

ANNUAL RESULTS ANNOUNCEMENT For the year ended 30 June 2017

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

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

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

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

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

Contents

- Financial Summary 2
- Corporate Information 3
- Chairman's Statement 4
- Management Discussion and Analysis 6
- Biographies of Directors and Senior Executives 11
 - Directors' Report 13
 - Corporate Governance Report 19
- Environmental, Social and Governance Report 26
 - Independent Auditor's Report 29
- Consolidated Statement of Profit or Loss and Other Comprehensive Income 33
 - Consolidated Statement of Financial Position 34
 - Consolidated Statement of Changes in Equity 36
 - Consolidated Statement of Cash Flows 38
 - Notes to the Consolidated Financial Statements 40



Annual financial results and positions for the five years from 2013.

Results

		For the y	ear ended 30 J	lune	
	2017 HK\$'000	2016 HK\$'000 (Restated)	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000
Revenue	561,388	311,619	111,176	199,717	70,018
Profit/(loss) before taxation Income tax credit/(expense)	14,819 6,590	(183,479) 3,131	(96,594) (36)	(15,672)	(20,930) (13)
Profit/(loss) for the year	21,409	(180,348)	(96,630)	(15,672)	(20,943)
Attributable to: Owners of the Company Non-controlling interests	22,665 (1,256)	(181,913) 1,565	(97,094) 464	(15,664) (8)	(21,237)
	21,409	(180,348)	(96,630)	(15,672)	(20,943)

Assets and Liabilities

		As	s at 30 June		
	2017 HK\$'000	2016 HK\$'000 (Restated)	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000
Total assets Total liabilities	3,055,320 (474,151)	556,435 (265,043)	421,002 (143,599)	415,102 (146,926)	283,370 (40,166)
	2,581,169	291,392	277,403	268,176	243,204
Owners of the Company Non-controlling interests	2,581,242 (73)	289,630 1,762	278,017 (614)	267,691 485	239,864 3,340
	2,581,169	291,392	277,403	268,176	243,204

Corporate Information

Directors

Executive Directors

Shiu Stephen Junior (Chairman)
Li Mau (Co-Chairman) (appointed on 7 October 2016)
Sun Lap Key, Christopher
Lee Wing Ho, Albert
Chau Sai Ho, Charles (appointed on 15 February 2016, resigned on 7 October 2016)
Ho Gilbert Chi Hang (appointed on 7 October 2016, resigned on 28 June 2017)
Cheung Hung Lui (appointed on 28 June 2017)

Non-executive Director

Wu King Shiu, Kelvin (appointed on 7 October 2016, resigned on 28 June 2017)

Independent Non-executive Directors

Kam Tik Lun Chan Chi Ho Tam Kwok Ming, Banny

Company Secretary

To Chi

Compliance Officer

Lee Wing Ho, Albert

Authorised Representatives

Shiu Stephen Junior Lee Wing Ho, Albert

Audit Committee

Kam Tik Lun *(Chairman)* Chan Chi Ho Tam Kwok Ming, Banny

Remuneration Committee

Kam Tik Lun *(Chairman)* Shiu Stephen Junior Chan Chi Ho Tam Kwok Ming, Banny

Nomination Committee

Shiu Stephen Junior *(Chairman)* Kam Tik Lun Chan Chi Ho Tam Kwok Ming, Banny

Auditor

ZHONGHUI ANDA CPA Limited Units 701-3 & 8, Citicorp Centre 18 Whitfield Road Causeway Bay Hong Kong

Registered Office

Clarendon House 2 Church Street Hamilton HM 11 Bermuda

Principal Office

7/F Zung Fu Industrial Building 1067 King's Road Quarry Bay, Hong Kong

Registrar (in Bermuda)

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

Principal Registrar

Tricor Secretaries Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong

Banker

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

Website

http://www.china3d8078.com

GEM Stock Code

8078



On behalf of the board of directors of the Company (the "Board" or the "Directors"), I hereby present to the shareholders the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2017.

REVIEW OF OPERATIONS

The Group reported the total revenue of approximately HK\$561.4 million for the year ended 30 June 2017, compared with approximately HK\$311.6 million (restated) for the year ended 30 June 2016. For the year ended 30 June 2017, a profit of approximately HK\$21.4 million was recorded whilst in the last year, a loss of approximately HK\$180.3 million (restated) was recorded. The profit is mainly attributable to the profit on distribution and production of films, television programmes and music production for the year ended 30 June 2017.

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

PROSPECTS

The Board is of the view that Hong Kong remains as a major market to develop and revitalize the "HMV" brand, and a strategic bridgehead to tap into the Asia-Pacific market, especially The People's Republic of China (the "PRC"), in the foreseeable future. The Group is consolidating the market presence of "HMV" in Hong Kong and PRC, which can further enhance the brand value of "HMV" and help to gain immediate access to the well-established retail network in Hong Kong, a market which the "HMV" brand has over twenty (20) years of operating history.

The Group intends to proceed developing and streamlining its entertainment, movie production and distribution businesses. The Group would strengthen and continue its strategy in revitalizing the "HMV" brand into a lifestyle brand by enhancing the product mix and creating an integrated entertainment platform in order to establish an integrated online and offline business ecology in the entertainment and lifestyle sector.

In addition, the Company develops to leverage on the widely recognized brand name of "HMV" to an over-the-top ("OTT") broadcasting channel. The Directors are of the view that the broadcasting market in Hong Kong from a traditional free-licensed television broadcasting will be substituted by OTT broadcasting. The Company intends to exploit the OTT broadcasting channel under the brand of "HMV", which customers be offered with a wide varieties of films, pop songs and TV series, etc. over the Internet.

The Group is operating cinemas in Xiamen, Guangzhou, Jieshi and Chongqing in PRC, which has sustained generating incomes to the Group. Moreover, the Company aims to go on expanding its cinema operation by (a) renting more space and acquiring more advance equipments etc. to expand the existing cinemas; and (b) setting up or acquiring additional cinemas in different provinces in PRC.

PROSPECTS (CONTINUED)

The cinema located in Quanzhou, the PRC is under decoration and anticipate to commence in the near future. This movie theatre in Quanzhou is expected to have six film houses inside with an aggregate of about 850 seats.

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

The Group will continue to develop its existing business such as artists and model management, entertainment and money lending. In addition, the Group will maintain a continuous production and launch of movies, and acquires more movie distribution rights in the market. To cope with the fast changing market, the Group will put more focus on the newly developed filmed entertainment and new media exploitations.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to our shareholders, clients and staff members for their support in the past years. I would also like to express my personal appreciation to my fellow board members for their continuous valuable contributions.

Shiu Stephen Junior Chairman

Hong Kong 29 September 2017

Annual Report 2016-2017

Management Discussion and Analysis

OPERATION REVIEW

The Company and its subsidiaries (collectively the "Group") reported total revenue of approximately HK\$561.4 million for the year ended 30 June 2017 (the "Year"), compared with approximately HK\$311.6 million (restated) for the previous fiscal year. A profit of approximately HK\$21.4 million was recorded (2016: a loss of approximately HK\$180.3 million (restated)). The profit is mainly due to the profit on distribution and production of films, television programmes and music production for the year ended 30 June 2017.

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

Artiste Management Services

The revenue of this business segment for the Year was approximately HK\$108.1 million in 2017 and HK\$93.6 million in 2016.

Distribution and Production of Films and Television Programmes and Music Production

The revenue of this business segment for the Year was approximately HK\$218.1 million in 2017 and HK\$179.0 million (restated) in 2016.

Money Lending

The revenue of this business segment for the Year was approximately HK\$16.7 million in 2017 and HK\$9.0 million in 2016.

Operation of Cinemas

The revenue of this business segment for the Year was approximately HK\$37.2 million in 2017 and HK\$30.1 million in 2016.

HMV Business

The revenue of this business segment for the Year was approximately HK\$181.4 in 2017 and nil in 2016.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, total borrowing of the Group (excluding payables) amounted to approximately HK\$180.4 million (2016: HK\$153.6 million). The Group's gearing ratio (expressed as a percentage of total borrowing over total assets) was 5.91% in 2017 and 27.6% (restated) in 2016.

In addition to its share capital and reserves, the Group also made use of cash flow generated from operations, fund raising and the borrowings (mainly including other borrowings, convertible bonds, promissory note payable and finance lease payables), to finance its operation. The promissory note payable is denominated in Hong Kong dollars, unsecured, interest-free and has a fixed repayment term.

Other than disclosed above, the Group has no other external borrowings. The Group's bank and cash held on hand were mainly denominated in Hong Kong dollars. The Group managed its foreign exchange risk by closely monitoring the movement of the foreign currency rates. The management conducted periodical review of foreign currency exposure and would take appropriate measures to mitigate the risk should the need arise. The Group experienced no significant exposure to foreign exchange rate fluctuation during the Year.

Management Discussion and Analysis (Continued)

BUSINESS REVIEW

Acquisition of Time Edge Limited

On 13 December 2016, Sunny On Corporation Limited, a wholly-owned subsidiary of the Company and Honour Best Holdings Limited ("Vendor") entered into the Sale and Purchase Agreement for acquisition of the issued share capital of Time Edge Limited ("Time Edge"), at a total consideration of HK\$50,000,000, which shall be satisfied by the issue of the convertible bond by the Company to the Vendor or its nominee at conversion price of HK\$0.313.

On 25 April 2017, the shareholders passed the ordinary resolutions to approve the acquisition of Time Edge and the convertible bond in amount of HK\$50,000,000 at conversion price of HK\$0.313 has been issued to the nominee of the Vendor on 26 April 2017.

Acquisitions of Panorama Corporation Limited and Parkway Licensing Company Limited

The Panorama Acquisition

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

The Parkway Acquisition

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

Details of the acquisitions were disclosed in the announcement dated 9 January 2017 and 4 August 2017. The acquisitions were not yet completed.

Disposal of 85% of the issued share capital of Full Wealthy International Limited

On 29 May 2017, Full Times Investment Limited, a wholly-owned subsidiary of the Company ("Full Times"), Noble One Investments Limited (the "Purchaser"), a wholly-owned subsidiary of Trillion Grand Corporate Company Limited, the issued shares of which are listed on the GEM (stock code 8103) and Trillion Grand Corporate Company Limited (the "Issuer") entered into the sale and purchase agreement, for the disposal of 85 ordinary shares, representing 85% of the issued share capital of Full Wealthy International Limited ("Full Wealthy"), a direct wholly-owned subsidiary of Full Times, at a consideration of HK\$46,070,000, which will be satisfied by the issue and allotment of 23,035,000 new shares to Full Times by the Issuer at an issue price of HK\$2 per new share upon completion. The disposal was completed on 28 June 2017.

Management Discussion and Analysis (Continued)

BUSINESS REVIEW (CONTINUED)

Acquisition of Vantage Metro Limited

On 16 June 2017, the Company, Brilliant Fullway Limited, a wholly-owned subsidiary of the Company (the "Purchaser"), Redsox Investment Co., Ltd., an independent third party, beneficially interested in 2,258,270 shares in Vantage Metro Limited (the "Target Company") representing approximately 32.26% of the entire issued share capital of the Target Company (the "Vendor A"); and Wealth Synergy Limited, an independent third party, beneficially interested in 1,835,097 shares in the Target Company, representing approximately 26.21% of the entire issued share capital of the Target Company (the "Vendor B"); (collectively the "Vendors") entered into the share purchase agreement, pursuant to which the Vendors have agreed to sell (and to procure 27 other shareholders (the "Minority Shareholders") of the Target Company holding in aggregate 2,906,633 shares in the Target Company, representing approximately 41.53% of the entire issued share capital of the Target Company (the "Sale Shares"), representing the entire issued share capital of the Target Company (the "Sale Shares"), representing the entire issued share capital of the Target Company (the "Sale Shares"), representing the entire issued share capital of the Target Company (the "Sale Shares"), representing the entire issued share capital of the Target Company ("Acquisition").

The aggregate consideration of the Acquisition may be up to approximately HK\$713,418,220 (equivalent to USD91,699,000) subject to the cap of the aggregate of the consideration shares (the "Consideration Shares") to be issued and allotted by the Company in connection with the Acquisition, being 15% of the enlarged issued share capital of the Company.

The Consideration Shares to be issued and allotted by the Company to the Vendors and Minority Shareholders for the Acquisition at the issue price of HK\$0.30 per share upon completion.

Details of the Acquisition was disclosed in the announcement dated 16 June 2017. The Acquisition was not yet completed.

CHARGES ON GROUP'S ASSET

As at 30 June 2017, except for the pledged bank deposits of approximately HK\$15.1 million to secure a guarantee granted by a bank in the PRC, the Group has no other asset pledged to bank to secure the bank borrowing granted to the Group (2016: HK\$8.1 million).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2017, the Group had 374 (2016: 188) full-time and part-time employees. The total employee remuneration, including that of the Directors, for the year ended 30 June 2017 amounted to approximately HK\$41.2 million (2016: approximately HK\$27.2 million). The Group remunerates its employees based on their performance, experience and the prevailing commercial practice. To provide incentives or rewards to the employees, the Company has adopted a new share option scheme on 9 July 2014. No option was outstanding during the Year.

CAPITAL STRUCTURE

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

Acquisition of 4% of Prime Focus World N.V.

On 24 March 2016, the Company entered into a sale and purchase agreement with AID Partners Visual Entertainment, L.P. ("AID") in relation to the acquisition of 4% of the issued share capital of Prime Focus World N.V. at a consideration of US\$13,619,726, which were settled and discharged by the allotment and issue of 259,106,982 ordinary shares of the Company at the issue price of HK\$0.410 per ordinary share of the Company at completion.

The acquisition was completed and 259,106,982 ordinary shares were issued to the nominee of AID on 29 July 2016. The number of shares in issue was increased from 3,832,758,224 shares to 4,091,865,206 shares.

CAPITAL STRUCTURE (CONTINUED)

Acquisition of HMV M&E Limited

On 14 March 2016 and 1 April 2016, the Company entered into sale and purchase agreements with Action Key Investments Limited ("Action Key") and WiL Fund I, L.P. ("WiL Fund") respectively, in relation to the acquisition of aggregate 100% of the issued share capital of the HMV M&E Limited at aggregate consideration of HK\$500,000,000, which were satisfied by allotment and issue of aggregate 1,369,863,013 consideration shares to Action Key or its nominee and WiL Fund at an issue price of HK\$0.365 per consideration share at completion (the "Acquisition I & II").

The Acquisition I & II were completed and aggregate 1,369,863,013 ordinary shares were issued to the nominee of Action Key and WiL Fund on 3 August 2016 accordingly. The number of shares in issue was increased from 4,091,865,206 shares to 5,461,728,219 shares.

Conversion of Convertible Bond

On 16 January 2017, the bondholder exercised its conversion rights of the convertible bond to convert part of principal amount of HK\$3,500,000 at the conversion price of HK\$0.3735 per share. A total of 9,370,816 ordinary shares were issued. The number of shares in issue was increased from 5,461,728,219 shares to 5,471,099,035 shares.

Bonus Issue

On 2 February 2017, the ordinary resolutions were passed by the shareholders to approve the Company to implement bonus issue (the "Bonus Issue") on the basis of one (1) bonus share for every one (1) share held by the qualifying shareholders whose names appear on the register of members of the Company as at the record date.

The Bonus Issue was completed on 15 February 2017 and a total of 5,471,099,035 bonus shares were issued. After the completion of the Bonus Issue, the number of shares in issue was increased from 5,471,099,035 shares to 10,942,198,070 shares.

Acquisition of Anyplex Hong Kong Limited

On 2 November 2016, the Company entered into a Sale and Purchase Agreement with Anyplex Holding Limited ("Anyplex") in relation to the acquisition of 100% of issued capital of Anyplex Hong Kong Limited at a consideration of HK\$46,500,000, of which HK\$5,500,000 was satisfied by cash and HK\$41,000,000 was satisfied by allotment and issue of 117,985,610 consideration shares at the issue price of HK\$0.3475 per consideration share.

The acquisition was completed and 117,985,610 ordinary shares were issued to Anyplex on 24 February 2017. The number of shares in issue was increased from 10,942,198,070 shares to 11,060,183,680 shares.

Placing of new shares under general mandate announced on 3 March 2017

On 21 March 2017, the Company completed the general mandate placing ("GM Placing") of an aggregate of 490,200,000 general mandate placing shares at the placing price of HK\$0.25 per general mandate placing share. After the completion of GM Placing, the number of shares in issue was increased from 11,060,183,680 shares to 11,550,383,680 shares.

The reasons of the GM Placing are for (i) the investment in two cinema theatres in Hong Kong; and (ii) the production of movies.

The closing price per share as quoted on the Stock Exchange on 3 March 2017 was HK\$0.30. The net proceed from the GM Placing amounted to approximately HK\$121 million and were applied as approximately (i) HK\$17 millions for investment in two cinema theatres in Hong Kong; and (ii) HK\$104 million for the production of movies.

Management Discussion and Analysis (Continued)

CAPITAL STRUCTURE (CONTINUED)

Placing of new shares under specific mandate announced on 3 March 2017

On 12 June 2017, the Company completed the specific mandate placing ("SM Placing") of an aggregate of 1,925,400,000 specific mandate placing shares at the placing price of HK\$0.25 per specific mandate placing share. After the completion of SM Placing, the number of shares in issue was increased from 11,550,383,680 shares to 13,475,783,680 shares.

The reasons of the SM Placing are for (i) the construction of HMV shopping malls in the PRC; (ii) the development of "OTT" platform of the Group; (iii) the production of movies and television drama; (iv) potential acquisition of variety show production group in Korea and an entertainment group in Taiwan; and (v) the general working capital and/or possible investment and/or development of the Group's business.

The closing price per share as quoted on the Stock Exchange on 3 March 2017 was HK\$0.30. The net proceed from the SM Placing amounted to approximately HK\$477.5 million and were applied as approximately (i) HK\$0.5 million for the construction of HMV shopping malls in the PRC; (ii) HK\$9 million for the development of "OTT" platform of the Group; (iii) HK\$73 million for the production of movies and television drama; (iv) HK\$234 million for potential acquisition of variety show production group in Korea and an entertainment group in Taiwan; and (v) HK\$40 million for the general working capital and/or possible investment and/or development of the Group's business.

COMMITMENTS

Total commitments of the Group as at 30 June 2017 was approximately HK\$724.8 million (2016: approximately HK\$424.5 million).

