*	**49**	7

Note:

This is mainly attributable to the exposure to outstanding receivables and payables denominated in RMB not subject to cash flow hedge at the end of the reporting period.

5. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(ii) Interest rate risk management

The Group's cash flow interest rate risk relates primarily to secured bank overdraft (note 31). It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollar denominated borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for secured bank overdraft at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 30 June 2012 would decrease/increase by approximately HK$50,000 (2011: loss increase/decrease approximately HK$50,000). This is mainly attributable to the Group's exposure to interest rates on its secured bank overdraft.

(iii) Other price risks

The Group is exposed to equity price risk mainly through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different task and return profiles. The Group's equity price risk is mainly concentrated on equity securities operating in ship construction and securities trading business quoted in The Stock Exchange of Hong Kong Limited. In addition, the Group monitors the price risk and will consider hedging the risk exposure should the need rise.

5. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(iii) Other price risks (Continued)

Sensitivity analysis

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

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

- Profit for the year ended 30 June 2012 would increase/decrease by approximately HK$140,000 (2011: loss decrease/increase by approximately HK$286,000). This is mainly due to the changes in fair value of financial assets at fair value through profit or loss.

Credit risk management

As at 30 June 2012, 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 management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and debt investments at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

5. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk management

The Group manages liquidity risk by maintaining adequate bank deposits and cash, monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The liquidity risk is under continuous monitoring by management. Reports with maturity dates of bank borrowings and thus the liquidity requirement are provided to management for review periodically. Management will raise or refinance bank borrowings whenever necessary.

The following tables details remaining contractual maturity for its non-derivative financial liabilities. The tables below have been drawn up based on the undiscounted cash flows (included interest payment computed using contractual rates, if floating, based on weighted average effective rates) and the earliest date of the Group required to pay.

The Group

	Weighted average effective interest rate	Within 1 year HK$'000	Within 2 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
At 30 June 2012						
Non-derivative financial liabilities						
Trade and other payables	**–**	**74,159**	**–**	**–**	**74,159**	**74,159**
Bank overdraft – secured	**5%**	**10,440**	**–**	**–**	**10,440**	**9,943**
Total		**84,599**	**–**	**–**	**84,599**	**84,102**
At 30 June 2011						
Non-derivative financial liabilities						
Trade and other payables	–	57,221	–	–	57,221	57,221
Bank overdraft – secured	5%	10,451	–	–	10,451	9,953
Total		67,672	–	–	67,672	67,714

5. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk management (Continued)

The Company

	Weighted average effective interest rate	Within 1 year HK$'000	Within 2 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
At 30 June 2012						
Non-derivative financial liabilities						
Trade and other payables	**–**	**21,213**	**–**	**–**	**21,213**	**21,213**
At 30 June 2011						
Non-derivative financial liabilities						
Trade and other payables	–	15,611	–	–	15,611	15,611

(c) Fair value of financial instruments

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

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

- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

5. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value of financial instruments (Continued)

- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows an analysis of financial instruments recorded at fair value by the fair value hierarchy:

	At 30 June 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets at fair value through profit or loss	**2,805**	**–**	**–**	**2,805**

	At 30 June 2011			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at fair value through profit or loss	5,716	–	–	5,716

There were no transfers between Levels 1 and 2 in both years.

5. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value of financial instruments (Continued)

Fair value measurements recognised in the consolidated statement of financial position (Continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

6. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of debt (which includes secured bank overdraft), cash and bank balances and equity attributable to owners of the Company, comprising issued share capital and reserves.

Gearing ratio

The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through issue of new shares, raise new borrowings and repayment of borrowings.

The gearing ratios as at 30 June 2012 and 2011 were as follows:

	2012 **HK$'000**	2011 HK$'000
Total debt *(note i)*	**9,943**	9,953
Less: Cash and bank balances	**(87,672)**	(102,994)
Net debt	**(77,729)**	(93,041)
Equity *(note ii)*	**309,599**	278,731
Net debt to equity ratio	**N/A**	N/A
Total debt to equity ratio	**3%**	4%

Notes:

(i) Debt comprises secured bank overdraft as detailed in note 31.

(ii) Equity includes all capital and reserves attributable to owners of the Group.

7. TURNOVER

Turnover of the Group represents revenue from (i) film and TV programme production, (ii) event production, (iii) artiste and model management, (iv) music production and (v) investment in securities. The amounts of each significant category of turnover recognised during the year are as follows:

	2012	2011
	HK$'000	HK$'000
Turnover		
Film and TV programme production	**23,670**	17,611
Event production	**375**	684
Artiste and model management	**9,955**	11,172
Music production	**128**	536
	34,128	30,003

8. SEGMENT INFORMATION

For the purpose of resource allocation and performance assessment, information reported to the executive directors of the Company, being the chief operating decision maker (the "CODM") for the purposes of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

In a manner consistent with the way in which information is reported internally to CODM for the purpose of resources allocation and performance assessment, the Group is currently organised into the following operating segments:

– Film and TV programme production
– Event production
– Artiste and model management
– Music production
– Investment in securities

8. SEGMENT INFORMATION (Continued)

Information regarding the Group's reportable segments is presented below.

(a) Segment revenue and results

	Film and TV programme production HK$'000	Event production HK$'000	Artiste and model management HK$'000	Music production HK$'000	Investment in securities HK$'000	Consolidated HK$'000
2012						
Segment revenue	23,670	375	9,955	128	–	34,128
Segment results	8,809	146	2,904	95	–	11,954
Interest income						99
Unallocated gains						669
Unallocated corporate expenses						(20,218)
Distribution costs	(5,800)	–	(208)	(503)	–	(6,511)
Administrative expenses	(10,474)	(293)	(766)	(35)	–	(11,568)
Other operating expenses	(9,434)	–	(1,365)	(980)	–	(11,779)
Change in fair value of financial assets at fair value through profit or loss	–	–	–	–	(2,911)	(2,911)
Loss from operations						(40,265)
Finance costs						(629)
Gain on partial disposal of associates						68,617
Profit before taxation						27,723
Taxation						–
Profit for the year						27,723

8. SEGMENT INFORMATION (Continued)

(a) Segment revenue and results (Continued)

	Film and TV programme production HK$'000	Event production HK$'000	Artiste and model management HK$'000	Music production HK$'000	Investment in securities HK$'000	Consolidated HK$'000
2011						
Segment revenue	17,611	684	11,172	536	–	30,003
Segment results	6,530	106	3,730	497	–	10,863
Interest income						427
Unallocated gains						457
Unallocated corporate expenses						(21,424)
Distribution costs	(3,121)	–	(55)	(586)	–	(3,762)
Administrative expenses	(8,249)	(97)	(2,886)	(224)	–	(11,456)
Other operating expenses	(26,179)	–	(1,175)	(1)	–	(27,355)
Change in fair value of financial assets at fair value through profit or loss	–	–	–	–	(3,798)	(3,798)
Loss from operations						(56,048)
Finance costs						(2,291)
Loss before taxation						(58,339)
Taxation						–
Loss for the year						(58,339)

Segment revenue reported above represented revenue generated from external customers. There were no inter-segment sales in the current year (2011: Nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies as described in notes 3 to the consolidated financial statements. Segment result represents the profit earned by each segment without allocation of central administration costs including directors' salaries, corporate legal professional fee and financial costs. This is the measure reported to the CODM for the purpose of resource allocation and assessment of segment performance.

8. SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities

	Film and TV programme production HK$'000	Event production HK$'000	Artiste and model management HK$'000	Music production HK$'000	Investment in securities HK$'000	Consolidated HK$'000
2012						
Segment assets	**245,386**	**110**	**4,081**	**733**	**2,813**	**253,123**
Unallocated assets						**124,342**
Consolidated assets						**377,465**
Segment liabilities	**39,320**	**2,571**	**10,144**	**658**	**2**	**52,695**
Unallocated liabilities						**31,407**
Consolidated liabilities						**84,102**
2011						
Segment assets	165,639	71	1,620	1,605	5,716	174,651
Unallocated assets						158,163
Consolidated assets						332,814
Segment liabilities	32,635	10,037	8,541	565	–	51,778
Unallocated liabilities						15,396
Consolidated liabilities						67,174

For the purpose of monitoring segment performance and allocating resources between segments:

– all assets are allocated to reportable segments other than interests in associates and other unallocated head office and corporate assets that are not attributable to segments; and

– all liabilities are allocated to reportable segments other than unallocated corporate financial liabilities that are not attributable to segments.

8. SEGMENT INFORMATION (Continued)

(c) Other segment information

	Film and TV programme production HK$'000	Event production HK$'000	Artiste and model management HK$'000	Music production HK$'000	Investment in securities HK$'000	Unallocated HK$'000	Consolidated HK$'000
2012							
Other segment information:							
Additions to non-current assets	**1,001**	**–**	**–**	**–**	**–**	**8**	**1,009**
Amortisation of film rights	**14,861**	**–**	**–**	**–**	**–**	**–**	**14,861**
Depreciation	**325**	**–**	**48**	**–**	**–**	**435**	**808**
Impairment loss recognised in respect of:							
– trade and other receivables, deposits and prepayments	**1,649**	**–**	**1,365**	**23**	**–**	**–**	**3,037**
– film rights	**7,785**	**–**	**–**	**–**	**–**	**–**	**7,785**
– music production in progress	**–**	**–**	**–**	**902**	**–**	**–**	**902**
Write down on inventories	**–**	**–**	**–**	**55**	**–**	**–**	**55**
Reversal of impairment loss in respect of trade and other receivables	**(37)**	**–**	**(117)**	**–**	**–**	**–**	**(154)**
2011							
Other segment information:							
Additions to non-current assets	408	–	12	–	–	11	431
Amortisation of intangible assets	–	–	–	–	–	17	17
Amortisation of film rights	11,081	–	–	–	–	–	11,081
Depreciation	200	97	48	–	–	545	890
Impairment loss recognised in respect of:							
– trade and other receivables, deposits and prepayments	3,713	–	1,175	–	–	–	4,888
– film rights	22,466	–	–	–	–	–	22,466
Write down on inventories	–	–	–	1	–	–	1
Loss on disposal of property, plant and equipment	322	–	137	–	–	154	613
Reversal of impairment loss in respect of trade and other receivables	(140)	–	(86)	–	–	–	(226)

8. SEGMENT INFORMATION (Continued)

(d) Geographical information

The Group's revenue from external customers by geographical location are detailed as below:

	2012 HK$'000	2011 HK$'000
Hong Kong	**24,802**	22,650
The People's Republic of China (The "PRC")	**7,396**	2,373
Others	**1,930**	4,980
	34,128	30,003

As at the end of reporting period, over 90% of the identifiable assets of the Group were located in Hong Kong. Accordingly, no geographical information analysis over non-current assets is presented.

(e) Information about major customers

Included in revenues arising from film and TV programme production of approximately HK$23,670,000 (2011: HK$17,611,000) are revenue of approximately HK$6,216,000 (2011: HK$6,980,000) which contributed from the largest customer of the Group. No other single customers contributed 10% or more to the Group's revenue for the year ended 30 June 2012 and 2011.

9. OTHER REVENUE

	2012 HK$'000	2011 HK$'000
Other interest income	**99**	427
Reversal of impairment loss in respect of trade and other receivables *(note 10)*	**154**	226
Sundry income	**515**	231
	768	884

10. LOSS FROM OPERATIONS

	2012	2011
	HK$'000	HK$'000
Loss from operations has been arrived at after charging/(crediting):		
Cost of inventories (included in cost of sales)	**33**	39
Amortisation of film rights (included in cost of sales) *(note 24)*	**14,861**	11,081
Amortisation of intangible assets *(note 18)*	**–**	17
Auditors' remuneration	**600**	600
Depreciation of property, plant and equipment *(note 19)*	**808**	890
Operating leases in respect of land and buildings *(note 35)*	**1,840**	2,163
Impairment loss recognised in respect of:		
– trade and other receivables, deposits and prepayments*	**3,037**	4,888
– film rights* *(note 24)*	**7,785**	22,466
– music production in progress* *(note 25(b))*	**902**	–
Write down on inventories* *(note 26)*	**55**	1
Loss on disposal of property, plant and equipment	**–**	613
Reversal of impairment loss in respect of trade and other receivables *(note 9)*	**(154)**	(226)

* *The aggregation of these items represented "Other operating expenses" in the consolidated statement of comprehensive income.*

11. FINANCE COSTS

	2012	2011
	HK$'000	HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**573**	572
Imputed interest on convertible note	**–**	1,614
	573	2,186
Bank charges	**56**	105
	629	2,291

12. EMPLOYEE BENEFIT EXPENSES

	2012	2011
	HK$'000	HK$'000
Employee benefit expenses are analysed as follows:		
Salaries and other benefits	**12,723**	11,784
Contributions to retirement benefit schemes	**641**	579
	13,364	12,363

Retirement Benefit Scheme

Prior to 1 December 2000, the Group operated a defined contribution retirement benefits scheme ("Defined Contribution Scheme") for its qualifying employees in Hong Kong. The assets of the scheme were held separately from those of the Group in funds under the control of an independent trustee. Where there are employees who leave the Defined Contribution Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions would be used to reduce the contributions payable by the Group. The Defined Contribution Scheme was terminated on 1 December 2000.

Effective from 1 December 2000, the Group joined the Mandatory Provident Fund Scheme (the "MPF Scheme") for all of its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the Group and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. No forfeited contribution is available to reduce the contribution payable in the future years.

The Group does not have any other pension schemes for its employees in respect of its subsidiaries outside Hong Kong.

Equity Compensation Benefits

Share Options

The Company operates a share option scheme (the "Share Option Scheme"). Further details of which are set out under the heading "Share Options" in note 33 to the consolidated financial statements.

13. TAXATION

Current tax

No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries incurred taxation loss for the year (2011: Nil).

The tax charge for the year can be reconciled to the profit/(loss) before taxation per the consolidated statement of comprehensive income as follows:

	2012		2011	
	HK$'000	**%**	HK$'000	%
Profit/(loss) before taxation	**27,723**		(58,339)	
Tax at the Hong Kong Profits Tax rate of 16.5% (2011: 16.5%)	**4,574**	**16.5**	(9,626)	(16.5)
Tax effect of expenses not deductible for tax purpose	**3,210**	**11.6**	27,536	47.2
Tax effect of income not taxable for tax purpose	**(11,471)**	**(41.4)**	(22,996)	(39.4)
Tax effect of tax losses not recognised	**3,801**	**13.7**	5,093	8.7
Utilisation of tax losses previously not recognised	**(114)**	**(0.4)**	(7)	–
Taxation charge for the year	**–**	**–**	–	–

Deferred tax

At 30 June 2012, the Group had unused tax losses of approximately HK$249,716,000 (2011: HK$159,393,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

14. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the Group's profit for the year of approximately HK$30,868,000 (2011: loss of approximately HK$52,362,000), loss of approximately HK$20,604,000 (2011: loss of HK$155,312,000) has been dealt with in the financial statements of the Company.

15. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic and diluted earnings/(loss) per ordinary share attributable to owners of the Company is based on the following data:

	2012	2011
	HK$'000	HK$'000
Earnings/(loss) attributable to owners of the Company for the purpose of basic and diluted earnings/(loss) per ordinary share	**30,868**	(52,362)

	Number of shares	Number of shares
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	**1,245,460**	1,147,539

For the year ended 30 June 2012, the diluted earnings per share was the same as the basic earnings per share as there was no dilutive potential ordinary share.

For the year ended 30 June 2011, the diluted loss per share was the same as the basic loss per share as the outstanding convertible note had anti-dilutive effect on the basic loss per share.

16. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 30 June 2012 (2011: Nil).

17. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The emoluments paid or payable to each of the four (2011: six) executive directors and three (2011: three) independent non-executive directors are as follows:

	Fees HK$'000	Salaries HK$'000	Housing HK$'000	Provident fund contributions HK$'000	Total HK$'000
Name of Director					
2012:					
Executive directors					
Dr. Ma Ho Man, Hoffman	**–**	**–**	**–**	**–**	**–**
Mr. Wong Kui Shing, Danny	**–**	**1,200**	**–**	**12**	**1,212**
Mr. Wong Chi Chiu, Michael	**–**	**–**	**–**	**–**	**–**
Ms. Ng Yuk Yee, Feona	**–**	**1,461**	**–**	**12**	**1,473**
Independent non-executive directors					
Mr. Li Fui Lung, Danny	**220**	**–**	**–**	**–**	**220**
Mr. Ng Hoi Yue, Herman	**190**	**–**	**–**	**–**	**190**
Mr. Heung Pik Lun	**161**	**–**	**–**	**–**	**161**
	571	**2,661**	**–**	**24**	**3,256**
Name of Director					
2011:					
Executive directors					
Dr. Ma Ho Man, Hoffman (1)	–	–	–	–	–
Mr. Wong Kui Shing, Danny	–	1,800	–	18	1,818
Mr. Wong Chi Chiu, Michael (2)	–	–	–	–	–
Ms. Ng Yuk Yee, Feona (3)	–	61	–	1	62
Dr. Allan Yap (4)	–	952	–	12	964
Mr. Wong Yat Cheung (5)	–	750	175	5	930
Independent non-executive directors					
Mr. Li Fui Lung, Danny	210	–	–	–	210
Mr. Ng Hoi Yue, Herman	185	–	–	–	185
Mr. Heung Pik Lun	125	–	–	–	125
	520	3,563	175	36	4,294

(1) Dr. Ma Ho Man, Hoffman appointed as Chairman and Executive Director on 14 October 2010.
(2) Mr. Wong Chi Chiu, Michael appointed as Executive Director on 21 December 2010.
(3) Ms. Ng Yuk Yee, Feona appointed as Executive Director on 13 June 2011.
(4) Dr. Allan Yap resigned as Executive Director on 13 June 2011.
(5) Mr. Wong Yat Cheung resigned as Executive Director on 1 December 2010.

17. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2011: two) directors of the Company, details of whose emoluments are set out above. The aggregate emoluments of the remaining three (2011: three) individuals of which one is a senior management are as follows:

	2012	2011
	HK$'000	HK$'000
Salaries and other allowance *(note)*	**3,872**	3,438
Retirement benefit scheme contributions	**37**	36
	3,909	3,474

The emoluments of those individuals are within the following bands:

	Number of individuals	
	2012	2011
Nil to HK$1,000,000	**1**	2
HK$1,000,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000 *(note)*	**1**	1
	3	3

For the year ended 30 June 2012 and 2011, no emoluments were paid by the Group to the five highest paid individuals, including the director, as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emolument during the year.

Note:

The director's salaries and housing paid by the Company to Mr. Wong Yat Cheung during the period from 1 July 2010 to 30 November 2010 as set out in (a) above, has been included in the total salaries and other allowance paid to the remaining three highest paid individuals by the Group during the year ended 30 June 2011.

18. INTANGIBLE ASSETS

The Group

	Trademarks HK$'000	Artiste contract rights HK$'000	Total HK$'000
Cost:			
At 1 July 2010, 30 June 2011, 1 July 2011 and 30 June 2012	81	120	201
Accumulated amortisation and impairment:			
At 1 July 2010	64	120	184
Charge for the year *(note 10)*	17	–	17
At 30 June 2011 and 1 July 2011	81	120	201
Charge for the year *(note 10)*	–	–	–
At 30 June 2012	**81**	**120**	**201**
Net book value:			
At 30 June 2012	**–**	**–**	**–**
At 30 June 2011	–	–	–

Notes:

(i) The amortisation charge has been included in the line item administrative expenses in the consolidated statement of comprehensive income.