CONTINGENT LIABILITIES

On 20 October 2015, a new tenancy agreement was jointly entered into by Mark Glory International Enterprise Limited ("Mark Glory"), an indirectly wholly-owned subsidiary of the Company and Top Euro Limited ("Top Euro"), an indirect wholly-owned subsidiary of Easy Repay Finance & Investment Limited (stock code: 8079) with Wit Way Enterprises Limited in relation to the lease of the premises. The duration of the tenancy agreements is for two years commencing from 1 November 2015 to 31 October 2017 with a monthly rental of HK\$325,000 inclusive of management charges (equivalent to HK\$3,900,000 per annum), but exclusive of government rates and all other outgoings. The rent, government rates and all outgoings of the premises shall be paid by Mark Glory and Top Euro in equal shares.

If either party fails to fulfill their leasing obligations under the agreement, the other party will obligate to pay the other party's outstanding contingent rental liability amounting to HK\$1,950,000 per annum. The taking up of the contingent rental liability constitutes a provision of financial assistance under the GEM Listing Rules.

LITIGATION

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

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

Green Giant claims the principal amount of the Note of HK\$14,160,000, interest thereon from the time of presentment for payment until payment in full at the rate of 10% per annum pursuant to the terms of the Note, incurred expenses and costs. The claim is disputed and action is being defended.

Biographies of Directors and Senior Executives

EXECUTIVE DIRECTOR (CHAIRMAN)

SHIU STEPHEN JUNIOR, aged 42, joined the Company in July 2010. Mr. Shiu is the Chairman of the Company and the Nomination Committee and the member of Remuneration Committee of the Company. Mr. Shiu has over 17 years' experience in entertainment, advertising, promotion and communication, film distribution and movies production. Currently, Mr. Shiu is also a director of various private companies which are engaged in the business of entertainment and movies production.

EXECUTIVE DIRECTOR (CO-CHAIRMAN)

LI MAU, aged 38, joined the Company on 7 October 2016. She is the founder and the chief executive officer of HMV Cultural F&B Group Limited ("HMV F&B Group"), a food and beverage group jointly owned by Hainan Airline Group and Ms Li. Ms. Li oversees the management, businesses and strategic direction of the HMV F&B Group. In addition to the internal management, Ms. Li also manages the business development globally. Ms. Li is the founder and chairman of i-Future Teens International Foundation Limited, a registered charitable organization in Hong Kong, providing developmental opportunities and exposures to children and youth from under resourced neighborhoods in Hong Kong to inspire them to identify their own talents and dreams. Ms. Li has accumulated extensive experience in investment and business management through her working experience in difference business segments in Asia and Europe. She is currently holding the position of chairman at HMV Asia Limited, and venture partner at AID Partners Capital Limited, a private equity firm based in Hong Kong.

EXECUTIVE DIRECTOR AND COMPLIANCE OFFICER

LEE WING HO, ALBERT, aged 47, joined the Company in February 2011. Mr. Lee holds a Bachelor of Arts from Trinity Western University, Canada, and a Master of Business Administration from South Eastern University, United States of America. Mr. Lee is a Certified Facility Manager and is a member of International Facility Management Association and The Hong Kong Institute of Real Estate. Mr. Lee has over 23 years of experience in real estate and leasing management, cinemas consultancy as well as in the fields of movie production and distribution in Hong Kong and the PRC.

EXECUTIVE DIRECTOR

SUN LAP KEY, CHRISTOPHER, aged 50, joined the Company since 1 October 2011. Mr. Sun holds a Master of Arts in Film and TV Fiction from The Northern Media School of Sheffield Hallam University, Sheffield, United Kingdom. Mr. Sun has more than 29 years' experience in the fields of media, TV commercials and film production. Mr. Sun had been acting as the Chief Editor of the "Automobile" of SCMP Magazines Publishing (HK) Limited, Creative Director of "FM104" Metro Finance Channel of Metro Broadcast Corporation Limited, Senior Producer of Chinese Channel, Satellite Television Asian Region Limited as well as a director of the world's first category feature film in 3-D "3D Sex and Zen Extreme Ecstasy". Currently, Mr. Sun is a Film Director of HD Mobile Broadcast of Video Channel Productions Limited. Mr. Sun is a course tutor in Hong Kong Baptist University.

EXECUTIVE DIRECTOR

CHEUNG HUNG LUI, aged 63, joined the Company on 28 June 2017. He has extensive experience in business development and corporate management. He is the chairman of Century.com Holdings Limited since 1997. Prior to that, Mr Cheung has worked in a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), responsible for their business development in the People's Republic of China (the "PRC"). He has also worked in various teaching positions in PRC.

¹² Biographies of Directors and Senior Executives (Continued)

INDEPENDENT NON-EXECUTIVE DIRECTOR

CHAN CHI HO, aged 41, joined the Company in July 2010. Mr. Chan is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Chan holds a Bachelor of Engineer in Civil Engineering from The University of Hong Kong and a Bachelor of Law from The University of London. Mr. Chan is a member of Hong Kong Institute of Engineers. Mr. Chan was a project engineer of Maunsell AECOM and has more than 17 years' experience in the planning, design and project management of infrastructure facilities in Hong Kong, Mainland China and overseas. Currently, Mr. Chan is also a managing director of EDM Construction Limited with vast experience in managing interior fitting out and decoration construction projects in different aspects such as residential, commercial, hotel and institutional.

INDEPENDENT NON-EXECUTIVE DIRECTOR

KAM TIK LUN, aged 41, joined the Company in July 2010. Mr. Kam is the Chairman of the Audit Committee and the Remuneration Committee and the member of Nomination Committee of the Company. Mr. Kam holds a Bachelor of Commerce from Concordia University, Canada and a Postgraduate Diploma in International Corporate and Financial Law from The University of Wolverhampton, United Kingdom and a Master of Laws in International Corporate and Financial Law from The University of Wolverhampton, United Kingdom. Mr. Kam is a fellow of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. Mr. Kam has over 14 years' experience in the financial markets. Mr. Kam has vast experience in providing business consultancy, business valuation services, financial analysis and corporate advisory. Mr. Kam is also an independent non-executive director of Easy Repay Finance & Investment Limited and Chinese Food and Beverage Group Limited, both companies are listed on the GEM Board of The Stock Exchange of Hong Kong Limited.

INDEPENDENT NON-EXECUTIVE DIRECTOR

TAM KWOK MING, BANNY, aged 54, joined the Company in November 2011. Mr. Tam is the member of Audit Committee, Remuneration Committee and Nomination Committee. Mr. Tam is a practicing Certified Public Accountant in Hong Kong, an associate of The Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. Mr. Tam has over 21 years' professional experience in accounting and auditing field and has been working in various positions including partner and practicing director in various accounting firms. Currently, Mr. Tam is a partner of YATA Certified Public Accountants.



The Board presents their annual report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2017 (the "Year").

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities and other particular of the Company's subsidiaries are set out in note 44 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Company is as set out in the section of "Management Discussion and Analysis" on page 6 to 10 of this Annual Report.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 33.

The Directors do not recommend the payment of any dividend for the Year (2016: Nil).

FINANCIAL SUMMARY

A summary of the financial results and the assets, liabilities and equity of the Group for the last five financial years is set out on page 2.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company during the Year are set out in note 16 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 44 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the Year are set out in note 38 to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity on page 36 to 37 and note 39 to the consolidated financial statements respectively.

CONVERTIBLE BOND

Details of the movements in the Company's convertible bond during the Year are set out in note 33 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

Details of the movements in distributable reserves of the Company during the Year are set out in note 39 to the consolidated financial statements respectively.



DONATION

During the Year, no donation has been made (2016: Nil).

DIRECTORS

The Directors of the Company during the Year and up to the date of this report were:

Executive Directors:

Mr. Shiu Stephen Junior (Chairman)
Li Mau (Co-Chairman) (appointed on 7 October 2016)
Mr. Sun Lap Key, Christopher
Mr. Lee Wing Ho, Albert
Mr. Chau Sai Ho, Charles (appointed on 15 February 2016, resigned on 7 October 2017)
Ho Gilbert Chi Hang (appointed on 7 October 2016, resigned on 28 June 2017)
Cheung Hung Lui (appointed on 28 June 2017)

Non-executive Director

Wu King Shiu, Kelvin (appointed on 7 October 2016, resigned on 28 June 2017)

Independent Non-executive Directors:

Mr. Kam Tik Lun Mr. Chan Chi Ho Mr. Tam Kwok Ming, Banny

Subject to the service agreements/letters of appointment hereinafter mentioned, the term of office of each Director, including the Independent Non-executive Directors, is the period up to his/her retirement by rotation in accordance with the Bye-laws of the Company.

In accordance with Bye-law 87(1) and 87(2) of the Company's Bye-Laws, Mr. Sun Lap Key, Christopher, Mr. Cheung Hung Lui and Mr. Tam Kwok Ming, Banny shall retire at the forthcoming annual general meeting (the "AGM") and, being eligible, offer themselves for re-election at the AGM.

DIRECTORS' SERVICES CONTRACTS

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

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

Name of Directors

Commencing date

Mr. Chan Chi Ho	
Mr. Kam Tik Lun	
Mr. Tam Kwok Ming, Banny	

2 July 2010 13 July 2010 15 November 2011

Save as disclosed above, none of the Directors has a service agreement with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).



DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS

Directors' interests in contracts

Save as disclosed in note 42 to the consolidated financial statements, no other contracts of significance in relation to the Group's business to which the Company, any of the subsidiaries or its holding company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

EMOLUMENT POLICY

A remuneration committee of the Company was established for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, the interests and short positions of the Directors and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Name of Director	Capacity/ Nature of Interests	Number of ordinary/ underlying shares held	Approximate percentage holding
Mr. Shiu Stephen Junior	Beneficial owner	283,840	0%
Ms. Li Mau <i>(note 1)</i>	Family interest	518,213,964	3.85%
Mr. Cheung Hung Lui	Beneficial owner	40,000	0%

Note:

 AID Partners Urban Development Company Limited ("AID Partners") owns 518,213,964 shares. 60% of the issued share capital of AID Partners are held by Mr. Wu King Shiu Kelvin ("Mr. Wu"), the former non-executive director of the Company. Accordingly, Mr. Wu is deemed to be interested in the shares held by AID Partners. Ms. Li Mau ("Ms. Li") is the spouse of Mr. Wu. Ms. Li is also deemed to be interested in the shares held by AID Partners.

Save as disclosed above, as at 30 June 2017, none of the Directors or chief executive of the Company nor their associates had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

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

At the special general meeting of the Company held on 9 July 2014, the shareholders of the Company approved the adoption of a new share option scheme which became effective from 9 July 2014.

No option was outstanding as at the Year.

Annual Report 2016-2017



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

Save as disclosed below, so far as known to the Directors, as at 30 June 2017, the Directors were not aware of any other person (other than the Directors and chief executive of the Company as disclosed above) who had any interests or short position in the shares or underlying shares or debentures of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

(i) Interests in the Shares

Name	No. of shares	Percentage
AID Treasure Investment Ltd (note 1)	2,236,438,356 shares	16.60%
Note:		

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

(ii) Interests in the Convertible Bonds

Name	Conversion Price HK\$ (Note 1)	No. of Underlying Shares	Percentage
Mr. Stephen Chau	0.181	19,337,017	0.14%
AID Treasure Investment Ltd	0.305	163,934,426	1.22%

Note:

1. The conversion price was adjusted for the specific mandate placing and with effect from 12 June 2017.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 30.1% of the Group's turnover for the year ended 30 June 2017. The Group's largest customer accounted for approximately 15.42% of the Group's turnover for the year ended 30 June 2017.

The five largest suppliers of the Group accounted for approximately 33.63% of its cost of sale for the year ended 30 June 2017. The largest supplier of the Group accounted for approximately 20.18% of its cost of sale for the year ended 30 June 2017.

To the best of the Directors' knowledge, none of the Directors, their associates or any shareholder who owns more than 5% of the Company's share capital had an interest in any of the major customers or suppliers stated above.



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

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CONNECTED TRANSACTIONS

Saved as disclosed in note 42 to the consolidated financial statements, no other connected transactions were entered by the Group under the GEM Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

COMPETING INTERESTS

As of the date of this report, Mr. Shiu Stephen Junior ("Mr. Shiu"), the Chairman and Executive Director of the Company, holds directorship in One Dollar Movies Productions Limited ("ODMP"), a company engaged in the production of movies, and together with his associate(s) hold directly as to 60% equity interests in ODMP. The business of ODMP may constitute competition with the business of the Group.

Save as disclosed above, the Directors believe that none of the Directors or the substantial shareholders of the Company (as defined in the GEM Listing Rules) had any interest in a business which causes or may cause significant competition with the business of the Group.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 (the "Required Standard of Dealings") of the GEM Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Required Standard of Dealings throughout the Year.

As of the date of this report, the Board of Directors of the Company comprises Executive Directors who are Mr. Shiu Stephen Junior, Mr. Sun Lap Key, Christopher, Mr. Lee Wing Ho, Albert, Ms. Li Mau, Mr. Cheung Hung Lui; and Independent Non-executive Directors who are Mr. Chan Chi Ho, Mr. Kam Tik Lun and Mr. Tam Kwok Ming, Banny.

CORPORATE GOVERNANCE

The Company has complied with most of the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules ("Code") throughout the Year. Please refer to the Corporate Governance Report on page 19 to 25 of this annual report for details.



SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company maintained the prescribed public float under the GEM Listing Rules.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Except for those disclosed on pages 7 to 9, there was no material acquisition or disposal of subsidiaries during the Year.

FOREIGN EXCHANGE EXPOSURE

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

CONTRACTS OF SIGNIFICANCE

There are no other contracts of significance in relation to the Group's business to which the Company, or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

AUDITOR

The consolidated financial statements for the years ended 30 June 2017, 2016 and 2015 were audited by ZHONGHUI ANDA CPA Limited whose term of office will expire upon the annual general meeting. A resolution for the re-appointment of ZHONGHUI ANDA CPA Limited as the auditor of the Company for the subsequent year will be proposed at the forthcoming annual general meeting.

On behalf of the Board HMV Digital China Group Limited

Shiu Stephen Junior Chairman

Hong Kong 29 September 2017

Corporate Governance Report

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

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

THE BOARD

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

As at 30 June 2017, the Board comprised eight Directors (five Executive Directors and three Independent Non-executive Directors). The biographies of the current Directors are set out on pages 12 to 13 of this report under the "Biographies of Directors and Senior Executives" section.

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

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

The Company has also continually updated Directors on the latest development regarding the GEM Listing Rules and other regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

The Company Secretary of the Company (the "Company Secretary") would ensure all Board members work effectively and provided timely, reliable and sufficient information on issues to be discussed at Board meetings. Company Secretary is also responsible for setting the agenda for each Board meeting, taking into account any matters proposed by the Directors. The Board members are properly briefed about the issues discussed and the meeting material is dispatched to the Directors before the meetings.

The experienced management team implements the decisions from the Board and proposes management and investment proposals for the Board to approve. The team assumes full accountability to the Board for all operations of the Group.

20 Corporate Governance Report (Continued)

THE BOARD (CONTINUED)

The Independent Non-executive Directors who bring in strong expertise, contribute a more impartial view and make independent judgement on issues to be discussed at Board meetings.

The Company has received a confirmation of independence from each of the Independent Non-executive Directors. The Board considers each of them to be independent by reference to the factors stated in the GEM Listing Rules. The Independent Non-executive Directors have been expressly identified as such in all corporate communications of the Company that disclose the names of Directors.

Appointment and Succession Planning of Directors

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Bye-laws.

Code A.4.1 stipulates that Non-executive Directors should be appointed for a specific term, subject to re-election and Code A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment.

All Independent Non-executive Directors are appointed and entered a letter of appointment with the Company for a term of two years and renewable automatically for successive terms of one year unless terminated by three-month notice in writing served by either party. Pursuant to the Company's Bye–laws, all Directors of the Company, regardless of his/her term of appointment, if any, are subject to retirement by rotation at least once every three years and any new director appointed to fill a casual vacancy is subject to re-election by shareholders at the first general meeting after his/her appointment. The Company in practice will observe Code A.4.2 and will ensure that any new director appointed to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after his/her appointment.

Chairman and Chief Executive Officer

Code A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual.

Mr. Shiu Stephen Junior is the Chairman and Chief Executive Officer of the Company. In view of the scale of operations of the Company and the fact that daily operations of the Group's business is delegated to the senior executives and department heads, the Board considers that vesting the roles of both Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company. The Board also believes that the current structure provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. It is in the best interest of the Group to maintain the current practice for continuous efficient operations and development of the Group.

The Board has set up the Audit Committee, Remuneration Committee and Nomination Committee on 30 September 2004, 20 June 2005 and 1 April 2012 respectively. The Committees comprise a majority of Independent Non-executive Directors and have clear written terms of reference. Details of these three Committees are set out in the paragraphs "Audit Committee", "Remuneration Committee" and "Nomination Committee" below.

Corporate Governance Report (Continued)

THE BOARD (CONTINUED)

The Board held nineteen meetings during the Year with the attendance of each Director as follows:

Name of Directors	Attendance/Number of board meetings held during the Year	Attendance/Number of general meetings held during the Year
Executive Directors: Shiu Stephen Junior Sun Lap Key, Christopher Lee Wing Ho, Albert Chau Sai Ho, Charles <i>(appointed on 15 February 2016,</i>	19/19 19/19 19/19	3/7 7/7 1/7
resigned on 7 October 2016) Li Mau (appointed on 7 October 2016) Ho Gilbert Chi Hang (appointed on 7 October 2016, resigned on 28 June 2017)	4/19 8/19 6/19	2/7 4/7
Cheung Hung Lui (appointed on 28 June 2017) Non-executive Director:	-	
Wu King Shiu, Kelvin (appointed on 7 October 2016, resigned on 28 June 2017) Independent Non-executive Directors:	8/19	3/7
Chan Chi Ho Kam Tik Lun Tam Kwok Ming, Banny	19/19 19/19 19/19	6/7 6/7 5/7

There was 5 additional Board meetings held for normal course of business during the Year.