(ii) The following useful lives are used in the calculation of amortisation:

Trademarks	5 years
Artiste contract rights	Over the contract terms

18. INTANGIBLE ASSETS (Continued)

The Company

	Trademarks	
	2012	2011
	HK$'000	HK$'000
Cost:		
At the beginning and at the end of the year	**81**	81
Accumulated amortisation and impairment:		
At the beginning of the year	**81**	64
Charge for the year	**–**	17
At the end of the year	**81**	81
Net book value:		
At the end of the year	**–**	–

Note:

The above intangible assets have definite useful lives. Such intangible assets are amortised on a straight-line basis over five years.

19. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold land in Hong Kong under long-term lease HK$'000	Buildings HK$'000	Leasehold improvement HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:						
At 1 July 2010	14,321	7,558	1,378	2,907	650	26,814
Additions	–	–	186	245	–	431
Disposals	–	–	(862)	(319)	–	(1,181)
At 30 June 2011 and 1 July 2011	14,321	7,558	702	2,833	650	26,064
Additions	–	–	724	285	–	1,009
Disposals	–	–	–	(21)	–	(21)
At 30 June 2012	**14,321**	**7,558**	**1,426**	**3,097**	**650**	**27,052**
Accumulated depreciation and impairment:						
At 1 July 2010	92	1,024	555	1,915	553	4,139
Charge for the year *(note 10)*	17	189	172	415	97	890
Written back on disposals	–	–	(389)	(179)	–	(568)
At 30 June 2011 and 1 July 2011	109	1,213	338	2,151	650	4,461
Charge for the year *(note 10)*	17	189	282	320	–	808
Written back on disposals	–	–	–	(21)	–	(21)
At 30 June 2012	**126**	**1,402**	**620**	**2,450**	**650**	**5,248**
Net book value:						
At 30 June 2012	**14,195**	**6,156**	**806**	**647**	**–**	**21,804**
At 30 June 2011	14,212	6,345	364	682	–	21,603

At 30 June 2012, the Group's leasehold land in Hong Kong under long term lease with the carrying amount of approximately HK$14,195,000 (2011: HK$14,212,000) and buildings with the carrying amount of approximately HK$6,156,000 (2011: HK$6,345,000) have been pledged to secure the banking facilities granted to the Group.

19. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company

	Leasehold improvement HK$'000	Furniture, Fixtures and equipment HK$'000	Total HK$'000
Cost:			
At 1 July 2010	513	1,625	2,138
Additions	–	11	11
At 30 June 2011 and 1 July 2011	513	1,636	2,149
Additions	–	8	8
At 30 June 2012	**513**	**1,644**	**2,157**
Accumulated depreciation and impairment:			
At 1 July 2010	203	1,191	1,394
Charge for the year	102	183	285
At 30 June 2011 and 1 July 2011	305	1,374	1,679
Charge for the year	102	127	229
At 30 June 2012	**407**	**1,501**	**1,908**
Net book value:			
At 30 June 2012	**106**	**143**	**249**
At 30 June 2011	208	262	470

20. INTERESTS IN ASSOCIATES

	2012	2011
	HK$'000	HK$'000
Share of net assets of associates *(note a)*	**–**	–
Goodwill arising on acquisition of associates *(note b & note c)*	**7,384**	26,583
	7,384	26,583

Notes:

(a) Particulars of the Group's interest in associates as at 30 June 2012 and 2011 are as follows:

Name of associate	Place of incorporation	Registered capital	Attributable to equity interest of the Group		Profit sharing		Principal activities
			2012	2011	**2012**	2011	
		HK$	**%**	%	**%**	%	
TVB Pay Vision Holdings Limited ("TVBP")	Hong Kong	1,085,867,759	5	18	5	18	Investment holding in Hong Kong
TVB Pay Vision Limited ("TVBPV")	Hong Kong	2*	5	18	5	18	Domestic pay television programme service in Hong Kong

* *an associate held indirectly by the Group*

On 20 March 2012, Enjoy Profits Limited, a wholly-owned subsidiary of the Company, entered into a conditional agreement to dispose of 13% entire issued ordinary share capital of TVB Pay Vision Holdings Limited ("TVBP") (the "Disposal") at a cash consideration of approximately HK$89,216,000. The Disposal was completed during the year ended 30 June 2012 and a gain on the Disposal of approximately HK$68,617,000 was recorded in the consolidated statement of comprehensive income during the year ended 30 June 2012. Details of the Disposal were set out in the Company's announcement and circular dated 22 March 2012 and 20 April 2012, respectively . Upon completion of the Disposal, the Group is entitled to 5% equity interest in TVBP and TVB Pay Vision Limited (the "TVBPV"). The directors of the Company consider that the Group has retained significant influence over TVBP and TVBPV by the representation of the Group on the board of directors of TVBP and TVBPV despite the interest held by the Group is below 20% and the Group has continuously accounted for TVBP and TVBPV as its associates for the year ended 30 June 2012.

20. INTERESTS IN ASSOCIATES (Continued)

(b) Movement of goodwill arising on acquisition of associates is as follow:

	2012 **HK$'000**	2011 HK$'000
At the beginning of the year	**26,583**	26,583
Partial disposal of associates	**(19,199)**	–
At the end of the year	**7,384**	26,583

(c) At 30 June 2012, the directors of the Company assessed the recoverable amount of goodwill arising on the acquisition of associates by reference to the valuation as at 30 June 2012 performed by Norton Appraisals Limited ("Norton Appraisals"), an independent firm of professional valuers, and considered that no impairment loss should be made (2011: Nil) to the consolidated statement of comprehensive income. The valuation of the goodwill was determined based on the present value of the expected future cash flow arising from the business of the associates.

The recoverable amount of the Cash Generated Unit ("CGU") is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a period of five years. Cash flows beyond the 5-year period are represented by its continuing value using 1% growth rate (2011: 1%).

Key assumptions used for value-in-use calculations:

	2012	2011
Discount rate	**14.46%**	12.26%

The management determined the budgeted growth rate based on past performance and its expectation for market development. The discount rate used is pre-tax and reflects specific risks relating to the CGU.