Directors have access to the advice and services of the Company Secretary for ensuring that the Board procedures and all applicable rules and regulations are followed. Draft and final versions of the minutes of Board meetings and Board committee meetings, drafted in sufficient details by the secretary of the meetings, were circulated to the Directors for their comment and record respectively. Originals of such minutes, being kept by the Company Secretary, are open for inspection at any reasonable time on reasonable notice by any Directors. There is a procedure agreed by the Board to enable the Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Model Code for Securities Transactions

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

Upon the specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Required Standard of Dealings throughout the Year.

The Company also has established written guidelines on no less exacting terms than the Required Standard of Dealings (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of any unpublished inside information of the Company.

²² Corporate Governance Report (Continued)

AUDIT COMMITTEE

The Audit Committee now consists of three Independent Non-executive Directors, namely Mr. Kam Tik Lun, Mr. Chan Chi Ho and Mr. Tam Kwok Ming, Banny. They possess accounting and other professional expertise. The Board has adopted a revised terms of reference on 26 March 2012 as to conform to the amended GEM Listing Rules and are posted on the websites of the Company and the Stock Exchange. The major responsibility of the Audit Committee include: (i) to review the financial information of the Group such as annual, half-year and quarterly results prior to recommending to the Board's approval; (ii) review and monitor financial reporting principles and practices: (iii) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of external auditor; and (iv) to oversee the financial reporting system and internal control procedures of the Group.

The Audit Committee convened four meetings during the Year with the attendance of each member as follows:

Name of Committee members	Date of Nomination	Director's Attendance	Attendance rate
Kam Tik Lun <i>(Chairman)</i>	13 July 2010	4/4	100%
Chan Chi Ho	2 July 2010	4/4	100%
Tam Kwok Ming, Banny	15 November 2011	4/4	100%

REMUNERATION COMMITTEE

The Remuneration Committee now consists of four members, namely Mr. Shiu Stephen Junior, an Executive Director and the Chairman of the Company, Mr. Kam Tik Lun, Mr. Chan Chi Ho and Mr. Tam Kwok Ming, Banny, Independent Non-executive Directors of the Company. The Remuneration Committee is chaired by Mr. Kam Tik Lun. The major responsibilities of the Remuneration Committee include: (i) to make recommendations to the Board on the Company's policy and structure for all remuneration of directors' and senior management and on the establishment of a formal and transparent procedure for developing such remuneration policy; (ii) to review and determine the remuneration packages of the executive directors and senior management and to ensure that no director is involved in deciding his own remuneration; and (iii) to review and make recommendations to the Board about the overall remuneration policy of the Company.

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

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

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

Corporate Governance Report (Continued)

NOMINATION COMMITTEE

The Nomination Committee was established on 1 April 2012 and has adopted the terms of reference of Nomination Committee in full compliance with the provisions set out in the Code.

The Nomination Committee currently comprises four members, namely Mr. Shiu Stephen Junior (Chairman), Executive Director of the Company, Mr. Kam Tik Lun, Mr. Chan Chi Ho and Mr. Tam Kwok Ming, Banny, Independent Non-executive Directors of the Company.

The Nomination Committee has adopted a written nomination procedure specifying the process and criteria for the selection and recommendation of candidates for directorship of the Company. The Nomination Committee will base the priority of the criteria in the procedure (such as appropriate experience, personal skills and time commitment, etc) to identify and recommend proposed candidates to the Board.

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

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

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL REPORTING

The Board is responsible for presenting a balanced, clear and understandable assessment of annual, interim and quarterly reports, price-sensitive announcements and other disclosures required under the GEM Listing Rules and other regulatory requirements.

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the Year.

The statement of the external auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on page 29 to 32.

INTERNAL CONTROL

The Board is responsible for maintaining and reviewing the effectiveness of the Group's internal control system. The internal control system is implemented to minimise the risks to which the Group is exposed and used as a management tool for the day-to-day operation of business to safeguard the interests of the shareholders and the assets of the Company. The system can only provide reasonable but not absolute assurance against misstatements or losses. During the Year, the Board has conducted a review of the effectiveness of the internal control system of the Company.

LIABILITY INSURANCE FOR THE DIRECTORS

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

²⁴ Corporate Governance Report (Continued)

SHAREHOLDERS' RIGHTS

The Company maintains an on-going dialogue with its shareholders through various channels including announcements and annual, interim and quarterly reports published on its website at www.china3d8078.com and the Company's general meetings. All shareholders are encouraged to attend general meetings and they may put to the Board any enquiries about the Group through its website at www.china3d8078.com or in writing sent to the principal office of the Company at 7/F, Zung Fu Industrial Building, 1067 King's Road, Quarry Bay, Hong Kong.

The directors, company secretary or other appropriate members of senior management respond to enquiries from shareholders promptly. The Chairman, chairman of board committees (or their respective delegates) and external auditor attend the annual general meeting and are available to answer questions raised by shareholders. Shareholders may also access the Company's corporate website for the Group's information.

Pursuant to Bye-law 58 of the Company's Bye-laws, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business (including any proposals) specified in such requisition, and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in the same manner. Voting of general meetings are by way of a poll. Details of poll voting procedures are explained to shareholders at general meetings to ensure that shareholders are familiar with such procedures.

Under code provision A.6.7, independent non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders.

RELATIONSHIP AMONG MEMBERS OF THE BOARD

There is no relationship among members of the Board in respect of financial, business, family or other material/ relevant relationship.

INVESTOR RELATIONS

The Company maintains a website at www.china3d8078.com where information and updates on the Company's business developments and operations, list of Directors and their role and function, constitutional documents, terms of reference of the Board and its committees, procedures for nomination of directors for election, shareholders' rights and communication policy, corporate governance practices, announcements, circulars and reports released to the Stock Exchange and other information are posted. Information on the Company's website will be updated from time to time.

There was no significant change in the Company's constitutional documents during the Year.

ENVIRONMENTAL ISSUES

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

Corporate Governance Report (Continued)

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the accounts of the Company. As at the Year, the Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going concern basis.

The responsibilities of the external auditor on financial reporting are set out in the Independent Auditor's Report attached to the Company's Financial Statements for the Year.

The Board has regularly reviewed the effectiveness of the Company's internal control system with an aim to safeguard the shareholders' interests and the Company's assets. The purpose is to provide reasonable, but not absolute, assurance against material misstatements, errors, losses or fraud, and to manage rather than eliminate risks of failure in achieving the Company's business objectives.

AUDITOR'S INDEPENDENCE AND REMUNERATION

The Audit Committee is mandated to monitor the independence of the external auditor to ensure true objectivity in the consolidated financial statements. Members of the Committee are of the view that the Company's auditor, ZHONGHUI ANDA CPA Limited is independent and recommended to the Board to re-appoint it as the Company's external auditor at the forthcoming annual general meeting.

ZHONGHUI ANDA CPA Limited has rendered audit services and certain non-audit services to the Company for the Year and the remuneration paid/payable to it by the Company is set out as follows:

	Fee	Fee	
	HK\$'000	HK\$'000	
Statutory audit services:			
– Current		880	
Non-statutory audit services:			
 Tax advisory services 	163		
– Others	55	218	
Total		1,098	

COMPANY SECRETARY

Mr. To Chi is the company secretary of the Company. Mr. To has confirmed that he had received no less than 15 hours of relevant professional training for the year ended 30 June 2017, in compliance with Rule 5.15 of the GEM Listing Rules.

²⁶ Environmental, Social and Governance Report

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

The key performance indicators ("KPI") may at the moment not be as mature as those disclosed and presented by the other issuers in Hong Kong, not to mention to be compatible and comparable with international players. However, the Group is dedicated to develop and adopt a higher level of ESG reporting based on international guidance and standards.

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

We take those having interests in or being affected by the decisions and activities of the Group as the stakeholders, who may include shareholders, business partners, employees, suppliers, consumers and the public. Because we recognize the importance of engaging stakeholders in identifying material aspects and KPI and understand their views, we take all and every opportunities to communicate with them in all occasions our environmental, social and governance approach and performance and are looking forward to their suggestion and comments.

The Group has commissioned itself to become a high-growth players in pursuing excellence in operations, we are dedicated to become a "Green Corporation" simultaneously that explores business opportunities in this new and exciting sustainable world. We notice no conflict in becoming a profit making entity at the same time being a Green Corporation.

During the year ended 30 June 2017, the Group is principally engaged in artiste management services and music production, distribution and production of films and television programmes, money lending business, operation of cinemas, HMV business and securities and bonds investment.

The geographical location of the Group's businesses situated in Hong Kong and PRC. The Group's headquarter was located in Quarry Bay district.

This ESG report covers the Group's endeavours and performance during the year ended 30 June 2017 and four subject areas: workplace quality, environmental protection, operating practices and community involvement. Corporate governance is not included in this ESG report as it has been dealt with separately in the section headed "Corporate Governance Report" in this Annual Report on pages 19 to 25.

WORKPLACE QUALITY

During the year ended 30 June 2017, the Group employed 374 staff (2016: 188). The Group's remuneration policy is built on principle of equality, motivating, performance oriented and market-competitiveness. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits included provident fund contributions and performance related discretionary bonuses. A share option scheme is also established to reward and motivate the employees of the Group.

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

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

WORKPLACE QUALITY (CONTINUED)

Occupational Health and Safety Data:

	Year ended 30 June 2017	Year ended 30 June 2016
Work related fatality	0	0
Work injury cases >3 days	0	1
Work injury cases <3	0	0
Lost days due to work injury	0	0
Work injury rate	0	0.53

There is no forced labour in the Group's operations. For the artist aged under 13, we are in compliance with the laws of Hong Kong in terms of employment management and certain stringent conditions.

The Group promotes fair treatment in the workplace. Although the Group does not have equal opportunity policies or anti-discrimination and affirmative action policies, the Group encourages unprejudiced behavior within the workplace and discourages inappropriate behaviour from employees and supervisors in regard to the race, gender, sexual orientation or religious and cultural beliefs of another person within the Group.

ENVIRONMENTAL PROTECTION

The Group implements policies and practices that help conserve resources, improve energy efficiency and raise environmental awareness among our staff. We are committed to building an environmentally-friendly corporation that pays close attention to conserving the natural resources on Earth. We strive to minimise our environmental impact while ensuring high standards in our service quality. We focus on paper and toner usage throughout all of our daily operation and we have always been devoted to reduce energy consumption as we closely monitor energy consumption at our offices.

During the year ended 30 June 2017, the Group has no data on air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous wastes, etc. nor had the Group discharged hazardous and/or non-hazardous wastes into water and land.

During the year ended 30 June 2017, we purchased A4 sized 80 gsm photocopying paper 498 reams (2016: 517 reams) and A3 sized 80 gsm photocopying paper 6 reams (2016: 8 reams). The Group did not have any other consumption on any other kind of papers.

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

The Group will continue to explore opportunities to develop its green purchasing practices in paper supplies.

Although the energy consumption level of the offices is insignificant as compared to that of the principal business activities, we have nevertheless developed the corresponding green office measures to save energy. For instance, we have replaced some of the ordinary light bulbs and tubes to reduce the energy consumption of lighting. Besides, the air-conditioning temperature is controlled within a certain range during summer to reduce energy consumption while maintaining a comfortable office environment.

As most of the water usage was included in the management fee of the premises occupied by the Group's operations, we have insignificant figures of the Group's annual consumption as compared to that of the principal business activities, however, the Group is still conscientious in the conservation of water resources and encourage the staff members to reduce wastage.

OPERATING PRACTICES

The Group through its subsidiaries has communicated with its suppliers on the Company's vision and mission and policies and procedures in respect of ESG.

The Group always observes the local laws, rules and regulations at where its businesses located, as such, the Group applied and was granted and renewed, a money lenders licence in Hong Kong to carry on business as a money lender for a period of twelve (12) months from 31 January 2017.

COMMUNITY INVOLVEMENT

Same as in 2016, the Group did not do much in the year 2017 in respect of the involvement in repaying the community by direct donations to charity organisations. The Group will continue to explore more opportunities in contributing to community services.

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

HMV Digital China Group Limited

(incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of HMV Digital China Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 112, which comprise the consolidated statement of financial position as at 30 June 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The recoverable amount of HMV M&E Limited ("HMV M&E")

Refer to Notes 18, 17 and 16 to the consolidated financial statements.

The Group is required to annually test the amount of goodwill and trademarks of HMV M&E for impairment. In addition, the Group tests the amount of property, plant and equipment of HMV M&E for impairment. These impairment tests are significant to our audit because HMV M&E's balance of goodwill, trademarks and property, plant and equipment of HK\$1,050,455,000, HK\$236,500,000 and HK\$47,040,000 respectively as at 30 June 2017 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

30 Independent Auditor's Report (Continued)

Key Audit Matters (Continued)

The recoverable amount of HMV M&E Limited ("HMV M&E") (Continued)

Our audit procedures included, among others:

- Assessing the identification of the related cash generating units;
- Assessing the competence, independence and integrity of the external valuer engaged by the Company; and
- Obtaining the external valuation reports and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;
- Assessing the arithmetical accuracy of the fair value less costs of disposal calculations;
- Comparing the actual cash flows with the cash flow projections;
- Assessing the reasonableness of the key assumptions (including revenue growth, profit margins, terminal growth rates and discount rates);
- Checking key assumptions and input data in the valuation model to supporting evidence;
- The significant portion of cash flow projections of HMV M&E is based on the assumption that the revenue of first 10 years are guaranteed by a business partner (the "Business Partner");
- Understanding the background and assessing the financial ability and creditability of the Business Partner;

We consider that the Group's impairment test for HMV M&E are supported by the available evidence.

Investments at fair value through other comprehensive income

Refer to note 21 to the consolidated financial statements.

The Group measured its unlisted investments at fair value through other comprehensive income at fair value with the changes in fair value recognised in consolidated statement of changes in equity. This fair value measurement is significant to our audit because the balance of unlisted investments at fair value through other comprehensive income of HK\$264,289,000 as at 30 June 2017 is material to the consolidated financial statements. In addition, the Group's fair value measurement involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the competence, independence and integrity of the external valuer engaged by the Company;
- Obtaining the external valuation reports and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;
- Checking key assumptions and input data in the valuation model to supporting evidence;
- Checking arithmetical accuracy of the valuation model; and
- Assessing the disclosure of the fair value measurement in the consolidated financial statements.

We consider that the Group's fair value measurement of the unlisted investments at fair value through other comprehensive income is supported by the available evidence.

Independent Auditor's Report (Continued)

Key Audit Matters (Continued)

Film rights and films production in progress (the "FR and FPIP")

Refer to Note 23 to the consolidated financial statements.

The Group tested the amount of FR and FPIP for impairment. This impairment test is significant to our audit because the balance of FR and FPIP of HK\$209,434,000 as at 30 June 2017 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the identification of the related cash generating units;
- Assessing the arithmetical accuracy of the value-in-use calculations;
- Comparing the actual cash flows with the cash flow projections;
- Assessing the reasonableness of the key assumptions (including revenue and discount rates);
- Checking input data to supporting evidence;
- Assessing the competence, independence and integrity of the external valuer engaged by the Company; and
- Obtaining the external valuation reports and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;

We consider that the Group's impairment test for FR and FPIP is supported by the available evidence.

Other Information

The Directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Consolidated Financial Statements

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

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

32 Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPAs website at:

http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Ng Ka Lok

Audit Engagement Director Practising Certificate Number P06084

Hong Kong, 29 September 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

	Notes	2017 HK\$'000	2016 HK\$'000 (Restated)
Revenue Other income	8 9	561,388 9,505	311,619 1,800
Cost of distribution and production of films, television programmes and music production Cost of artiste management services Cost of cinema operation Cost of retail business Selling and distribution costs Administrative expenses Finance costs Gain on disposal of subsidiaries Loss on disposal of associates Change in fair value of investments at	10 43(b)(ii)	(105,603) (96,711) (22,179) (131,325) (67,936) (139,915) (13,978) 17,089 (3,449)	(207,204) (78,594) (15,450) - (35,540) (130,319) (10,814) - -
fair value through profit or loss Change in fair value of derivative financial instruments Share of results of associates Share of results of a joint venture		484 6,917 533 (1)	(17,688) (2,349) 1,057 3
Profit/(loss) before taxation Income tax credit	11 13	14,819 6,590	(183,479) 3,131
Profit/(loss) for the year		21,409	(180,348)
Other comprehensive loss: Items that may be reclassified to profit or loss: Exchange differences on translating foreign operations Items that will not be reclassified subsequently to profit or loss: Changes in fair value of investments at fair value		(179)	(1,888)
Changes in fair value of investments at fair value through other comprehensive income		(805)	(640)
Total other comprehensive loss for the year, _ net of tax		(984)	(2,528)
Total comprehensive income/(loss) for the year		20,425	(182,876)
Profit/(loss) for the year attributable to: Owners of the Company Non-controlling interests		22,665 (1,256)	(181,913) 1,565
		21,409	(180,348)
Total comprehensive income/(loss) for the year attributable to Owners of the Company Non-controlling interests	0:	21,681 (1,256)	(184,441) 1,565
		20,425	(182,876)
Earning/(Loss) per share	15		(Restated)
Basic and diluted		HK0.21 cent	HK(2.85) cent

³⁴ Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	2017 HK\$'000	2016 HK\$'000 (Restated)
Non-current assets Property, plant and equipment Intangible assets Goodwill Interest in associates Interest in a joint venture Investments at fair value through other comprehensive income Prepayments, deposits and other receivables Film rights and films production in progress Loans receivables Deferred tax assets	16 17 18 19 20 21 22 23 24 25	91,076 263,969 1,072,986 16,255 109 358,497 265,368 209,434 51,489 16,650	54,318 3,621 27,658 110 18,787 60,549 173,520 214 3,124
		2,345,833	341,901
Current assets Inventories Loans receivables Trade receivables Prepayments, deposits and other receivables Investments at fair value through profit or loss Pledged bank deposits Bank and cash balances	26 24 27 22 28 29 29	28,629 59,906 123,557 314,063 21,184 15,070 147,078	214 38,199 20,645 73,570 27,728 8,070 46,108
		709,487	214,534
Current liabilities Trade payables Accruals, deposits received and other payables Other borrowings Convertible bonds Promissory note payable Finance lease payables Provision for asset retirement Derivative financial instruments	30 31 32 33 34 35 36 37	62,589 170,286 84,251 5,311 14,160 104 983 2,319	21,391 74,540 118,372 2,000 14,160 85 –
		340,003	230,548
Net current assets/(liabilities)		369,484	(16,014)
Total assets less current liabilities		2,715,317	325,887
Non-current liabilities Accruals, deposits received and other payables Finance lease payables Provision for asset retirement Convertible bonds Derivative financial instruments Deferred tax liabilities	31 35 36 33 37 25	17,568 1,825 12,613 40,408 32,057 29,677	12,497 1,980 2,887 5,919 11,099 113
		134,148	34,495
NET ASSETS		2,581,169	291,392