20. INTERESTS IN ASSOCIATES (Continued)

(d) The Group has discontinued recognition of its share of losses of associates. The amounts of unrecognised share of loss of the associates, extracted from the unaudited management account of the associates are as follows:

	2012	2011
	HK$'000	HK$'000
Unrecognised share of loss of the associates for the year	**12,091**	23,595
Accumulated unrecognised share of loss of associates	**379,282**	367,191

(e) The summarised financial information in respect of the Group's interests in associates for the year ended 30 June 2012 and 2011 are set out below:

	2012	2011
	HK$'000	HK$'000
Total assets	**247,405**	284,839
Total liabilities	**(1,195,310)**	(1,186,092)
Net liabilities	**(947,905)**	(901,253)
Group's share of net liabilities of associates	**–**	–
Turnover	**229,131**	248,896
Loss for the year	**(46,652)**	(131,084)
Group's share of loss of associates	**–**	–

21. INTEREST IN A JOINTLY CONTROLLED ENTITY

As at 30 June 2012 and 2011, the Group had interest in the following jointly controlled entity:

Name of entity	Form of entity	Place of incorporation/ operations	Class of shares held	Proportion of issued share capital held by the Group	Principal activities
SSA Amusement Limited	Incorporated	Hong Kong	Ordinary	50%	Provision of entertainment and promotion services

The summarised financial information in respect of the Group's interest in a jointly controlled entity which is accounted for using proportionate consolidation with the line-by-line reporting format is set out below:

	2012	2011
	HK$'000	HK$'000
Assets		
Current assets	**109**	398
Non-current assets	**1**	1
	110	399
Liabilities		
Current liabilities	**(2,571)**	(2,405)
Net liabilities	**(2,461)**	(2,006)

21. INTEREST IN A JOINTLY CONTROLLED ENTITY (Continued)

	2012	2011
	HK$'000	HK$'000
Turnover	**248**	1,145
Cost of sales	**(145)**	(883)
Gross profit	**103**	262
Other revenue	**3**	–
Distribution costs	**–**	(22)
Administrative expenses	**(293)**	(698)
Other operating expenses	**(267)**	(130)
Loss from operations	**(454)**	(588)
Finance costs	**(1)**	–
Loss before taxation	**(455)**	(588)
Taxation	**–**	–
Loss for the year	**(455)**	(588)

22. INVESTMENT IN SUBSIDIARIES

The Company

	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**1**	1
Less: Impairment loss recognised	**(1)**	(1)
	–	–
Amounts due from subsidiaries	**662,189**	656,326
Less: Impairment loss recognised	**(639,160)**	(633,683)
	23,029	22,643

22. INVESTMENT IN SUBSIDIARIES (Continued)

The Company (Continued)

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the directors of the Company, the amounts due from subsidiaries are not expected to be repaid within the next twelve months from the end of the reporting period. The carrying amount of these amounts due from subsidiaries approximates to their fair values.

Impairment loss recognised in respect of investments in subsidiaries and amounts due from subsidiaries were recognised based on the recoverable amounts which were determined based on the present value of the estimated discounted future cash flows from these subsidiaries using the prevailing market rate.

Particulars of the Company's principal subsidiaries as at 30 June 2012 and 2011 are set out as follows:

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued shares/ registered capital	Proportion of nominal value of issued shares/ registered capital held by the Company		Principal activities
			Direct	Indirect	
Anyone Holdings Limited	The British Virgin Islands	US$1	100%	–	Property holding
Cross Challenge Limited	The British Virgin Islands	US$1	100%	–	Investment holding
Day Achieve Limited	The British Virgin Islands	US$1	100%	–	Investment holding
Ease Strong Limited	Hong Kong	HK$1	100%	–	Provision of secretarial services
Enjoy Profits Limited	The British Virgin Islands	US$1	100%	–	Investment holding
Future Alliance Limited	The British Virgin Islands	US$1	100%	–	Investment holding
Grand Class Investment Limited	The British Virgin Islands	US$1	100%	–	Investment holding
Icon International Model Management Limited	Hong Kong	HK$500,000	–	100%	Provision of modelling agency services

22. INVESTMENT IN SUBSIDIARIES (Continued)

The Company (Continued)

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued shares/ registered capital	Proportion of nominal value of issued shares/ registered capital held by the Company Direct	Indirect	Principal activities
Media Platform Limited	The British Virgin Islands	US$1	100%	–	Investment holding
Mega-Vision Pictures Limited	Hong Kong	HK$1	–	80%	Investment in production and distribution of film and TV programme production
Mega-Vision Productions Limited	Hong Kong	HK$10,000,000	–	80%	Investment in production and distribution of film and TV programme production
See Entertainment Limited	Hong Kong	HK$1	–	100%	Provision of event management services
See Movie Limited	Hong Kong	HK$1	–	100%	Investment in production and distribution of film and TV programme production
See Music Limited	Hong Kong	HK$1	–	100%	Production of music records and provision of promotion services
See People Limited	Hong Kong	HK$1	–	100%	Provision of artiste management services
Shineidea Limited	The British Virgin Islands	US$1	100%	–	Investment in securities
Snazz Artistes Limited	Hong Kong	HK$100	–	100%	Provision of artiste management services
Snazz Entertainment Group Limited	The British Virgin Islands	HK$7,800	–	100%	Investment holding
Snazz Music Limited	Hong Kong	HK$100	–	100%	Production of music records and provision of artiste promotion services
Talent Bang Limited	Hong Kong	HK$100	–	100%	Provision of modelling agency services
Wise Novel Investments Limited	The British Virgin Islands	US$1	100%	–	Investment holding

22. INVESTMENT IN SUBSIDIARIES (Continued)

The Company (Continued)

Notes:

(i) All are ordinary share capital unless otherwise stated.

(ii) None of the subsidiaries had any loan capital subsisting at the end of the year or at any time during the year.

(iii) The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

23. LOAN RECEIVABLE

	The Group	
	2012	2011
	HK$'000	HK$'000
Loan to TVBP	**10,000**	10,000

The Group advanced a shareholder loan to TVBP in the sum of HK$10,000,000 on 16 November 2009. The loan was unsecured and carried at interest rate of HIBOR plus 0.25% per annum. The loan shall be repayable on the fifth anniversary year and therefore the loan receivable was classified as non-current assets.

24. FILM RIGHTS

	The Group	
	2012	2011
	HK$'000	HK$'000
Cost:		
At the beginning of the year	**278,182**	260,182
Additions	**11,000**	18,000
At the end of the year	**289,182**	278,182
Accumulated amortisation and impairment:		
At the beginning of the year	**252,447**	218,900
Amortisation provided for the year *(note 10)*	**14,861**	11,081
Impairment loss recognised *(note 10)*	**7,785**	22,466
At the end of the year	**275,093**	252,447
Carrying amount:		
At the end of the year	**14,089**	25,735

In accordance with note 3 (i) of the Group's accounting policy, the directors of the Company reassessed the recoverable amount of film rights at 30 June 2012 and 2011 by reference to the valuation performed by Norton Appraisals.