Consolidated Statement of Financial Position (Continued)

As at 30 June 2017

	Note	2017 HK\$'000	2016 HK\$'000 (Restated)
Capital and reserves Share capital Reserves	38	134,758 2,446,484	38,328 251,302
Equity attributable to owners of the Company Non-controlling interests		2,581,242 (73)	289,630 1,762
TOTAL EQUITY		2,581,169	291,392

The consolidated financial statements on pages 33 to 112 were approved and authorised for issue by the board of directors on 29 September 2017 and are signed on its behalf by:

Approved by:

Shiu Stephen Junior Director Lee Wing Ho, Albert

Director

³⁶ Consolidated Statement of Changes in Equity For the year ended 30 June 2017

		Attributable to owners of the Company								
	Notes	Share capital HK\$'000	Share premium* HK\$'000	Investment revaluation reserve* HK\$'000	Contributed surplus* HK\$'000	Foreign currency translation reserve* HK\$'000	Accumulated losses* HK\$'000	Sub-total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 July 2015		1,582	184,209	(69,433)	261,837	55	(100,233)	278,017	(614)	277,403
Total comprehensive loss for the year, as restated		-	-	(640)	-	(1,888)	(181,913)	(184,441)	1,565	(182,876)
Issue of shares upon placing	38	8,000	192,000	-	-	-	-	200,000	-	200,000
Transaction cost attributable to issue of shares		-	(5,158)	-	-	-	-	(5,158)	-	(5,158)
Bonus issue	38	28,746	(28,746)	-	-	-	-	-	-	-
Acquisition of a subsidiary	43(a)(i)	-	-	-	-	-	-	-	323	323
Disposal of investments at fair value through										
other comprehensive income		-	-	10,210	-	-	(10,210)	-	-	-
Disposal of partial interest in a subsidiary	43(b)(i)	-	-	-	-	-	1,212	1,212	488	1,700
Contributed surplus reduction		-	-	-	(261,837)	-	261,837	-	-	
At 30 June 2016 and 1 July 2016, as restated		38,328	342,305	(59,863)	-	(1,833)	(29,307)	289,630	1,762	291,392
Total comprehensive income for the year		-	-	(805)	-	(179)	22,665	21,681	(1,256)	20,425
Issue of shares upon placing	38	24,156	579,744	-	-	-	-	603,900	-	603,900
Issue of shares upon conversion of convertible bonds	33, 38	94	6,936	-	-	-	-	7,030	-	7,030
Issue of shares for acquisition of investment at fair value through										
other comprehensive income		2,591	261,698	-	-	-	-	264,289	-	264,289
Transaction cost attributable to issue of shares		-	(5,374)	-	-	-	-	(5,374)	-	(5,374)
Bonus issue	38	54,711	(54,711)	-	-	-	-	-	-	-
Issue of shares upon acquisition of subsidiaries	38	14,878	1,388,021	-	-	-	-	1,402,899	-	1,402,899
Acquisition of partial interest in a subsidiary and disposal of partial										
interest in an associate	43(a)(v)	-	-	-	-	-	(2,813)	(2,813)	(579)	(3,392)
At 30 June 2017		134,758	2,518,619	(60,668)	-	(2,012)	(9,455)	2,581,242	(73)	2,581,169

Note:

* These reserve accounts comprise the consolidated reserve of approximately HK\$2,446,484,000 (2016: approximately HK\$251,302,000 (restated)) in the consolidated statement of financial position.

Consolidated Statement of Changes in Equity(Continued)

For the year ended 30 June 2017

Share Premium

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

Investment Revaluation Reserve

The investment revaluation reserve represents accumulated gains and losses arising on the revaluation of investments at fair value through other comprehensive income. This amount will not be reclassified to profit or loss.

Contributed Surplus

The contributed surplus of the Group represents the difference between the aggregate of the nominal amount of the share capital and share premium of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the share capital issued as consideration for the acquisition and capital reduction transferred from share capital to contributed surplus account of the Company. Pursuant to a special resolution passed at a special general meeting held on 17 June 2015, the directors are authorised to apply any credit balance in the contributed surplus account of the Company resolved to set-off and eliminate the accumulated losses of the Company in the amount of approximately HK\$261,837,000 with the contributed surplus account.

Foreign Currency Translation Reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollars) are recognised directly in other comprehensive income. Accumulated foreign currency translation reserve is reclassified to profit or loss upon the disposal of the foreign operations.

37

³⁸ Consolidated Statement of Cash Flows

For the year ended 30 June 2017

Written off of property, plant and equipment28Acquisition of investments at fair value through profit or loss(38,191)Proceeds on disposal of financial assets at fair value(38,191)through profit or loss(17)Bank interest income(17)Loan interest income from pledged bank deposits(18)Interest income from pledged bank deposits(192)Casin on disposal of subsidiaries43(b)(ii)Loss on disposal of property, plant and equipment-Change in fair value of investments at fair value-through profit or loss(484)Change in fair value of derivative financial instruments(6,917)Share of results of a joint venture1Operating profit/(loss) before working capital change(62,208)Change in inventories(69,957)Operating profit/(loss) before working capital change(23,715)Change in prepayments, deposits and other receivables(65,551)Change in prepayments, deposits and other receivables(23,715)Change in trade receivables(23,715)Change in trade payables(306,517)Change in trade payables(23,715)Change in trade payables(306,517)Change in operations(306,517)Change in operations(306,517)Change in operations(306,517)		Notes	2017 HK\$'000	2016 HK\$'000 (Restated)
Adjustments for: Amortisation of film rights22,526 Amortisation of intangible assets22,526 4,79727,027 4,617Depreciation of property, plant and equipment22,097 4,6174,617 4,20974,617 4,617Finance costs13,97810,814Impairment loss of trade receivables-3,900Impairment loss of deposit and other receivables-3,000Impairment loss of deposit and other receivables-3,600Impairment loss of goodwill3,664Written off of inventories112122Written off of property, plant and equipment28-Acquisition of investments at fair value through profit or loss(38,191)(58,725Proceeds on disposal of financial assets at fair value(17)(18Interest income(188)-(23)Interest income from pledged bank deposits(192)(177)Change in divestue of derivative financial instruments(6,917)(23)Change in divestue of derivative financial instruments(6,917)(23)Share of results of associates(533)(1,57)Change in lair value of derivative financial instruments(69,957)9,9216Change in trade receivables(153)(154)Change in lair value of appretive financial instruments(69,957)9,9216Change in lair value of derivative financial instruments(69,957)9,216Change in lair value of appretive financial instruments(69,957)(17,168)Change in loar neceivables			44.949	(400, 470)
Amortisation of film rights22,52627,027Amortisation of intangible assets1,797400Depreciation of property, plant and equipment22,0974,617Finance costs13,97810,814Impairment loss of trade receivables-390Impairment loss of other receivables-300Impairment loss of other receivables-300Impairment loss of other receivables-3500Impairment loss of operayment-25,101Impairment loss of operayment-3660Written off of prepayment and other receivables112122Written off of prepayment and other receivables133111Written off of prepayment and other receivables(38,191)(58,725Proceeds on disposal of financial assets at fair value1(77)(186Loan interest income(177)(186-Change in fair value of investments at fair value-(23Gain on disposal of subsidiaries43(b)(ii)(17,089)-Change in fair value of investments at fair value(23Change in fair value of investments at fair value(23C			14,819	(183,479)
Amortisation of intangible assets1,79740Depreciation of property, plant and equipment22,0974,617Finance costs13,97810,814Impairment loss of tide receivables-330Impairment loss of deposit and other receivables-3500Impairment loss of loan receivables-3,600Impairment loss of loan receivables-3,600Impairment loss of loan receivables-3,600Impairment loss of loan receivables-3,660Written off of prepayment-25,101Impairment loss of goodwillWritten off of property, plant and equipment28Acquisition of investments at fair value through profit or loss(38,191)Proceeds on disposal of financial assets at fair value(177)through profit or loss(188)Interest income(188)Loan interest income(188)Change in fair value of investments at fair value-through profit or loss(345)(ii)Gain on disposal of associates43(b)(ii)Change in fair value of derivative financial instruments(6,917)Change in fair value of derivative financial instruments(63,957)Change in trade receivables(154Change in inventories(69,957)Change in inventories(69,957)Change in inventories(69,957)Change in inventories(69,957)Change in inventories(69,957)Change in inventories(69,551)Change in			22 526	27.027
Depreciation of property, plant and equipment22,0974.617Finance costs13,97810,814Impairment loss of film rights-47,565Impairment loss of loposit and other receivables-100Impairment loss of oposit and other receivables-300Impairment loss of oposit and other receivables-3,500Impairment loss of oposit and other receivables-3,500Impairment loss of oposit and other receivables-3,664Written off of inventories112122Written off of prepayment and other receivables133111Written off of property, plant and equipment28-Acquisition of investments at fair value through profit or loss(38,191)(58,725Proceeds on disposal of financial assets at fair value(188)-Interest income(177)(18Los on disposal of subsidiaries43(b)(ii)(17,089)Los on disposal of subsidiaries43(b)(ii)(17,089)Los on disposal of associates(533)(1,057)Change in fair value of investments at fair value-(23Change in fair value of derivative financial instruments(6,917)2,346Change in inventories(1533)(1,057)2,346Change in fair value of a joint venture1(3Change in inventories(65,551)(17,688Change in inventories(65,551)(17,688Change in inventories(65,551)(17,688Change in inventories(55,551				
Finance costs13,97810,814Impairment loss of film rightsImpairment loss of trade receivablesImpairment loss of trade receivablesImpairment loss of oprepayment25,101Impairment loss of oprepayment25,101Impairment loss of oprepayment and other receivables112122Written off of inventories112122Written off of property, plant and equipment28-Acquisition of investments at fair value through profit or loss(38,191)(56,725Proceeds on disposal of financial assets at fair value45,21913,300Interest income(177)(18Loan interest income(186)-Interest income from pledged bank deposits(192)(177)Gain on disposal of subsidiaries43(b)(ii)(17,089)Change in fair value of investments at fair value-(233)Change in fair value of investments at fair value-(233)Change in fair value of derivative financial instruments(6,917)2,344Share of results of a joint venture1(3Operating profit/(los) before working capital change(62,208(87,072Change in inzertexibles(65,551)(17,188Change in inzertexibles(23,715)(56,677)Change in inzertexibles(23,715)(56,677)Change in inzertexibles(23,715)(56,677)Change in inzertexibles(23,715)<				
Impairment loss of film rights-47,565Impairment loss of deposit and other receivables-390Impairment loss of loan receivables-3,500Impairment loss of oprepayment-25,101Impairment loss of goodwill-3,660Written off of trade receivables112122Written off of trade receivables112122Written off of prepayment and other receivables133111Written off of prepayment and equipment28-Acquisition of investments at fair value through profit or loss(38,191)(58,725Proceeds on disposal of financial assets at fair value(177)(18Loan interest income(188)Change in fair value of investments at fair value(189)Loss on disposal of subsidiaries43(b)(ii)(17,069)Change in fair value of investments at fair value-(23Change in fair value of derivative financial instruments(6,917)2,346Change in fair value of derivative financial instruments(6,917)2,346Change in loan receivables(65,551)(17,189Change in loan receivables(69,957)9,218Change in loan receivables(65,551)(17,189Change in nore investories(65,551)(17,189				
Impairment loss of trade receivables-330Impairment loss of loan receivables-100Impairment loss of loan receivables-3,500Impairment loss of prepayment-25,101Impairment loss of goodwill-3,664Written off of inventories112122Written off of prepayment and other receivables1131111Written off of prepayment and other receivables1331111Written off of prepayment and other receivables1331111Written off of prepayment and other receivables1331111Written off of prepayment and equipment28-Acquisition of investments at fair value through profit or loss(38,191)(58,725Proceeds on disposal of financial assets at fair value(171)(188)Loan interest income(171)(188)-Interest income from pledged bank deposits(192)(171)Change in fair value of investments at fair value-(23Change in fair value of derivative financial instruments(6,917)2,344Change in fair value of derivative financial instruments(6,917)2,345Share of results of a sociates3,593(154Change in loan receivables(65,551)(17,188Change in niventories(69,957)9,218Change in niventories(69,957)9,218Change in norecivables(22,808(87,072Change in norecivables(55,51)(17,188Change in nacruals, deposits and other recei			13,970	
Impairment loss of deposit and other receivables-100Impairment loss of prepayment-3,500Impairment loss of grepayment-25,101Impairment loss of grepayment-3,664Written off of inventories112122Written off of trade receivables112122Written off of prepayment and other receivables133111Written off of prepayment and equipment28-Acquisition of investments at fair value through profit or loss(38,191)(58,725Proceeds on disposal of financial assets at fair value(17)(18Loan interest income(17)(18Loan interest income(188)-Interest income from pledged bank deposits(192)(171)Cain on disposal of subsidiaries43(b)(ii)(17,089)-Charge in fair value of investments at fair value-(23Charge in fair value of investments at fair value-(23Charge in fair value of derivative financial instruments(6,33)(1,057Share of results of a sociates(533)(1,057Charge in inventories(69,957)9,218Charge in inventories(69,957)9,218Charge in inventories(69,957)9,218Charge in rade receivables(293,715)(56,677)Charge in neceivables(293,715)(56,677)Charge in neceivables(293,715)(56,677)Charge in neceivables(220,897)9,218Charge in neceivables(22				
Impairment loss of loan receivables-3,500Impairment loss of grepayment-25,101Impairment loss of goodwill-3,664Written off of inventories112122Written off of trade receivables113111Written off of prepayment and other receivables133111Written off of property, plant and equipment28-Acquisition of investments at fair value through profit or loss(38,191)(58,725Proceeds on disposal of financial assets at fair value45,21913,309Bank interest income(17)(188)Loan interest income(188)-Interest income form pledged bank deposits(192)(171)Change in fair value of investments at fair value3,449-Change in fair value of investments at fair value-(23Change in fair value of derivative financial instruments(6,917)2,344Share of results of associates3,593(1,669Change in inventories(6,917)2,344(3Change in inventories(6,957)9,218Change in inventories(6,957)9,218Change in inventories(65,551)(17,189Change in race receivables(23,715)(56,677Change in inventories(65,551)(17,189Change in interde receivables(23,715)(56,677Change in race receivables(23,715)(56,677Change in race receivables(23,715)(56,677)Change in receivables(6				
Impairment loss of prepayment-25,101Impairment loss of goodwill-3,664Written off of inventories112122Written off of trade receivables113111Written off of prepayment and other receivables133111Written off of property, plant and equipment28-Acquisition of investments at fair value through profit or loss(38,191)(58,725Proceeds on disposal of financial assets at fair value45,21913,300Bank interest income(17)(18)Loss on disposal of subsidiaries43(b)(ii)(17,089)Can on disposal of property, plant and equipment-(23Change in fair value of divestments at fair value-(23Change in fair value of divestments at fair value-(23Change in fair value of divestive financial instruments(69,17)(2,344)Share of results of a joint venture1(3Operating profit/(loss) before working capital change(69,957)9,218Change in inventories(69,957)9,218Change in neceivables(69,957)9,218Change in prepayments, deposits and other receivables(233,715)(56,677Change in prepayments, deposits received and other payables(55,021)(117,439Change in prepayments, deposits received and other payables(55,021)(22,678Change in prepayments, deposits received and other payables(56,021)(2,677)Change in trade receivables(69,957)9,218Change in p				
Impairment loss of goodwill-3,664Written off of inventories1,660-Written off of trade receivables112122Written off of property, plant and equipment28-Acquisition of investments at fair value through profit or loss(38,191)(58,725Proceeds on disposal of financial assets at fair value45,21913,30through profit or loss(177)(188)Bank interest income(192)(177)Loan interest income from pledged bank deposits(192)(177)Gain on disposal of subsidiaries43(b)(ii)(17,089)Loss on disposal of property, plant and equipment-(23Change in fair value of investments at fair value-(23through profit or loss(484)17,688Change in fair value of derivative financial instruments(6,917)2,345Share of results of associates(533)(1,067Change in intraventores3,593(154Change in intraventores(533)(1,067Change in intraventores(6,917)2,346Change in intraventores(6,917)2,346Change in intraventores(6,957)9,216Change in intrade receivables(65,551)(17,189Change in intrade receivables<				
Written off of inventories1,660Written off of trade receivables112Written off of proparyment and other receivables133Written off of property, plant and equipment28Acquisition of investments at fair value through profit or loss(38,191)Proceeds on disposal of financial assets at fair value45,219through profit or loss(177)Bank interest income(177)Cain on disposal of subsidiaries43(b)(ii)Cain on disposal of subsidiaries43(b)(iii)Change in fair value of investments at fair value-through profit or loss(484)Change in fair value of investments at fair value-through profit or loss(6,917)Quarting profit/(loss) before working capital change(62,208Change in inventories(69,957)Change in neceivables(69,957)Change in neceivables(65,551)Change in neceivables(65,551)Change in trade receivables(65,551)Change in trade receivables(65,551)Change in trade payables(56,777)Change in trade payables(293,715)Change in trade payables(56,577)Change in accruals, deposits received and other payables(306,5177)Change in operations(117,439)Change in operations(306,5177)Change in operations(306,5177)Change in operations(306,5177)Change in operations(306,5177)Change in operations(306,5177)Change in operations<			_	
Written off of trade receivables112129Written off of prepayment and other receivables133111Written off of prepayment and other receivables133111Written off of property, plant and equipment28-Acquisition of investments at fair value through profit or loss(38,191)(58,725Proceeds on disposal of financial assets at fair value45,21913,309Bank interest income(177)(188)Loan interest income(188)-Interest income from pledged bank deposits(192)(171Gain on disposal of subsidiaries43(b)(ii)(17,089)Loss on disposal of property, plant and equipmentChange in fair value of investments at fair value(484)17,688Change in fair value of derivative financial instruments(6,917)2,344Share of results of a sionciates(533)(1,057Share of results of a joint venture1(3Change in inventories(69,957)9,218Change in noreceivables(69,957)9,218Change in neceivables(65,551)(17,149Change in neceivables(65,551)(17,143Change in neceivables(65,551)(17,143Change in neceivables(65,551)(17,143Change in neceivables(65,551)(17,143Change in neceivables(65,551)(17,143Change in neceivables(65,551)(17,143Change in neceivables(65,521)(2,686Change in neceivables<			1 660	- 0,004
Written off of prepayment and other receivables133111Written off of property, plant and equipment28-Acquisition of investments at fair value through profit or loss(38,191)(58,725Proceeds on disposal of financial assets at fair value(17)(18through profit or loss(17)(18Bank interest income(17)(188)Loan interest income from pledged bank deposits(192)(171)Gain on disposal of subsidiaries43(b)(ii)(17,089)Loss on disposal of subsidiaries43(b)(ii)(17,089)Change in fair value of investments at fair value-(23Change in fair value of derivative financial instruments(6,917)2,346Share of results of a joint venture1(3Operating profit/(loss) before working capital change(69,957)9,218Change in inventories(65,551)(17,173)Change in trade receivables(65,551)(17,1749)Change in trade receivables(65,551)(17,183)Change in trade receivables(65,551)(17,183)Change in trade receivables(65,551)(17,183)Change in trade payables(65,551)(17,183)Change in prepayments, deposits and other receivables(293,715)Change in trade payables(56,677)Change in necturals, deposits received and other payables(306,517)Cash used in operations(306,517)Income taxes paid-Cash used in operations(306,517)Income taxes pa				129
Written off of property, plant and equipment28Acquisition of investments at fair value through profit or loss(38,191)Proceeds on disposal of financial assets at fair value(38,191)through profit or loss(17)Bank interest income(17)Loan interest income from pledged bank deposits(18)Interest income from pledged bank deposits(192)Casin on disposal of subsidiaries43(b)(ii)Loss on disposal of property, plant and equipment-Change in fair value of investments at fair value-through profit or loss(484)Change in fair value of derivative financial instruments(6,917)Share of results of a joint venture1Operating profit/(loss) before working capital change(62,208)Change in inventories(69,957)Operating profit/(loss) before working capital change(23,715)Change in prepayments, deposits and other receivables(65,551)Change in prepayments, deposits and other receivables(23,715)Change in trade receivables(23,715)Change in trade payables(306,517)Change in trade payables(23,715)Change in trade payables(306,517)Change in operations(306,517)Change in operations(306,517)Change in operations(306,517)				111
Acquisition of investments at fair value through profit or loss(38,191)(58,725)Proceeds on disposal of financial assets at fair value through profit or loss45,21913,309Bank interest income(17)(18)Loan interest income(188)-Interest income from pledged bank deposits(192)(171)Gain on disposal of subsidiaries43(b)(ii)(17,089)Loss on disposal of property, plant and equipment-(23)Change in fair value of investments at fair value-(23)through profit or loss(484)17,688Change in fair value of derivative financial instruments(6,917)2,349Share of results of associates(533)(1,057)Share of results of a joint venture1(3)Operating profit/(loss) before working capital change(69,957)9,218Change in inventories(69,957)9,218Change in prepayments, deposits and other receivables(65,551)(17,189)Change in prepayments, deposits and other receivables(23,715)(56,677)Change in accruals, deposits received and other payables65,02122,698Cash used in operations(306,517)(117,439)Income taxes paid-(9)				_
Proceeds on disposal of financial assets at fair value through profit or loss45,219 (17)13,309 (17)Bank interest income(188) (192)-Loan interest income(188) (192)-Interest income from pledged bank deposits(192)(171 (171 Gain on disposal of associates-Gain on disposal of property, plant and equipment(23Change in fair value of investments at fair value through profit or loss(484)17,686Change in fair value of derivative financial instruments(6,917) (1,333)2,346Share of results of a sociates(533)(1,057)Share of results of a joint venture1(3Operating profit/(loss) before working capital change Change in inventories(62,208 (87,072)(87,072) (117,188)Change in inventories Change in inventories(69,957) (9,214)9,214Change in trade receivables(69,957) (17,188)9,214Change in inventories Change in inventories(8,116) (117,188)11,737 (117,438)Change in accruals, deposits and other receivables(293,715) (56,677)(56,677) (2,248)Cash used in operations Income taxes paid(306,517) (117,438)(117,438)Cash used in operations Income taxes paid-(9				(58,725)
through profit or loss45,21913,309Bank interest income(17)(18Loan interest income(188)-Interest income from pledged bank deposits(192)(171)Gain on disposal of subsidiaries43(b)(ii)(17,089)Loss on disposal of property, plant and equipment-(23)Change in fair value of investments at fair value(484)17,688Change in fair value of derivative financial instruments(6,917)2,348Share of results of a sociates(533)(1,057)Share of results of a joint venture1(3)Operating profit/(loss) before working capital change62,208(87,072)Change in inventories(69,957)9,218Change in trade receivables(65,551)(17,188)Change in trade receivables(65,551)(17,188)Change in trade payables(8,116)11,737Change in trade payables(8,116)11,737Change in accruals, deposits and other payables65,02122,698Cash used in operations(306,517)(117,438)Cash used in operations(306,517)(117,439)Income taxes paid-(306,517)			(00,101)	(00), 20)
Bank interest income(17)(18)Loan interest income(192)(171)Gain on disposal of subsidiaries(192)(171)Gain on disposal of associates(192)(171)Gain on disposal of property, plant and equipment-(23)Change in fair value of investments at fair value(484)17,688Change in fair value of derivative financial instruments(6,917)2,346Share of results of associates(533)(1,057)Share of results of a joint venture1(3)Operating profit/(loss) before working capital change(62,208)Change in inventories(69,957)9,218Change in inventories(69,957)9,218Change in inventories(65,551)(17,189)Change in prepayments, deposits and other receivables(293,715)(56,677)Change in accruals, deposits received and other payables65,02122,698Cash used in operations(306,517)(117,438)Income taxes paid-(117,438)			45.219	13,309
Loan interest income(188)Interest income from pledged bank deposits(192)(171Gain on disposal of subsidiaries43(b)(ii)(17,089)-Loss on disposal of associates3,449Gain on disposal of property, plant and equipment(23Change in fair value of investments at fair value(484)17,688-through profit or loss(484)17,688Change in fair value of derivative financial instruments(6,917)2,348-Share of results of associates(533)(1,057Share of results of a joint venture1(3Operating profit/(loss) before working capital change62,208(87,072-Change in inventories(69,957)9,218Change in trade receivables(69,957)9,218Change in trade receivables(65,551)(17,189Change in trade payables(8,116)11,737Change in accruals, deposits and other receivables(293,715)(56,677-Change in accruals, deposits received and other payables65,02122,698-Cash used in operations(306,517)(117,439-(9Income taxes paid(9-(9	5			(18)
Interest income from pledged bank deposits(192)(171Gain on disposal of subsidiaries43(b)(ii)(17,089)-Loss on disposal of associates3,449Gain on disposal of property, plant and equipment-(23Change in fair value of investments at fair value(484)17,688Change in fair value of derivative financial instruments(6,917)2,349Share of results of associates(533)(1,057Share of results of a joint venture1(3Operating profit/(loss) before working capital change62,208(87,072Change in inventories(69,957)9,218Change in neceivables(65,551)(17,189Change in prepayments, deposits and other receivables(293,715)(56,677Change in accruals, deposits received and other payables65,02122,698Cash used in operations(306,517)(117,439Income taxes paid-(20,517)(117,439Income taxes paid-(20,517)(21,517)Income taxes paid-(20,517)(21,517)Income taxes paid-(20,517)(21,517)Income				-
Gain on disposal of subsidiaries43(b)(ii)(17,089)Loss on disposal of associates3,449Gain on disposal of property, plant and equipment-Change in fair value of investments at fair value(484)through profit or loss(484)Change in fair value of derivative financial instruments(6,917)Share of results of associates(533)Share of results of a joint venture1Operating profit/(loss) before working capital change62,208Change in inventories(69,957)Change in inventories(69,957)Change in trade receivables(65,551)Change in trade receivables(293,715)Change in rade receivables(56,677)Change in accruals, deposits received and other payables65,021Cash used in operations(306,517)Income taxes paid-(117,439)Income taxes paid-	Interest income from pledged bank deposits			(171)
Loss on disposal of associates3,449Gain on disposal of property, plant and equipment-Change in fair value of investments at fair value-through profit or loss(484)Change in fair value of derivative financial instruments(6,917)Share of results of associates(533)Share of results of a joint venture1Operating profit/(loss) before working capital change62,208Change in inventories(69,957)Change in loan receivables(69,957)Change in trade receivables(65,551)Change in prepayments, deposits and other receivables(293,715)Change in accruals, deposits received and other payables65,021Cash used in operations(306,517)Income taxes paid-Cash used in operations(306,517)Income taxes paid-		43(b)(ii)		()
Gain on disposal of property, plant and equipment-(23Change in fair value of investments at fair value(484)17,688Change in fair value of derivative financial instruments(6,917)2,349Change in fair value of derivative financial instruments(6,917)2,349Share of results of associates(533)(1,057Share of results of a joint venture1(3Operating profit/(loss) before working capital change62,208(87,072Change in inventories3,593(154Change in loan receivables(69,957)9,218Change in trade receivables(65,551)(17,189Change in trade receivables(293,715)(56,677Change in accruals, deposits and other receivables(306,517)(117,439Cash used in operations(306,517)(117,439Income taxes paid-(9-		- (- / ()		_
Change in fair value of investments at fair value through profit or loss(484)17,688Change in fair value of derivative financial instruments(6,917)2,349Share of results of associates(533)(1,057Share of results of a joint venture1(3Operating profit/(loss) before working capital change62,208(87,072Change in inventories3,593(154Change in loan receivables(69,957)9,218Change in trade receivables(65,551)(17,189Change in trade payables(293,715)(56,677Change in accruals, deposits received and other payables65,02122,698Cash used in operations(306,517)(117,439Income taxes paid–(9(117,439			· _	(23)
through profit or loss(484)17,688Change in fair value of derivative financial instruments(6,917)2,349Share of results of associates(533)(1,057Share of results of a joint venture1(3Operating profit/(loss) before working capital change62,208(87,072Change in inventories3,593(154Change in loan receivables(69,957)9,218Change in prepayments, deposits and other receivables(65,551)(17,189Change in trade payables(293,715)(56,677Change in accruals, deposits received and other payables65,02122,698Cash used in operations(306,517)(117,439Income taxes paid-(9-				()
Change in fair value of derivative financial instruments(6,917)2,349Share of results of associates(1,057)Share of results of a joint venture1Operating profit/(loss) before working capital change62,208Change in inventories3,593Change in inventories3,593Change in loan receivables(69,957)Change in trade receivables(65,551)Change in prepayments, deposits and other receivables(293,715)Change in accruals, deposits received and other payables65,021Cash used in operations(306,517)Income taxes paid-			(484)	17,688
Share of results of associates(1,057Share of results of a joint venture1Operating profit/(loss) before working capital change62,208Change in inventories3,593Change in loan receivables(69,957)Change in trade receivables(65,551)Change in prepayments, deposits and other receivables(293,715)Change in accruals, deposits received and other payables65,021Cash used in operations(306,517)Income taxes paid-				2,349
Share of results of a joint venture1(3)Operating profit/(loss) before working capital change Change in inventories Change in loan receivables Change in trade receivables Change in prepayments, deposits and other receivables Change in accruals, deposits received and other payables62,208 (87,072 (89,957) (9,218) (65,551) (17,189) (17,189) (56,677) (8,116) (117,439) (117,439)Cash used in operations Income taxes paid(306,517) (117,439) (117,439)				(1,057)
Change in inventories3,593(154Change in loan receivables(69,957)9,218Change in trade receivables(65,551)(17,189Change in prepayments, deposits and other receivables(293,715)(56,677Change in trade payables(8,116)11,737Change in accruals, deposits received and other payables65,02122,698Cash used in operations(306,517)(117,439Income taxes paid–(9	Share of results of a joint venture			(3)
Change in inventories3,593(154Change in loan receivables(69,957)9,218Change in trade receivables(65,551)(17,189Change in prepayments, deposits and other receivables(293,715)(56,677Change in trade payables(8,116)11,737Change in accruals, deposits received and other payables65,02122,698Cash used in operations(306,517)(117,439Income taxes paid–(9	Operating profit/(loss) before working capital change		62.208	(87 072)
Change in loan receivables(69,957)9,218Change in trade receivables(65,551)(17,189Change in prepayments, deposits and other receivables(293,715)(56,677Change in trade payables(8,116)11,737Change in accruals, deposits received and other payables65,02122,698Cash used in operations(306,517)(117,439)Income taxes paid–(9)				
Change in trade receivables(65,551)(17,189)Change in prepayments, deposits and other receivables(293,715)(56,677)Change in trade payables(8,116)11,737Change in accruals, deposits received and other payables65,02122,698Cash used in operations(306,517)(117,439)Income taxes paid–(9)				
Change in prepayments, deposits and other receivables(293,715)(56,677Change in trade payables(8,116)11,737Change in accruals, deposits received and other payables65,02122,698Cash used in operations(306,517)(117,439)Income taxes paid–(9				
Change in trade payables(8,116)11,737Change in accruals, deposits received and other payables65,02122,698Cash used in operations(306,517)(117,439)Income taxes paid–(9)	-			
Change in accruals, deposits received and other payables65,02122,698Cash used in operations(306,517)(117,439)Income taxes paid–(9)				
Income taxes paid – (9				22,698
Income taxes paid – (9	Cash used in operations		(306-517)	(117 439)
			-	(117,400)
Net cash used in operating activities (306,517) (117,448	Net cash used in operating activities		(306,517)	(117,448)

Consolidated Statement of Cash Flows (Continued)

For the year ended 30 June 2017

	Notes	2017 HK\$'000	2016 HK\$'000 (Restated)
Cash flows from investing activities			
Additional costs incurred in and prepayment for film rights and films production in progress Disposal of a film right		(214,164) 1,150	(27,224)
Purchase of property, plant and equipment Proceeds from disposal of property, plant and equipment		(8,736)	(42,931) 85
Acquisition of investments at fair value through other comprehensive income		(28,774)	(3,321)
Disposal of investments at fair value through other comprehensive income		_	5,870
Disposal of subsidiaries Disposal/(acquisition) of associates	43(b)(ii) 19(a), (b) 43(b)(i)	(1,562) 3,000	(6,600) 1,700
Disposal of partial interest in a subsidiary Acquisition of subsidiaries Acquisition of a club membership	43(0)(1)	- 76,204 -	(3,704) (2,930)
Bank interest received Loan interest received		17 188	18
Interest income from pledged bank deposits Increase in pledged bank deposits		192 15	171 (2,038)
Net cash used in investing activities	_	(172,470)	(80,904)
Cash flows from financing activities			
Proceeds from other borrowings		23,592	67,772
Repayment of other borrowings		(30,853)	(26,728)
Repayment of finance lease payables		(638)	(723) 194,842
Proceeds from issue of shares, net of transaction costs Interest paid		598,526 (11,651)	(9,976)
Net cash generated from financing activities		578,976	225,187
Net increase in cash and cash equivalents		99,989	26,835
Effect of changes in foreign exchange rate		99,989	(1,449)
Cash and cash equivalents at beginning of year		46,108	20,722
Analysis of cash and cash equivalents			
Bank and cash balances		147,078	46,108

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

1. GENERAL INFORMATION

The Company is incorporated as an exempted company with limited liability in Bermuda under the Bermuda Companies Act. Its shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business of the Company is 7/F, Zung Fu Industrial Building, 1067 King's Road, Quarry Bay, Hong Kong.

The Company is an investment holding company.

The principal activities of the Company and its subsidiaries (the "Group") are set out in the segment information in note 7 to the consolidated financial statements.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 July 2016. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective except for the early adoption of HKFRS 9 (2009) in the year ended 30 June 2015. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

3. RETROSPECTIVE RESTATEMENT

There were retrospective restatements in the consolidated financial statements for the year ended 30 June 2016. In the consolidated financial statements for the year ended 30 June 2016, the revenue, cost of film production and distribution, selling and distribution costs, administrative expenses, trade receivables and accruals for the box office takings of a film had not been recognised. Accordingly, retrospective restatements have been made by restating the comparative information for the year ended 30 June 2016.

The financial impact of the adjustments described above resulted in decrease in consolidated accumulated losses at 30 June 2016 by approximately HK\$791,000 and on the results and financial position for the year ended 30 June 2016 are as follows:

	2016 HK\$'000 (Restated)
Statement of financial position	
Increase in trade receivables Decrease in prepayment Increase in accruals Decrease in accumulated losses	5,473 (881) (3,801) 791
Profit or loss	
Increase in revenue Increase in cost of film production and distribution Increase in selling and distribution costs Increase in administrative expenses	83,391 (66,499) (16,070) (31)
Earnings per share	
Decrease in basic loss per share Decrease in diluted loss per share	0.02 0.02

⁴² Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Consolidation

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

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

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

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

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

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidation (continued)

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

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Business combination and goodwill

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

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

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

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

Associates

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

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

⁴⁴ Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Associates (continued)

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

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

Joint arrangement

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

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

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

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

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

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

(a) Functional and presentation currency

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

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

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

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

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

(c) Translation on consolidation

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

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- (iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

⁴⁶ Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

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

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

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

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

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

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

Film rights and films production in progress

Film rights include the unamortised cost of completed theatrical films and television episodes, rights acquired or licensed from outsiders for exhibition and other exploitation of the films.

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

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

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

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

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

(i) Operating leases

The Group as lessee

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

(ii) Finance leases

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

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

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

Club membership and trademarks

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

Intangible assets

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

Management contractOver the unexpired contract period of 3 yearsOnline music streaming application10 years

Inventories

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

⁴³ Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets

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

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

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

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

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

They are subsequently measured at amortised cost using the effective interest method less any impairment. An allowance for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of assets. The amount of the allowance is the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

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

(ii) Investments at fair value through profit or loss

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

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

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

(iii) Investments at fair value through other comprehensive income

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

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

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

Cash and cash equivalents

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

Financial liabilities and equity instruments

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

Borrowings

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

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

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Convertible bonds

(a) Compound instrument

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

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

(b) Combined instrument

Convertible bond which entitles the holder to convert the bond into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price, are regarded as combined instruments consist of a liability and derivative components. At the date of issue, the fair values of the derivative components are determined using an option pricing model. The remainder of the proceeds is allocated to the liability component and is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative components are measured at fair value with gains and losses recognised in profit or loss.

Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components on initial recognition.

Trade and other payables

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

Equity instruments

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

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

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

- (a) Artiste management services fee income and marketing income are recognised when services are rendered or substantially performed in accordance with the terms of the contract.
- (b) Income from film production and licensing of corresponding rights is recognised when the production is completed and released and the amount can be measured reliably.
- (c) Income from the distribution of films is recognised when the Group's entitlement to such payments has been established which is upon the delivery of the master copy or materials to the customers or when the notice of delivery is served to the customers.
- (d) Income from box office takings is recognised when the services have been rendered to the buyers.
- (e) Income from sales of goods is recognised, net of discounts and returns, on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customers.
- (f) Income from sales of food and beverage is recognised, net of discounts, in profit or loss at the point of sale to customers.
- (g) Concession stores income is accrued as earned on the basis of the terms of relevant concession agreements, which is on the basis of a minimum payment and a variable amount based on turnover.
- (h) Interest income from a financial asset (including money lending) is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.
- (i) Handling charge income is recognised when earned.

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits

(a) Employee leave entitlements

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

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

(b) Pension obligations

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

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

(c) Termination benefits

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

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

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

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

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

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

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

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

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

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

⁵⁴ Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

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

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Segment reporting

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

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

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of assets

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

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, deferred tax assets, investments, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

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

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

Events after the reporting period

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

For the year ended 30 June 2017

5. KEY ESTIMATES AND CRITICAL JUDGEMENTS

Key sources of estimation uncertainty

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

(a) Impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the value in use or fair value less cost of disposal of the cash-generating units ("CGUs") to which goodwill and the intangible assets have been allocated. The value in use or fair value less cost of disposal calculation require the Group to estimate the present value of the future cash flows expected to arise from the CGUs containing goodwill and the intangible assets using suitable discount rates. Details of the recoverable amount calculation and impairment loss made for the year are disclosed in note 17 and note 18.

(b) Impairment loss in respect of films production in progress

The management of the Group reviews an aging analysis at each end of the reporting period, and identifies the slow-moving films production in progress that is no longer suitable for use in production. The management estimates the net realisable value for such films production in progress based primarily on the latest available market prices and current market conditions. In addition, the Group carries out review on each film at the end of the reporting period and makes allowances for any films production in progress that production is no longer proceeded.

(c) Amortisation and impairment on film rights

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

(d) Fair values of investments at fair value through other comprehensive income

The Group appointed an independent professional valuer to assess the fair values of the investments at fair value through other comprehensive income which quoted prices are not available. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

In the absence of quoted market prices in an active market, the directors estimate the fair value of the Group's investment in Prime Focus World N.V. ("Prime Focus") and Full Wealthy International Limited ("Full Wealthy") which are classified as investments at fair value through other comprehensive income, details of which are set out in note 21 to the consolidated financial statements, by considering information from a variety of sources, including the latest financial information, the historical data on market volatility as well as the price and industry and sector performance of Prime Focus and Full Wealthy.

For the year ended 30 June 2017

5. KEY ESTIMATES AND CRITICAL JUDGEMENTS (CONTINUED)

Key sources of estimation uncertainty (continued)

(e) Impairment loss in respect of trade receivables and loans receivables

The policy for impairment loss in respect of trade receivables and loans receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(f) Useful lives of property, plant and equipment

In accordance with HKAS 16 "Property, Plant and Equipment", the Group estimates the useful lives of property, plant and equipment to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, and technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid. The Group tests annually whether the assets have suffered any impairment. The recoverable amount of an asset or a cash-generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

(g) Asset retirement obligations

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

(h) Fair value of derivative component

Derivative component of the convertible bonds

As disclosed in note 37 to the financial statements, the fair values of the derivative component of the convertible bonds at the date of issue and the end of the reporting period were determined using option pricing models. Application of option pricing models requires the Group to estimate the prominent factors affecting the fair value, including but not limited to, the expected life of the derivative components, the expected volatility of the share prices of the Company and the potential dilution in the share prices of the Company. Where the estimation on these factors is different from those previously estimated, such differences will impact the fair value gain or loss of the derivative component in the period in which such determination is made.

Derivative component of the profit guarantee

The management of the Group uses their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments arising from profit guarantee, management estimated the expected amount of the guarantee will be required to pay based on current available information. If the inputs and estimates applied in the model are different, the carrying amount of those derivatives may change.

For the year ended 30 June 2017

KEY ESTIMATES AND CRITICAL JUDGEMENTS (CONTINUED) 5.

Critical judgements in applying accounting policies

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

(a) Artiste management services fee income

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

(b) Accounting for an associate

As at 30 June 2016, although the Group owns 55% of the equity interest in GME Holdings Limited ("GME Holdings"), GME Holdings was treated as an associate because the Group was not able to control the relevant activities of GME Holdings as a result of the shareholders' agreement between the Group and other shareholders of GME Holdings.

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

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

Sensitivity analysis

As Hong Kong dollars is pegged to US\$, the currency risk associated with US\$ and HK\$ is considered minimal. The Directors of the Company are of the opinion that the Group's exposures to currency risk associated with US\$ is minimal. Accordingly, no sensitivity analysis is presented.

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

The following table details the group entities sensitivity to a 5% increase and decrease in functional currency of the relevant group entities against the relevant foreign currencies. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the reporting date on a 5% change in foreign currency rates. A positive number below indicates an increase in profit (2016: decrease in loss) where functional currency of the relevant group entities weakens 5% against the relevant foreign currency. For a 5% strengthen of functional currency of the relevant group entities against the relevant foreign currency, there would be an equal and opposite impact on the loss or profit, and the balance below would be negative.

2017 HK\$'000	2016 HK\$'000
 2,444	893

For the year ended 30 June 2017

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Interest rate risk

The Group's other borrowings of approximately HK\$84,251,000 (2016: HK\$118,372,000) bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

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

(c) Price risk

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

Sensitivity analysis

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

If prices had been 5% higher/lower, the Group's consolidated profit (2016: loss) after tax for the year would increase/decrease (2016: decrease/increase) by HK\$884,000 (2016: HK\$1,386,000) as the price of investments at fair value through profit or loss of HK\$21,184,000 (2016: HK\$27,728,000) had been 5% higher/lower. The consolidated other comprehensive loss (2016: loss) would decrease/increase (2016: decrease/increase) approximately HK\$4,710,000 (2016: approximately HK\$939,000) as the price of investments at fair value through other comprehensive income of approximately HK\$94,208,000 (2016: approximately HK\$1,787,000) had been 5% higher/lower.

(d) Credit risk

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

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

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

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 30 June 2017 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade receivables and loan receivables. In order to minimise credit risk, the Directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

For the year ended 30 June 2017

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Liquidity risk

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

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

	Less than 1 month or							Total	
	repayable on demand HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-2 years HK\$'000	2-3 years HK\$'000	3-5 years HK\$'000	Over 5 years HK\$'000	Undiscounted cash flows HK\$'000	Carrying amount HK\$'000
At 30 June 2017									
Trade payables	62,589	-	-	-	-	-	-	62,589	62,589
Accruals and other payables	64,629	-	-	-	-	28	17,540	82,197	82,197
Other borrowings	26,843	464	59,454	-	-	-	-	86,761	84,251
Convertible bonds	2,000	-	3,500	-	-	50,000	-	55,500	45,719
Promissory note payable	14,160	-	-	-	-	-	-	14,160	14,160
Finance lease payables	50	97	438	584	584	1,169	1,607	4,529	1,929
	170,271	561	63,392	584	584	51,197	19,147	305,736	290,845
	Less than								
	1 month or							Tota	al
	repayable	1-3	3 months	1-2	2-3	3-5	Over 5	Undiscounted	Carrying
	on demand	months	to 1 year	years	years	years	years	cash flows	amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 30 June 2016									
Trade payables	21,391	-	-	-	-	-	-	21,391	21,391
Accruals and other payables (Restated)	32,924	-	-	-	-	33	12,464	45,421	45,421
Other borrowings	10,552	69,619	16,283	27,500	-	-	-	123,954	118,372
Convertible bonds	2,000	-	-	7,000	-	-	-	9,000	7,919
Promissory note payable	14,160	-	-	-	-	-	-	14,160	14,160
Finance lease payables	50	100	450	600	600	1,199	2,248	5,247	2,065
	81,077	69,719	16,733	35,100	600	1,232	14,712	219,173	209,328

60

For the year ended 30 June 2017

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Categories of financial instruments

	At 30 June			
	2017 HK\$'000	2016 HK\$'000 (Restated)		
Financial assets: Investments at fair value through profit or loss Investments at fair value through other	21,184	27,728		
comprehensive income	358,497	18,787		
Financial assets at amortised cost (including bank and cash balances)	728,622	159,963		
Financial liabilities: Derivative financial instruments Financial liabilities at amortised costs	34,376 288,916	11,099 207,263		

(g) Fair values

The carrying amounts of the Group's financial assets and liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

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

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

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

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

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

⁶² Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2017

FINANCIAL RISK MANAGEMENT (CONTINUED) 6.

Fair values (continued) (g)

Disclosures of level in fair value hierarchy (a)

	Fair value			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 30 June 2017 Recurring fair value				
measurements: Investments at fair value through other comprehensive income				
Listed equity securities in Hong Kong Private equity investments	94,208 _	=	_ 264,289	94,208 264,289
Investments at fair value through profit or loss Listed equity securities in				
Hong Kong Derivative financial instruments	21,184 _	34,376	=	21,184 34,376
	115,392	34,376	264,289	414,057
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 30 June 2016 Recurring fair value				
measurements: Investments at fair value through other comprehensive				
income Listed equity securities in Hong Kong	18,787	_	_	18,787
Investments at fair value through profit or loss				
Listed equity securities in Hong Kong Derivative financial instruments	27,728	_ 11,099		27,728 11,099
	46,515	11,099	_	57,614

For the year ended 30 June 2017

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair values (continued)

(b) Reconciliation of assets measured at fair value based on level 3:

	Financial assets at fair value through other comprehensive income
Description	Equity investments 2017 HK\$'000
At 1 July 2016 Purchases	
At 30 June 2017	264,289

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

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

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

⁶⁴ Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2017

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair values (continued)

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

Level 2 fair value measurements

Description	Valuation technique	Inputs	Rate	Fair value 2017 HK\$'000
Derivative financial instruments	(a) Binominal model	Expected Volatility	78%-139%	34,376
Instruments		Discount rate	11%-12%	
		Expected dividend yield	0%	
Description	Valuation technique	Inputs	Rate	Fair value 2016 HK\$'000
- Derivative financial		Inputs Expected Volatility	Rate 105%	2016
	technique			2016 HK\$'000

For the year ended 30 June 2017

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair values (continued)

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

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2017 HK\$'000	
Private equity investments	Discounted cash flow	Weighted average cost of capital	15%	Decrease	264,289	
classified as			3%	Increase		
financial assets at fair value through other		Terminal growth rate	10%	Decrease		
comprehensive income		Discount for lack of marketability				
Derivatives financial liabilities	Discounted cash flow	Expected amount of the guarantee paid estimated by the management of the Group	_	Increase	-	
		0				

During the year, there was no changes in the valuation techniques used.

7. SEGMENT INFORMATION

The Group has six reportable segments as follows:

- Artiste management services
- Distribution and production of films, television programmes and music production
- Money lending
- Operation of cinemas
- Securities and bonds investment
- Sales of good, food and beverage under the brand name of HMV ("HMV business")

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

Information regarding the above segment is reported below.

⁶⁶ Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2017

7. **SEGMENT INFORMATION (CONTINUED)**

Segment revenue and results (a)

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

	Arti manag serv	ement	Distribu produc films, te program music pr	tion of levision mes and	Mor lend	•	Opera of cin		Secu and b invest	onds	HMV bi	isiness	To	tal
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Restated)	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Restated)
REVENUE:														
Revenue from external customers	108,125	93,647	218,060	178,953	16,653	8,961	37,162	30,058	-	-	181,388	_	561,388	311,619
RESULTS: Segment profit/(loss)	(6,181)	(3,850)	77,711	(82,980)	13,295	1,814	(24,924)	(32,677)	7,401	(17,688)	(28,068)	-	39,234	(135,381)
Bank interest income													17	18
pledged bank deposits Loan interest income Unallocated corporate													192 188	171
expenses Finance costs Gain on disposal of													(25,006) (13,978)	(38,533) (10,814)
subsidiaries Loss on disposal of associates													17,089 (3,449)	-
Share of results of associates Share of results of a joint													533	1,057
venture													(1)	3
Profit/(loss) before taxation Income tax credit													14,819 6,590	(183,479) 3,131
Profit/(loss) for the year													21,409	(180,348)

The accounting policies on segment reporting are the same as the Group's accounting policies. Segment results represent the profit earned by or loss incurred from each segment without allocation of unallocated corporate expenses, bank interest income, interest income from pledged bank deposits, loan interest income, finance costs, gain on disposal of subsidiaries, loss on disposal of associates, share of results of associates and share of results of a joint venture and taxation. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

For the year ended 30 June 2017

7. SEGMENT INFORMATION (CONTINUED)

(b) Segment assets and liabilities

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

	Arti manag serv	ement	Distribu produc films, te program music pr	tion of levision mes and	Mo	ney ling	Oper of cin	ation emas	Secu and b invest	onds	HMV bu	usiness	To	tal
ASSETS:	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Restated)	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000		2016 HK\$'000 (Restated)
Segment assets	21,651	55,369	646,099	245,507	102,028	55,175	75,359	79,937	379,681	46,515	1,401,931	-	2,626,749	482,503
Interest in a joint venture Interest in associates Unallocated corporate assets Total assets													109 16,255 412,207 3,055,320	110 27,658 46,164 556,435
LIABILITIES: Segment liabilities	16,451	48,487	156,981	57,741	13,276	35,716	31,830	31,427	898	10,372	65,413	_	284,849	183,743
Unallocated corporate liabilities													189,302	81,300
Total liabilities													474,151	265,043

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

- all assets are allocated to reportable segments other than other non-current financial asset, and unallocated head office and corporate assets as these assets are managed on a group basis; and
- all liabilities are allocated to reportable segments other than current tax liabilities, convertible bonds, promissory note, and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

⁶⁸ Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2017

7. SEGMENT INFORMATION (CONTINUED)

(c) Other segment information

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

	manag	iste Jement Vices	produc films, te program	tion and ction of elevision mes and roduction		ney ding		ration nemas	Securit bonds in		HMV bi	usiness	To	tal
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditure	39	33	3,277	906	-	-	915	53,616	-	-	6,522	-	10,753	54,555
Depreciation of property,														
plant and equipment	224	264	1,238	638	-	-	11,900	3,683	-	-	8,735	-	22,097	4,585
Amortisation of film rights	-	-	22,526	27,027	-	-	-	-	-	-	-	-	22,526	27,027
Amortisation of intangible														
assets	244	40	1,553	-	-	-	-	-	-	-	-	-	1,797	40
Impairment loss of														
film rights	-	-	-	47,565	-	-	-	-	-	-	-	-	-	47,565
Impairment loss of goodwill	-	3,664	-	-	-	-	-	-	-	-	-	-	-	3,664
Impairment loss of loan														
receivables	-	-	-	-	-	3,500	-	-	-	-	-	-	-	3,500
Impairment loss of														
trade receivables	-	-	-	390	-	-	-	-	-	-	-	-	-	390
Impairment loss of deposits														
and other receivables	-	-	-	100	-	-	-	-	-	-	-	-	-	100
Impairment loss of														
prepayments	-	-	-	25,101	-	-	-	-	-	-	-	-	-	25,101
Written off of inventories	-	-	-	-	-	-	-	-	-	-	1,660	-	1,660	-
Written off of property, plant														
and equipment	-	-	-	-	-	-	28	-	-	-	-	-	28	-
Written off of prepayments														
and other receivables	-	-	133	111	-	-	-	-	-	-	-	-	133	111
Written off of trade														
receivable	-	-	112	129	-	-	-	-	-	-	-	-	112	129

For the year ended 30 June 2017

7. SEGMENT INFORMATION (CONTINUED)

(d) Geographical information

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

The Group's revenue from external customers classified in accordance with geographical location of customers during the reporting period and information about the non-current assets, except deferred tax assets and investments at fair value through other comprehensive income, classified in accordance with geographical location of the assets at the end of the reporting period are detailed below.

	Reve from cu		Non-current assets		
	2017 HK\$'000	2016 HK\$'000 (Restated)	2017 HK\$'000	2016 HK\$'000 (Restated)	
Hong Kong (place of domicile) The PRC Taiwan Other Asian countries (note (a)) North America (note (b)) European countries (note (c)) Other areas	435,320 117,839 1,539 2,377 - 4,035 278	85,993 218,639 216 6,271 291 209 -	1,917,108 53,578 - - - - - -	256,566 63,424 - - - - - -	
	561,388	311,619	1,970,686	319,990	

Notes:

- (a) Other Asian countries mainly included Brunei, Indonesia, Korea, Malaysia, Philippines, Singapore, Thailand, Russia and Laos.
- (b) North America included the United States and Canada.
- (c) European countries mainly included Italy, the United Kingdom, Germany, France, Switzerland, Poland, Netherlands and Belgium.

(e) Information about major customers

Revenue from one (2016: two) customers under distribution and production of films, television programmes and music production (2016: artiste management services and music production segment and distribution and production of films and television programmes) contributing over 10% of the total revenue of the Group for the year ended 30 June 2017 which amounted to approximately HK\$87,008,000 (2016: HK\$23,400,000 and HK\$32,956,000) respectively.