The valuation was determined based on the present value of the expected future cash flow arising from the sub-licensing and distribution of film rights and subsequent to the completion of film production, which was derived from discounting the projected future cash flows.

Key assumptions used for value-in-use calculations:

	The Group	
	2012	2011
Discount rate	**10.76%**	13.53%

The directors of the Company determined that a number of these film rights were impaired due to worsen marketability of respective film rights and an impairment loss of approximately HK$7,785,000 (2011: HK$22,466,000) was recognised in the consolidated statement of comprehensive income for the year ended 30 June 2012.

25. FILM AND MUSIC PRODUCTION IN PROGRESS

(a) Film production in progress

	The Group	
	2012	2011
	HK$'000	HK$'000
At the beginning of the year	**129,414**	101,534
Additions	**108,816**	45,880
Transfer to film rights	**(11,000)**	(18,000)
At the end of the year	**227,230**	129,414

(b) Music production in progress

	The Group	
	2012	2011
	HK$'000	HK$'000
At the beginning of the year	**1,465**	556
Additions	**739**	1,555
Transfer to inventories	**(705)**	(646)
Impairment loss recognised *(note 10)*	**(902)**	–
At the end of the year	**597**	1,465

The Group performed impairment tests at 30 June 2012 and 2011 by comparing the attributable carrying amounts of the film and music production in progress with the recoverable amounts.

The Group assessed the recoverable amounts of the film and music production in progress based on the present value of estimated discounted future cash flows from the film and music production in progress.

No impairment loss has been recognised in this respect for the year ended 30 June 2012 and 2011 for the film production in progress. The Group recognised impairment loss of approximately HK$902,000 in respect of the music production in progress for the year ended 30 June 2012 (2011: Nil).

26. INVENTORIES

	The Group	
	2012	2011
	HK$'000	HK$'000
Finished goods of audio – visual products	**67**	55

The amount of inventories written down for the year ended 30 June 2012 was approximately HK$55,000 (2011: HK$1,000) *(note 10)*.

27. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables, net	**1,104**	3,409	**–**	–
Other receivables, deposits and prepayments	**4,713**	5,840	**299**	534
	5,817	9,249	**299**	534

The Group allows an average credit period of 90 to 180 days (2011: 90 to 180 days) to its customers. The aged analysis of the trade receivables is as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
0 to 90 days	**885**	2,508	**–**	–
91 to 180 days	**219**	901	**–**	–
Over 181 days	**15,092**	13,517	**25**	25
	16,196	16,926	**25**	25
Less: Impairment loss recognised in respect of trade receivables	**(15,092)**	(13,517)	**(25)**	(25)
Total	**1,104**	3,409	**–**	–

27. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

There is no trade receivables that were past due for over 180 days but not impaired.

Trade receivables of approximately HK$15,092,000 (2011: HK$13,517,000) that were past due for which over 180 days and impaired. In determining the recoverability of trade receivables, the directors of the Company considered any change in the credit quality of the trade receivables from the date credit were initially granted and up to the reporting date. Accordingly, the directors of the Company considered provision for impairment in values be made in respect of trade receivables to their recoverable values and believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Movement in the allowance for doubtful debts:

	The Group	
	2012	2011
	HK$'000	HK$'000
At the beginning of the year	**13,517**	9,730
Impairment loss recognised in respect of trade receivables	**1,729**	4,201
Amounts written off during the year as uncollectable	**–**	(188)
Reversal of impairment loss during the year	**(154)**	(226)
At the end of the year	**15,092**	13,517

There is no allowance for doubtful debts which are individually impaired trade receivables.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2012	2011
	HK$'000	HK$'000
Listed securities:		
– Equity securities listed in Hong Kong at fair value	**2,805**	5,716

At the end of the reporting period, all financial assets at fair value through profit or loss are stated at fair value by reference to the quoted market bid prices available on the Stock Exchanges.

29. CASH AND BANK BALANCES

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**87,672**	102,994	**85,119**	100,051

Notes:

(a) At the end of the reporting period, the cash and bank balances of the Group and the Company are denominated in Hong Kong dollars.

(b) Cash at bank earn interests at floating rates based on daily bank deposit rates. Short-term deposits were made during the year ended 30 June 2012 for varying period between one day and three months, depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates.

30. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**2,625**	4,046	**–**	–
Accruals	**23,082**	19,517	**7,842**	6,185
Deposits received from customers	**43,153**	29,131	**13,371**	9,426
Other payables	**5,299**	4,527	**–**	–
	74,159	57,221	**21,213**	15,611

30. TRADE AND OTHER PAYABLES (Continued)

The following is an aged analysis of trade payables of the Group at the end of the reporting period:

	The Group	
	2012	2011
	HK$'000	HK$'000
0 to 90 days	**92**	1,720
91 days or above	**2,533**	2,326
	2,625	4,046

31. BANK OVERDRAFT – SECURED

The Group

During the year ended 30 June 2012, the Group had been granted an overdraft facility from a bank. At 30 June 2012, the bank overdraft is secured by the Group's leasehold land in Hong Kong under long term lease with a carrying amount of approximately HK$14,195,000 (2011: HK$14,212,000) and buildings with a carrying amount of approximately HK$6,156,000 (2011: HK$6,345,000), chargeable with interest at the lending bank's prime rate per annum or 1% per annum over Hong Kong Inter-bank Offer Rate, whichever is higher and repayable on demand.

The carrying amount of the bank overdraft is denominated in Hong Kong dollars.

32. CONVERTIBLE NOTE

	The Group and the Company	
	2012	2011
	HK$'000	HK$'000
Liability component		
2005 Convertible Note *(note)*	**–**	–
Less: Amount due within one year and classified as current liabilities	**–**	–
Amount due after one year	**–**	–
Equity component 2005 Convertible Note *(note)*	**–**	–

Note:

HK$170,000,000 convertible note issued in 2005 and due in 2010 (the "2005 Convertible Note")

On 21 April 2005, the Company entered into a subscription agreement (the "2005 Subscription Agreement") in relation of issuance of HK$170,000,000 zero-coupon convertible note due on 9 August 2010 to Hanny Holdings Limited ("Hanny").

Pursuant to the 2005 Subscription Agreement, Hanny may at any business date after the date of issue of the 2005 Convertible Note up to and including the date prior to the fifth anniversary of the date of issue of the 2005 Convertible Note convert the whole or any part in an amount or integral multiple of HK$500,000 of the principal amount of the 2005 Convertible Note into shares of HK$0.01 each in the share capital of the Company, at the conversion price of HK$0.12 per share at inception date. The effective interest rate of the liability component is 8.55% per annum to the Company. Unless previously converted by Hanny, the 2005 Convertible Note is redeemable on the date of maturity at 110% of the principal amount of the 2005 Convertible Note then outstanding.