For the year ended 30 June 2017

8. **REVENUE**

	2017 HK\$'000	2016 HK\$'000 (Restated)
Artiste management services fee income	108,125	93,647
Films production and licensing of the corresponding rights	24.0.000	170.050
and music production	218,060	178,953
Interest income and handling charge income from money lending	16,653	8,961
Cinema operation income	37,162	30,058
Sales of goods	174,564	-
Sales of food and beverage	6,439	_
Concession stores income	385	
	561,388	311.619

9. OTHER INCOME

	2017 HK\$'000	2016 HK\$'000
Bank interest income	17	18
Interest income from pledged bank deposits	192	171
Loan interest income	188	-
Gain on disposal of property, plant and equipment	-	23
Income from IT system	969	_
Event and commission income	327	_
Marketing income	2,969	_
License fee income from HMV café	1,703	_
Government grants	1,107	_
Others	2,033	1,588
	9,505	1.800

10. FINANCE COSTS

	2017 HK\$'000	2016 HK\$'000
Interest on other borrowings	11,768	9,976
Interest on bank overdraft	1,025	_
Interest on convertible bonds	1,352	134
Finance cost on asset retirement obligations	147	104
Finance cost on finance lease liabilities	502	600
Total finance costs	14,794	10,814
Amount capitalised	(816)	
	13,978	10,814

Borrowing costs on funds borrowed generally are capitalised at a rate of 9% per annum.

For the year ended 30 June 2017

11. PROFIT/(LOSS) BEFORE TAXATION

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

	2017 HK\$'000	2016 HK\$'000
Staff costs (including Directors' remuneration):		
Salaries, allowances and other benefits in kind	38,112	26,148
Retirement benefits scheme contributions	3,039	1,070
Total staff costs	41,151	27,218
Auditors' remuneration	1,000	710
Amortisation of film rights*	22,526	27,027
Amortisation of intangible assets	1,797	40
Impairment loss of goodwill	-	3,664
Cost of inventories recognised as expenses**	113,509	872
Depreciation of property, plant and equipment	22,097	4,617
Impairment loss of film rights*		47,565
Impairment loss of trade receivables	-	390
Impairment loss of deposits and other receivables	-	100
Impairment loss of loan receivables	-	3,500
Impairment loss of prepayments	-	25,101
Written off of inventories	1,660	-
Written off of trade receivables	112	129
Written off of prepayments and other receivables	133	111
Written off of property, plant and equipment	28	-
Minimum lease payments under operating leases:		
 Land and building 	60,291	17,410
Exchange loss/(gain)	2,746	(1)
Change in fair value of investments at fair		
value through profit or loss	(484)	17,688
Change in fair value of derivative financial instruments	(6,917)	2,349
Gain on disposal of property, plant and equipment	-	(23)

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

** Included in "Cost of cinema operation" and "Cost of retail business" of the consolidated statement of profit or loss.

For the year ended 30 June 2017

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

(a) Directors' emoluments

		For the year ended 30 June 2017			
	Notes	Fees HK\$'000	Salaries HK\$'000	Retirement benefits scheme HK\$'000	Total emoluments HK\$'000
Executive Directors: Shiu Stephen Junior#			3,100	18	3,118
Sun Lap Key, Christopher		150	650	18	818
Lee Wing Ho, Albert		150	488	18	656
Ho Gilbert Chi Hang	(i)	365	-	-	365
Li Mau	(ii)	368	-	_	368
Cheung Hung Lui	(iii)	2	-	-	2
Non-executive Director					
Wu King Shiu, Kelvin	(iv)	109	-	-	109
Independent Non-executive Directors:					
Chan Chi Ho		150	-	-	150
Kam Tik Lun		150	-	-	150
Tam Kwok Ming, Banny		150	-	-	150
		1,594	4,238	54	5,886

	For the year ended 30 June 201				6	
	Note	Fees HK\$'000	Salaries HK\$'000	Retirement benefits scheme HK\$'000	Total emoluments HK\$'000	
Executive Directors:						
Shiu Stephen Junior#		-	1,200	18	1,218	
Sun Lap Key, Christopher		150	650	18	818	
Lee Wing Ho, Albert		150	500	18	668	
Chau Sai Ho, Charles	(v)	-	89	-	89	
Independent Non-executive Directors:						
Chan Chi Ho		150	-	_	150	
Kam Tik Lun		150	_	-	150	
Tam Kwok Ming, Banny		150	-	-	150	
		750	2,439	54	3,243	

Chief executive of the Company

No directors waived any remuneration during the year (2016: Nil). No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors during the year (2016: Nil).

For the year ended 30 June 2017

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

(a) Directors' emoluments (Continued)

Notes:

- (i) Appointed as an executive director on 7 October 2016 and resigned on 28 June 2017.
- (ii) Appointed as an executive director on 7 October 2016.
- (iii) Appointed as an executive director on 28 June 2017.
- (iv) Appointed as a non-executive director on 7 October 2016 and resigned on 28 June 2017.
- (v) Appointed as an executive director on 15 February 2016 and resigned on 7 October 2016.

(b) Employees' emoluments

The five highest paid individuals for the year included two directors (2016: three) whose emoluments are set out in (a) above. The emoluments of the three (2016: two) individuals of which three (2016: two) are senior management are as follows:

	2017 HK\$'000	2016 HK\$'000
Salaries and other benefits Retirement benefits scheme contributions	2,734 54	1,698 36
	2,788	1,734

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

	2017	2016
Nil – HK\$1,000,000	3	2

During the year, no emoluments (2016: Nil) were paid by the Group to the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

For the year ended 30 June 2017

13. INCOME TAX CREDIT

	2017 HK\$'000	2016 HK\$'000
Deferred tax (note 25)	(6,590)	(3,131)
	(6,590)	(3,131)

Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the year. Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

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

	2017 HK\$'000	2016 HK\$'000 (Restated)
Profit/(loss) before taxation	14,819	(183,479)
Hong Kong Profits Tax at 16.5% (2016: 16.5%)	2,445	(30,274)
Tax effect of share of results of a joint venture	-	(1)
Tax effect of share of results of associates	(88)	(174)
Tax effect of expenses non-deductible for tax purpose	2,703	10,715
Tax effect of income not taxable for tax purpose	(4,676)	(54)
Tax effect of tax losses not recognised	10,894	19,139
Tax effect of utilisation of tax losses previously not recognised	(15,512)	(1,348)
Effect of different tax rate of subsidiaries operating in other jurisdictions	(1,971)	(1,408)
Tax effect of other temporary differences not recognised	(385)	274
Tax credit for the year	(6,590)	(3,131)

14. DIVIDEND

The Directors of the Company did not recommend the payment of any dividend for the years ended 30 June 2017 and 2016.

15. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings per share is based on the profit for the year attributable to owners of the Company of approximately HK\$22,665,000 (2016 (restated): loss attributable to owners of the Company of approximately HK\$181,913,000) and the weighted average number of 10,922,791,598 (2016: 6,372,183,115 (restated)) ordinary shares of the Company in issue during the year.

The weighted average number of shares for the purposes of calculating basis and diluted loss per share for the year ended 30 June 2016 has been adjusted and restated to reflect the bonus issue occurred and the effect of retrospective restatement during the year.

As the exercise of the Group's outstanding convertible bonds for the years ended 30 June 2017 and 2016 would be anti-dilutive, no diluted loss per share was presented.

For the year ended 30 June 2017

16. PROPERTY, PLANT AND EQUIPMENT

		Furniture			
Leasehold	Computer	and	Office	Motor	
improvement HK\$'000	equipment HK\$'000	fixtures HK\$'000	equipment HK\$'000	vehicles HK\$'000	Total HK\$'000
9,284	1,765	2,498	6,994	1,667	22,208
(403)	(6)	(57)	(176)	-	(642)
28,370	221	12,036	2,537		43,882
-	_	-	-	(617)	(617)
37,251	1,980	14,477	9,355	1,768	64,831
(787)	(3)	(330)	(140)	_	(1,260)
40,896	2,809	1,565	4,136	-	49,406
-	-	-	(137)	-	(137)
4,088	3,987		1,084	-	10,753
	-	(37)	-	-	(37)
81,448	8,773	17,269	14,298	1,768	123,556
3,369	503	903	1,054	716	6,545
	(1)		· · · ·	-	(94)
1,802	388	992	1,100		4,617
_	-	-	-	(555)	(555)
5,099	890	1,884	2,144	496	10,513
(68)	(1)	(24)	(12)	-	(105)
12,711	1,921	3,279	3,832	354	22,097
-	-	-	(16)	-	(16)
-	_	(9)	_	_	(9)
17,742	2,810	5,130	5,948	850	32,480
63,706	5,963	12,139	8,350	918	91,076
32,152	1,090	12,593	7,211	1,272	54,318
	improvement HK\$'000 9,284 (403) 28,370 - 37,251 (787) 40,896 - 4,088 - 4,088 - 81,448 3,369 (72) 1,802 - 5,099 (68) 12,711 - 17,742 63,706	improvement HK\$'000 equipment HK\$'000 9,284 (403) 28,370 1,765 (6) 221 - 37,251 1,980 (787) (3) 40,896 2,809 - - 4,088 3,987 - - 81,448 8,773 3,369 503 (72) (1) 1,802 3,369 503 (72) 1,802 388 - - 5,099 890 (68) (68) (1) 12,711 1,921 - - 17,742 2,810	Leasehold improvement $HK\$'000$ Computer equipment $HK\$'000$ and fixtures $HK\$'000$ 9,284 (403)1,765 (6) (57) 28,370 221 12,036 -2,498 (57) 12,036 -37,251 (787) (787) (787) (3) 40,896 2,809 40,896 2,809 1,565 - 4,088 3,987 -14,477 (330) (330) (330) 40,896 2,809 1,565 - - - - - 4,088 3,987 - - - (37)14,477 (330) (330) (330) 40,896 2,809 1,565 - - - - - (37)81,448 8,7738,773 (17,2693,369 (72) (1) (11) 1,802 3,888 (68) (1) (24) 12,711 1,921 3,279 - - - - (9)5,099 (68) (1) (24) 12,711 (1,921 (2,8105,099 (9) (9) (17,74263,706 (5,96363,7065,963 (5,96312,139	Leasehold improvement $HK\$'000$ Computer equipment $HK\$'000$ and fixtures equipment $HK\$'000$ Office equipment $HK\$'000$ 9,284 (403)1,765 (6)2,498 (57)6,994 (176) (176) 2,8370 2,537 $-$ 6,994 (176) (176) 2,8370 $-$ 37,251 (787) (3) (3) (40,896 $-$ $-$ $-$ $-$ (137) 4,088 $3,987$ $-$ <	Leasehold improvement $HK\$'000$ Computer equipment $HK\$'000$ and fixtures equipment $HK\$'000$ Motor vehicles $HK\$'000$ 9,284 (403)1,765 (6)2,498 (57)6,994 (176)1,667 - (176)28,370 221221 12,036 (787)12,036 (330)2,537 (140)718 - - (617)37,251 40,896 - - - - - - (787) - <b< td=""></b<>

For the year ended 30 June 2017

17. INTANGIBLE ASSETS

	Contract backlog HK\$'000	Online music Streaming application HK\$'000 Note (a)	Trademarks HK\$'000 <i>Note (b)</i>	Club membership HK\$'000 Note (c)	Management contract HK\$'000	Total HK\$'000
Cost:						
At 1 July 2015	-	-	-	-	-	-
Additions	-	-	-	2,930	-	2,930
Acquisition of a subsidiary (note 43(a))	-	-	-	-	731	731
At 30 June 2016 and 1 July 2016 Acquisition of subsidiaries	-	-	_	2,930	731	3,661
(note 43(a))	34,345	24,500	236,500	_	_	295,345
Disposal of subsidiaries (note 43(b))	(34,345)		_	-	-	(34,345)
At 30 June 2017	-	24,500	236,500	2,930	731	264,661
Accumulated amortization and impairment:						
At 1 July 2015	-	-	-	-	-	-
Charged for the year	-	-	-	-	40	40
At 30 June 2016 and 1 July 2016	_	_	-	-	40	40
Charged for the year	1,145	408	-	-	244	1,797
Disposal of subsidiaries (note 43(b))	(1,145)	_	_	_		(1,145)
At 30 June 2017	_	408	_	_	284	692
Carrying amounts:						
At 30 June 2017	_	24,092	236,500	2,930	447	263,969
At 30 June 2016	_	-	-	2,930	691	3,621

Notes:

(a) Online music streaming application (the "APP") arose from the acquisition of Time Edge Limited on 25 April 2017. The APP represents the mobile application for providing online music streaming services. The average remaining amortisation period of the APP is 10 years.

The Group carried out reviews of the recoverable amount of the APP in 2017. The APP is used in the Group's distribution and production of films, television programmes and music production. The recoverable amount of the APP has been determined on the basis of their value in use using discounted cash flow method (level 3 fair value measurements). The discount rate used was 15.2%.

(b) Trademarks arose from the acquisition of HMV Business on 3 August 2016. Trademarks represent the rights to use the name "HMV", the various HMV trademarks and trade mark applications, and the HMV domain names for the purposes of conducting the retail business of "HMV" operating through retail stores selling music, movies and television series related contents and products located in Hong Kong and any other business to be conducted in the PRC, Hong Kong and Singapore. The average remaining amortisation period of the patents and trademarks has indefinite useful life.

For the year ended 30 June 2017

17. INTANGIBLE ASSETS (CONTINUED)

Notes: (Continued)

The recoverable amounts of the trademarks are determined on the basis of fair value less costs of disposal using discounted cash flow method (level 3 fair value measurements). The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and revenue are based on past practices and expectations on market development. The discount rate used was 16%.

(c) The Group's club membership of approximately HK\$2,930,000 (2016: HK\$2,930,000) at 30 June 2016 is assessed as having indefinite useful life because there is no time limit that the Group can enjoy the services provided by that club.

The recoverable amounts of the club membership is determined on the basis of fair value less costs of disposal by reference to market price as at 30 June 2017 and 2016 (level 3 fair value measurements).

18. GOODWILL

	Total HK\$'000
Cost:	
At 1 July 2015	_
Arising on acquisition of subsidiaries (note (a)(i))	3,664
At 30 June 2016 and 1July 2016	3,664
Arising on acquisition of subsidiaries (note (a))	1,118,054
Disposal of subsidiaries (note (b)(ii))	(45,068)
Exchange difference	
At 30 June 2017	1,076,650
ccumulated impairment losses:	
At 1 July 2015	_
Impairment loss recognised in the current year	3,664
At 30 June 2016, 1July 2016 and 30 June 2017	3,664
	Total HK\$'000
Carrying amounts: At 30 June 2017	1,072,986

For the year ended 30 June 2017

18. GOODWILL (CONTINUED)

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

	2017 HK\$'000
HMV Business HMV M&E Limited ("HMV M&E")	1,050,455
Distribution of film rights Time Edge Limited ("Time Edge")	22,531
	1,072,986

During the year, the Group signed an operation agreement with an independent third party (the "Business Partner"), a PRC company principally engaged in property and shopping mall management, to develop not less than 20 shopping malls with HMV brand in 5 years starting from 2018. The Business Partner provides profit guarantee (the "Profit Guarantee") to the Group in the first 10 years. The revenue for the first 10 years shall be no less than HK\$3,368,000,000. The significant portion of discounted cash flows of HMV M&E is based on the Profit Guarantee.

The recoverable amounts of HMV M&E and Time Edge are determined on the basis of fair value less costs of disposal and value in use respectively using discounted cash flow method (level 3 fair value measurements). The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and revenue are based on past practices and expectations on market development.

The Group prepares cash flow forecasts for HMV M&E and Time Edge derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows of HMV M&E and Time Edge are 16% and 15.2% respectively.

For the year ended 30 June 2017

19. INTEREST IN ASSOCIATES

	2017 HK\$'000	2016 HK\$'000
Unlisted investments: Share of net assets	5,722	7,559
Goodwill	10,533	20,099
	16,255	27,658

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

	Starz Holdings Limited	Vision Lion Limited	GME Holdings Limited	HMV East Magic Holding Group Company Limited
Principal place of business Country of incorporation	Hong Kong BVI	Hong Kong Hong Kong	Hong Kong Hong Kong	Hong Kong Hong Kong
Principal activities	Model management	Holding of a cruiser	Artiste management	Investment Holding
% of ownership interests as at 30 June 2016	40%	25%	55%	0%
% of ownership interests as at 30 June 2017	25%	25%	0%	49%

⁸⁰ Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2017

19. INTEREST IN ASSOCIATES (CONTINUED)

	Starz Holdings Limited HK\$'000	Vision Lion Limited HK\$'000	GME Holdings Limited HK\$'000	HMV East Magic Holding Group Company Limited HK\$'000
At 30 June 2017:				
Non-current assets	8,342	9,500	_	_
Current assets	12,533	1,506	_	17
Non-current liabilities	(1,294)	-	_	_
Current liabilities	(7,676)	(32)	-	(11)
Net assets	11,905	10,974		6
Group's share of net assets	2,976	2,743	_	3
Goodwill	10,531	2	-	
Group's share of carrying				
amount of interests	13,507	2,745	_	3
	Starz H	oldings Vis Limited	sion Lion G Limited	ME Holdings Limited

	Limited	Limited	Limited
	HK\$'000	HK\$'000	HK\$'000
At 30 June 2016:			
Non-current assets	8,329	11,250	-
Current assets	9,614	1	6,949
Non-current liabilities	(1,294)	-	-
Current liabilities	(5,794)	(16)	(6,203)
Net assets	10,855	11,235	746
Group's share of net assets	4,341	2,808	410
Goodwill	16,849	2	3,248
Group's share of carrying amount of interests	21,190	2,810	3,658

For the year ended 30 June 2017

19. INTEREST IN ASSOCIATES (CONTINUED)

	Starz Holdings Limited	Vision Lin	Lion	GM Holding Limite	s Company
	Year ended 30 June 2017 HK\$'000	1	nded June 2017 \$'000	Period fror 1 July 201 to 2 Februar 201 НК\$'00	6 18 January 0 2017 to y 30 June 7 2017
Year ended 30 June 2017					
Revenue	28,142		1,500	4,65	5 –
Profit/(loss) from operations	1,050		(261)	36	2 (4)
Profit/(loss) and total comprehensive income/ (loss) for the year/period	1,050		(261)	36	2 (4)
		oldings Limited	v	/ision Lion Limited	GME Holdings Limited
	21 April 30 Ju	od from 2016 to ne 2016 HK\$'000		∙ ended 30 June 2016 HK\$'000	Year ended 30 June 2016 HK\$'000
Year ended 30 June 2016:					
Revenue Profit/(loss) from operations		6,877 139		(1,758)	12,758 2,619
Profit/(loss) and total comprehensive income/(loss) for the period/year		139		(1,758)	2,619

Notes:

(a) Acquisition of Starz Holdings Limited ("Starz")

On 14 December 2015, Mr. Stephen Chau, an independent third party of the Group, and Double Spirit Development Limited ("Double Spirit"), a wholly-owned subsidiary of the Company, entered into an agreement in relation to the acquisition of 40% of the issued share capital of Starz, which was satisfied by cash consideration of HK\$6,600,0000 and convertible bonds of HK\$7,000,000 issued by the Group.