The conversion price of the 2005 Convertible Note of HK$170,000,000 had been adjusted from HK$0.12 per share to HK$0.0406 per share as a result of the right issue taken place on 30 June 2006.

The conversion price of the 2005 Convertible Note had been further adjusted from HK$0.0406 per share to HK$4.06 per share as a result of the share consolidation taken place on 31 October 2006.

The conversion price of the 2005 Convertible Note had been further adjusted from HK$4.06 per share to HK$1.69 per share as a result of the rights issue taken place on 16 May 2007.

32. CONVERTIBLE NOTE (Continued)

HK$170,000,000 convertible note issued in 2005 and due in 2010 (the "2005 Convertible Note") (Continued)

The conversion price of the 2005 Convertible Note had been further adjusted from HK1.69 per share to HK$1.09 per share as a result of the rights issue taken place on 15 November 2007.

The conversion price of the 2005 Convertible Note had been further adjusted from HK$1.09 per share to HK$1.08 per share as a result of the issue of the HK$100,000,000 convertible note issued in 2007 and due in 2009 (the "2007 Convertible Note") taken place on 5 December 2007.

The conversion price of the 2005 Convertible Note had been further adjusted from HK$1.08 per share to HK$21.60 per share as a result of capital reorganisation taken place on 6 January 2010.

The conversion price of the 2005 Convertible Note had been further adjusted from HK$21.60 per share to HK$5.66 per share as a result of the rights issue taken place on 18 March 2010.

The 2005 Convertible Note are denominated in Hong Kong dollars, contain two components, liability and equity elements. The Company determined the fair value of the liability component using an equivalent market interest rate for a similar note without a conversion option. The residual amount is assigned as the equity component and included in shareholder's equity named as convertible note reserves.

The 2005 Convertible Note has been redeemed on 9 August 2010, the maturity date of the 2005 Convertible Note.

The movements of the liability component of the 2005 Convertible Note for the year ended 30 June 2012 and 2011 are as follows:

	2012	2011
	HK$'000	HK$'000
At the beginning of the year	**–**	185,386
Imputed interest expenses	**–**	1,614
Redeemed during the year	**–**	(187,000)
At the end of the year	**–**	–

33. SHARE CAPITAL

The Group and the Company

	Number of shares	Nominal value HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 July 2010, 30 June 2011, 1 July 2011 and 30 June 2012	50,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 July 2010	1,043,460,891	10,435
Placing of shares *(note i)*	207,000,000	2,070
Cancellation of shares repurchased *(note ii)*	(5,000,000)	(50)
At 30 June 2011 , 1 July 2011 and 30 June 2012	**1,245,460,891**	**12,455**

Notes:

(i) On 21 December 2010, the Company issued 207,000,000 shares at the placing price of HK$0.18 per ordinary share under the general mandate pursuant to an ordinary resolution passed by the shareholders of the Company at the annual general meeting held on 3 December 2010.

(ii) 5,000,000 ordinary shares repurchased by the Company in June 2010 (432,000 shares) and July 2010 (4,568,000 shares) were cancelled during the year ended 30 June 2011. Nominal value of the cancelled ordinary shares amounted to HK$50,000 was transferred from the share premium account to the capital redemption reserve. The premium of the repurchased shares together with the direct attributable expenses relating to the shares repurchased amounted to approximately HK$848,000 were charged against the share premium account.

33. SHARE CAPITAL (Continued)

Share options

The Company has adopted a New Share Option Scheme on 8 November 2011 under which the directors may grant options to employees, including any directors of the Company, its subsidiaries or any entity in which any member of the Group holds an equity interest to subscribe for shares in the Company as incentive or rewards for their contribution to the Group. The subscription price will be determined by the directors (subject to adjustment), and will not be less than (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for trades in one or more board lots of shares on the date of offer of the options; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the options; or (iii) the nominal value of the shares of the Company, whichever is the highest. The maximum number of shares in respect of which options may be granted under this scheme may not exceed 10% of the issued share capital of the Company in issue on the adoption date (8 November 2011) of the New Share Option Scheme.

The amount paid on acceptance of an option was HK$1. An option may be exercised at any time before the expiration of ten years from the date of grant of the option. The maximum entitlement of each participant under the Share Option Scheme in any 12-month period is 1% of the shares of the Company in issue from time to time. As at the date of this report, a total of 124,546,089 shares of the Company (representing 10% of the existing issued share capital of the Company as at 8 November 2011) are available for issue under the Share Option Scheme. During the year, no share option was granted.

34. RESERVES

The Company

	Share premium HK$'000	Contributed surplus HK$'000	Capital redemption reserves HK$'000	Convertible Note reserves (Note (c)) HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2010	683,935	–	–	45,920	(512,130)	217,725
Loss for the year	–	–	–	–	(155,312)	(155,312)
Other comprehensive loss for the year	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	(155,312)	(155,312)
Repurchase and cancellation of shares *(note a)*	(848)	–	–	–	77	(771)
Transfer to capital redemption reserve *(note a)*	(50)	–	50	–	–	–
Premium arising from placing of shares *(note b)*	35,190	–	–	–	–	35,190
Share issue expenses on placing of shares	(1,200)	–	–	–	–	(1,200)
Redemption of convertible note – equity component *(note c)*	–	–	–	(45,920)	45,920	–
At 30 June 2011 and 1 July 2011	717,027	–	50	–	(621,445)	95,632
Loss for the year	–	–	–	–	(20,604)	(20,604)
Other comprehensive loss for the year	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	(20,604)	(20,604)
At 30 June 2012	**717,027**	**–**	**50**	**–**	**(642,049)**	**75,028**

34. RESERVES (Continued)

Notes:

(a) During the year ended 30 June 2011, the Company repurchased 4,568,000 of its own shares through the Stock Exchange and cancelled a total number of 5,000,000 ordinary shares in aggregate of which 432,000 shares which were repurchased in June 2010.

The 432,000 repurchased shares during the year ended 30 June 2010 were cancelled in July 2010. Consideration of the 432,000 repurchased shares but not yet cancelled amounted to approximately HK$77,000 was temporarily charged to accumulated losses during the year ended 30 June 2010. Such amount was then transferred from the accumulated losses and charged against share capital and share premium amounted to approximately HK$4,000 and HK$73,000, respectively upon cancellation of the 432,000 repurchased shares in July 2010.

The 4,568,000 repurchase shares during the year ended 30 June 2011 were cancelled in July 2010. Total consideration of the 4,568,000 repurchased shares amounted to approximately HK$821,000 was charged against share capital and share premium amounted to approximately HK$46,000 and HK$775,000, respectively upon cancellation of the 4,568,000 repurchased shares in July 2010.

Upon cancellation of the total 5,000,000 repurchased shares during the year ended 30 June 2011, an amount equivalent to the nominal value of these shares of HK$50,000 was transferred from share premium account to the capital redemption reserve account accordingly.

(b) Pursuant to an ordinary resolution passed by the shareholders of the Company at the annual general meeting on 3 December 2010, the Company issued 207,000,000 shares at the placing price of HK$0.18 per ordinary share. The placing of shares was completed on 21 December 2010.

(c) The convertible note reserve represents the equity component (conversion rights) of the HK$170,000,000 zero-coupon convertible note issued on 21 April 2005.

In accordance with HKAS 32, convertible notes issued are split into their liability and equity components at initial recognition by recognising the liability component at its fair value which is determined using market interest rate for equivalent non-convertible notes and attributing to the equity component the difference between the proceeds from issue and the fair value of the liability component. The liability component is subsequently carried at amortised cost. The equity component is recognised in the convertible notes reserve until the notes are either converted (in which case it is transferred to share premium) or the notes are redeemed (in which case it is released directly to accumulated losses). The 2005 Convertible Note was fully redeemed during the year ended 30 June 2011 and the corresponding convertible note reserve was then released during 2011 accordingly.

35. OPERATING LEASES

The Group as lessee

	The Group	
	2012	2011
	HK$'000	HK$'000
Minimum lease payments paid under operating leases for premises recognised in the consolidated statement of comprehensive income for the year *(note 10)*	**1,840**	2,163

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases, in respect of land and buildings, which fall due as follows:

	The Group	
	2012	2011
	HK$'000	HK$'000
Within one year	**1,466**	1,919
In the second to fifth year inclusive	**7**	1,436
	1,473	3,355

36. CONTINGENT LIABILITIES

(i) As at 30 June 2004, the Company provided corporate guarantees amounting to approximately HK$24 million to a financial institution in respect of banking facilities granted to Welback International Investments Limited and its subsidiaries (the "WIIL Group"), approximately HK$5.5 million of which was utilised by members of the WIIL Group and such amount was claimed by the financial institution as disclosed in point (iii) below.

36. CONTINGENT LIABILITIES (Continued)

(ii) The Company and its ex-subsidiary, P.N. Electronic Ltd. ("PNE") have been involved in arbitration proceeding with North American Foreign Trading Corporation ("NAFT") in respect of a gross receivable of HK$18 million and related damages from various parties for goods shipped by PNE and NAFT in 1996. The arbitration proceedings were initiated by NAFT against the Company and PNE claiming for alleged damages in New York, USA. The Company has upon legal advice, vigorously contested the alleged claims and has counterclaimed the said sum of HK$18 million as well as other damages. The Company has not received any documents in relation to the arbitration proceedings for a substantial period of time and insofar as the Company is aware, the proceedings remain dormant.

(iii) On 13 October 2003, a Writ of Summons and Statement of Claim was issued by BII Finance Company Limited ("BII Finance") against the Company under a guarantee allegedly given by the Company in favour of BII Finance in respect of certain liabilities of Welback Enterprises Limited, a former subsidiary of the Company. The claim is for a sum of approximately HK$3,583,000 and US$248,000 (approximately HK$1,936,000), together with interest.

The Company has issued Third Party proceedings against Mr. Lee Chun Kwok and Mr. Fong Wing Seng, former directors of the Company, seeking a contribution to the extent of 49% of BII Finance's claim in the event that the Company is found liable to BII Finance (which is denied).

BII Finance has not taken any steps to progress with the action since June 2006. The Company is prepared and ready to continue to defend BII Finance's claim, and will also continue to pursue the Third Party proceedings against Mr. Lee Chun Kwok and Mr. Fong Wing Seng.

Save as disclosed above, no member of the Group is engaged in any litigation or claims of material importance and no litigation or claims of material importance is known to the directors of the Company to be pending or threatened by or against any member of the Group.

37. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclose elsewhere in these consolidated financial statements, the Group had the following material related party transactions:

(a) Entities with common directors:

	2012	2011
	HK$'000	HK$'000
Management fee paid to entities with common directors *(note i)*	–	1,460

Note:

(i) The transactions were carried at price agreed between the parties.

(b) Shareholders:

	2012	2011
	HK$'000	HK$'000
Management fee paid to a shareholder	–	300
Imputed interest expenses in respect of convertible note issued to a shareholder *(note i)*	–	1,614
Redemption of the 2005 Convertible Note *(note ii)*	–	187,000

Notes:

(i) Details of the 2005 Convertible Note and related imputed interest expenses are set out in note 32 to the consolidated financial statements.

(ii) The 2005 Convertible Note has been redeemed on 9 August 2010.

37. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation of key management personnel:

	2012 HK$'000	2011 HK$'000
Salaries and other benefits	**5,452**	4,258
Mandatory provident fund contributions	**36**	36
	5,488	4,294

38. EVENTS AFTER THE END OF THE REPORTING PERIOD

Up to the date of the issuance of the consolidated financial statements, no significant events noted after the end of the reporting period.

39. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 3 September 2012.

FIVE YEAR FINANCIAL SUMMARY

The following is a summary of the published results and the assets and liabilities of the Group for the five years ended 30 June 2012:

RESULTS

	Year ended 30 June				
	2008	2009	2010	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Turnover	40,455	55,455	72,669	30,003	**34,128**
(Loss)/profit for the year from continuing operations	(7,204)	(284,473)	88,471	(58,339)	**27,723**
Loss for the year from discontinued operations	–	–	–	–	**–**
(Loss)/profit for the year	(7,204)	(284,473)	88,471	(58,339)	**27,723**
(Loss)/profit attributable to:					
Owners of the Company	(7,204)	(284,473)	95,585	(52,362)	**30,868**
Non-controlling interests	–	–	(7,114)	(5,977)	**(3,145)**
	(7,204)	(284,473)	88,471	(58,339)	**27,723**

ASSETS AND LIABILITIES

	At 30 June				
	2008	2009	2010	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	571,703	348,361	520,235	332,814	**377,465**
Total liabilities	(283,854)	(344,985)	(231,495)	(67,174)	**(84,102)**
Net assets	287,849	3,376	288,740	265,640	**293,363**
Capital and reserves attributable to the owners of the Company	287,849	3,376	295,854	278,731	**309,599**
Non-controlling interests	–	–	(7,114)	(13,091)	**(16,236)**
	287,849	3,376	288,740	265,640	**293,363**