(b) Disposal of 15% interest in Starz

On 3 October 2016, One Cool Group Limited, an independent third party of the Group, and Double Spirit, a wholly-owned subsidiary of the Company, entered into an agreement in relation to the disposal of 15% of the issued share capital of Starz by Double Spirit which was satisfied by cash consideration of HK\$5,100,000. The Group holds 25% interest in Starz after disposal of 15% interest in Starz.

(c) Disposal of 55% interest in GME Holdings Limited ("GME H") as a consideration for acquisition of 20% of HMV (BVI)

On 20 February 2017, the Group disposed 55% equity interest in GME H to two independent third parties of the Group, at a consideration of 20% of the equity interest in HMV Artiste Management (BVI) Limited (formerly known as GME China Entertainment Limited) ("HMV (BVI)"), a non wholly-owned subsidiary of the Company.

⁸² Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2017

20. INTEREST IN A JOINT VENTURE

	2017	2016
	HK\$'000	HK\$'000
Unlisted investments in Hong Kong:		
Share of net assets	109	110

Details of the Group's joint venture at 30 June 2017 and 2016 are as follows:

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

Name	Principal place of business and country of incorporation		tage of p interest	Principal activities
		2017	2016	;
Mustard Seed Entertainment Company Limited	Hong Kong	50%	50%	Provision for consultancy service
			2017 HK\$'000	2016 HK\$'000
At 30 June: Carrying amount of interest			109	110
Year ended 30 June: Revenue (Loss)/profit and total comprehensiv	ve income for the year		_ (2)	50 6

21. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Notes	2017 HK\$'000	2016 HK\$'000
Listed securities - Equity securities listed in Hong Kong, at fair value	(a)	94,208	18,787
Unlisted securities, at fair value	(b)	264,289	
		358,497	18,787

Notes:

These investments are designated as at fair value through other comprehensive income in order to avoid volatility to (a) the profit or loss arising from the changes in fair values of the investments.

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

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

For the year ended 30 June 2017

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	2017 HK\$'000	2016 HK\$'000 (Restated)
Prepayments Deposits and other receivables Less: Impairment loss	(a) (d)	247,776 331,655 -	112,493 46,827 (25,201)
		579,431	134,119

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

	Notes	2017 HK\$'000	2016 HK\$'000 (Restated)
Non-current portions			
Prepayments	(a)	236,522	47,721
Deposits	(b)	27,793	12,828
Other receivables	(d)	1,053	
		265,368	60,549
Current portions			
Prepayments	(a)	11,387	39,671
Deposits	(C)	241,163	181
Other receivables	(d), (e)	61,513	33,718
		044.000	70 570
		314,063	73,570
		579,431	134,119

For the year ended 30 June 2017

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Notes:

(a) Prepayments mainly represent upfront payments for film productions, distribution rights and prepaid administrative expenses. As at 30 June 2017 and 2016, the amounts of prepayments, deposits and other receivables that were expected to be released within twelve months from the end of the reporting period were classified as current assets. The remaining balances were classified as non-current assets.

Non-current portion of prepayments mainly comprised of prepayments for film production costs.

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

	2017 HK\$'000	2016 HK\$'000 (Restated)
Prepayments, net of impairment loss for:		
Acquisition of film distribution rights	63,965	5,981
Acquisition of song distribution rights	1,394	-
Film and television programmes production costs	131,953	34,547
Film promotion costs	11,656	322
Artiste fee	6,285	40,380
Opening of cinemas	9,342	-
Proposed acquisition of investments	21,677	5,425
Others	1,637	737
	247,909	87,392
Less: Non-current portion	(236,522)	(47,721)
Current portion	11,387	39,671

The maximum exposure to credit risk at the end of the reporting period is the carrying value of each class of prepayments, deposits and other receivables mentioned above. The Group does not hold any collateral over these balances.

The movements in the provision for impairment of prepayments, deposits and other receivables are as follows:

		2017	2016
	Note	HK\$'000	HK\$'000
		05.004	
At beginning of year		25,201	-
Provision for the year	(i)	-	25,201
Written off		(25,201)	-
At end of year		-	25,201

(i) As at 30 June 2016, provision for impairment of prepayments, deposits and other receivables of approximately HK\$25,201,000 included impairment of prepayments of approximately HK\$22,147,000 because the Group withdrew investments in certain films or decided not to proceed certain films production.

For the year ended 30 June 2017

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

- (b) Non-current portion of deposits comprised of rental deposits for cinemas leased by the Group in the PRC. The anticipated lease terms of the cinema is over twelve months from the end of the reporting period.
- (c) As at 30 June 2017, included in current portion of deposits is a deposit paid for proposed acquisition of Vantage Metro Limited ("Vantage"). During the year ended 30 June 2017, the Group entered into a non-binding indicative offer and supplemental offer letter ("Supplemental Offer Letter") in relation to acquisition of 100% issued share capital of Vantage ("Proposed Acquisition"). Pursuant to the Supplemental Offer Letter, the Group and Vantage jointly designate and appoint an escrow agent ("Escrow Agent") to hold in its custody a US\$30 million (equivalent to approximately HK\$234,000,000) bank draft (the "Escrow Document") as a recoverable deposit for the Proposed Acquisition for a period of 3 weeks. After the period of 3 weeks, the Escrow Agent shall unconditionally and irrevocably release the Escrow Document to the Group, and without the prior written consent of the Group and Vantage, the Escrow Document shall not be released to anyone else. The Group received the Escrow Document of HK\$2,000,000 in August 2017.
- (d) Other receivables of approximately HK\$46,116,000 (2016: HK\$11,306,000) are denominated in RMB.
- (e) As at 30 June 2016, current portion of other receivables included a payment of HK\$14,160,000 to High Court in respect of a legal proceeding (note 46).

23. FILM RIGHTS AND FILMS PRODUCTION IN PROGRESS

	Film rights HK\$'000	Films production in progress HK\$'000	Total HK\$'000
Cost:			
At 1 July 2015	167,960	144,764	312,724
Additions	9,675	42,428	52,103
Transfer to film rights	40,382	(40,382)	
At 20, June 2010 and 1, July 2010	040.047	140.010	204 007
At 30 June 2016 and 1 July 2016 Additions	218,017 9.889	146,810	364,827
Disposal of a film right	(1,150)	49,701	59,590 (1,150)
Transfer to film rights	40,099	(40,099)	(1,150)
	10,000	(10,000)	
At 30 June 2017	266,855	156,412	423,267
Accumulated amortisation and impairment:			
At 1 July 2015	116,715	_	116,715
Charge for the year	27,027	_	27,027
Impairment loss recognised	47,565	_	47,565
At 20, June 2010 and 1, July 2010	101 207		101 207
At 30 June 2016 and 1 July 2016 Charge for the year	191,307 22,526	-	191,307 22,526
	22,520		22,520
At 30 June 2017	213,833	-	213,833
Carrying values:			
At 30 June 2017	53,022	156,412	209,434
At 30 June 2016	26,710	146,810	173,520
	,	,	,

⁸⁶ Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2017

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

Notes:

- (a) The Group carried out reviews of the recoverable amount of its film rights with average useful life of three to five years in 2017 (2016: three to five years) with regard to the market conditions of the Group's products. These assets are used in the Group's production of films and television programmes segment. The review led to the recognition of impairment loss of HK\$nil (2016: approximately HK\$47,565,000) that have been recognised in profit or loss. The recoverable amount of the relevant assets has been determined on the basis of their value in use discounted cash flow method (Level 3 fair value measurement). The discount rate used was 17% (2016: 17.9%).
- Films production in progress represents films under production. The Directors of the Company assess its recoverability (b) and no impairment loss has been recognised for the years ended 30 June 2017 and 2016. The estimated recoverable amount was determined based on the best estimation of the management on expected future revenue less the relevant costs arising from the distribution and sub-licensing of the film products.

24. LOANS RECEIVABLES

	2017 HK\$'000	2016 HK\$'000
Loans receivables Less: Impairment loss	111,395 _	41,913 (3,500)
	111,395	38,413
Analysed as: Non-current assets Current assets	51,489 59,906	214 38,199
	111,395	38,413

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

	2017 HK\$'000	2016 HK\$'000
At beginning of year Provision for the year Written off	3,500 _ (3,500)	_ 3,500 _
At end of year	-	3,500

As at 30 June 2017, a term loan with principal amount of HK\$6,794,759 (2016: HK\$ Nil) are secured by customers' pledged properties at fair value of HK\$9,800,000 (2016: HK\$ Nil).

As at 30 June 2016, loan with principal amount of approximately HK\$22,600,000 was guaranteed by an independent third party and secured by zero coupon convertible bonds (the "Zero Coupon CB") of HK\$58,000,000 which is due in December 2016 and issued by a Hong Kong listed company to the borrower. Zero Coupon CB of HK\$14,500,000 is used to secured a borrowing of HK\$8,000,000 of the Group as at 30 June 2016 (note 32).

All loans receivables are denominated in HK\$ and carried at fixed effective interest ranging from 5% to 33% (2016: 5% to 36%) per annum and with the terms ranging from 30 days to 20 years (2016: 30 days to 4 years).

For the year ended 30 June 2017

24. LOANS RECEIVABLES (CONTINUED)

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

	2017 HK\$'000	2016 HK\$'000
0 to 30 days	29,572	3
31 to 90 days	3,468	_
91 to 180 days	12,653	4,294
181 to 365 days	21,416	34,116
Over 365 days	44,286	
	111,395	38,413

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

	2017 HK\$'000	2016 HK\$'000
Neither past due nor impaired 91 to 180 days past due	111,395 -	15,813 22,600
	111,395	38,413

25. DEFERRED TAX ASSETS/(LIABILITIES)

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

	Tax losses HK\$'000	Intangible assets HK\$'000	Deferred rent HK\$'000	Total HK\$'000
At 1 July 2015	_	_	_	_
Acquisition of a subsidiary (note 43(a)(i))	_	(120)	_	(120)
Credited to consolidated profit or loss		7	3,124	3,131
At 30 June 2016	_	(113)	3,124	3,011
Acquisition of subsidiaries (note 43(a))	42,205	(58,770)	_	(16,565)
Credited to consolidated profit or loss	4,321	297	1,972	6,590
Disposal of subsidiaries (note 43(b))	(11,462)	5,478	_	(5,984)
Exchange difference		_	(79)	(79)
At 30 June 2017	35,064	(53,108)	5,017	(13,027)

For the year ended 30 June 2017

25. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

	2017 HK\$'000	2016 HK\$'000
Deferred tax liabilities Deferred tax assets	(29,677) 16,650	(113) 3,124
	(13,027)	3,011

At the end of the reporting period, subject to agreement by tax authorities, the Group has unused tax losses of approximately HK\$422,222,000 (2016: HK\$423,887,000) available for offset against future profits. No deferred tax assets have been recognised in respect of these tax losses due to the unpredictability of future income stream. At 30 June 2017, approximately HK\$14,922,000 (2016: HK\$4,798,000) included in the above unused tax losses will expire in 2021. Other tax losses may be carried forward indefinitely.

26. INVENTORIES

	2017	2016
	HK\$'000	HK\$'000
Finished goods	28,629	214

27. TRADE RECEIVABLES

	2017 HK\$'000	2016 HK\$'000 (Restated)
eceivables	123,557	20,645

Notes:

- (a) The Group allows credit periods of up to 1 year to its trade debtors. Based on the repayment pattern of the debtors of the Group, trade receivables which are past due but not impaired are eventually recoverable. The management of the Group closely monitors the credit quality of debtors and considers the trade receivables that are neither past due nor impaired to be of a good credit quality with reference to their repayment history. The Group does not hold any collateral over these balances.
- (b) At the end of the reporting period, the aging analysis of the trade receivables, based on invoice date and net of impairment losses, is as follows:

	2017 HK\$'000	2016 HK\$'000 (Restated)
0 to 90 days	36,406	20,205
91 to 180 days	61,497	111
181 to 365 days	25,326	143
Over 365 days	328	186
	123,557	20,645

For the year ended 30 June 2017

27. TRADE RECEIVABLES (CONTINUED)

(c) As of 30 June 2017, trade receivables of approximately HK\$48,261,000 (2016: HK\$613,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2017 HK\$'000	2016 HK\$'000 (Restated)
Neither past due nor impaired	75,296	20,032
0 – 90 days past due 91 – 180 days past due 181 – 365 days past due Over 365 days past due	15,686 13,142 19,326 107	231 53 143 186
	48,261	613
	123,557	20,645

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

	2017 HK\$'000	2016 HK\$'000
At beginning of year Provision for the year	523 -	133 390
At end of year	523	523

28. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK\$'000	2016 HK\$'000
Equity securities listed in Hong Kong, at fair value	21,184	27,728

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

For the year ended 30 June 2017

29. BANK AND CASH BALANCES

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

	2017 HK\$'000	2016 HK\$'000
RMB	12,459	13,345
US\$	121	967
HK\$	149,559	39,862
Others	9	4
	162,148	54,178
Less: Pledged bank deposits	(15,070)	(8,070)
	147,078	46,108

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

Bank balances carry interest at market rates at approximately 0.01% (2016: 0.01%) per annum.

At 30 June 2017, the Group pledged fixed deposit of approximately HK\$8,022,000 (2016: approximately HK\$8,070,000) to a bank to secure a guarantee of RMB6,453,800 (2016: RMB6,454,000) provided by the bank. The deposits are in RMB and at fixed interest rate of 1.9%-2.1% per annum (2016: 2.1%-3.9% per annum) and therefore are subject to foreign currency risk and fair value interest rate risk.

As at 30 June 2017, the Group had pledge bank deposits of approximately HK\$7,048,000 (2016: nil) to a bank to secure banking facilities in relation to performance bonds in respect of tenancy agreements of certain retail stores and supplier payments.

30. TRADE PAYABLES

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

	2017 HK\$'000	2016 HK\$'000
0 – 90 days 91 – 180 days 181 – 365 days Over 365 days	45,542 5,445 10,610 992	18,797 2,410 50 134
	62,589	21,391

For the year ended 30 June 2017

31. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	Notes	2017 HK\$'000	2016 HK\$'000 (Restated)
Accruals Deposits received Other payables	(b) (a), (c)	37,511 105,657 44,686	25,450 41,616 19,971
		187,854	87,037

The amounts of accruals, deposits received and other payables are analysed for reporting purpose as follow:

	Notes	2017 HK\$'000	2016 HK\$'000 (Restated)
Non-current portion Other payables	(2)	17,568	12,497
	(a)	17,500	12,497
Current portions			
Accruals		37,511	25,450
Deposits received	(b)	105,657	41,616
Other payables	(C)	27,118	7,474
		170,286	74,540
		187,854	87,037

Notes:

(b) The amount represents mainly the deposits received for film distribution and provision of artiste services. Deposits received of approximately HK\$3,600,000 (2016: approximately HK\$4,500,000) is guaranteed by a Director of the Company.

(c) Other payables include amount due to an associate of approximately HK\$nil (2016: HK\$1,311,000).

⁽a) The amount represents accrued effective rent payables.

For the year ended 30 June 2017

32. OTHER BORROWINGS

	2017 HK\$'000	2016 HK\$'000
Secured Unsecured	53,592 30,659	63,000 55,372
	84,251	118,372

Other borrowings of HK\$53,592,000 (2016: HK\$63,000,000) are secured by the followings:

	2017 HK\$'000	2016 HK\$'000
Personal guaranteed by a Director	10,000	-
Personal guaranteed by a Director and post dated cheques of HK\$32,375,318 (2016: HK\$22,498,632)	30,000	30,000
HK\$14,500,000 Zero Coupon CB (<i>note 24)</i>	-	8,000
25% of equity interest in a subsidiary	-	25,000
Equity securities listed in HK with fair value of HK\$1,402,385	13,592	-
	53,592	63,000

Interest rate of other borrowings are as follows:

	2017 HK\$'000	2016 HK\$'000
5% per annum	26,761	25,000
8% per annum	13,592	1,777
9% per annum	3,000	3,000
10% per annum	30,000	62,000
12% per annum	10,898	18,595
15% per annum	-	8,000
	84,251	118,372

33. CONVERTIBLE BONDS

	Notes	2017 HK\$'000	2016 HK\$'000
Convertible bonds classified as Compound instrument Combined instrument	(a) (b), (c)	2,000 43,719	2,000 5,919
		45,719	7,919
Analysed as: Current liabilities Non-current liabilities		5,311 40,408	2,000 5,919
		45,719	7,919

For the year ended 30 June 2017

33. CONVERTIBLE BONDS (CONTINUED)

The movement of the liability component of the convertible bonds for the years ended 30 June 2017 and 2016 is set out below:

	2017 HK\$'000	2016 HK\$'000
At beginning of year Issue of convertible bond Interest charged for the year	7,919 39,613 1,352	2,000 5,785 134
Converted to share during the year At end of year	(3,165) 45,719	7,919

Notes:

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

The adjusted price at 20 October 2014, date of mature, was HK\$0.610.

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

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

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

The issue of the convertible bonds has been split between the liability and derivative components as follows:

	2016 HK\$'000
Fair value of convertible bonds Derivative component	14,535 (8,750)
l jability component at date of issue	5 785

The interest charged for the year is calculated by applying an effective interest rate of 11.92% per annum to the liability component.

The Directors estimate the fair values of the liability component of the convertible bonds at 30 June 2017 approximate to be approximately HK\$3,312,000 (2016: approximately HK\$5,919,000). This fair value has been calculated by discounting the future cash flows at the market interest rate (level 2 fair value measurements).

For the year ended 30 June 2017

33. CONVERTIBLE BONDS (CONTINUED)

Notes: (CONTINUED)

On 25 April 2017, the Group issued 5% coupon convertible bonds with a nominal value of HK\$50.000.000 ("2017 CB"). (c) HK\$25,000,000, HK\$37,500,000 and HK\$12,500,000 of 2017 CB are convertible at the option of the bond holders into ordinary share with a par value of HK\$0.01 each on or after 25 April 2019, 25 October 2019 and 25 April 2020 respectively. Any 2017 CB not converted will be redeemed on 25 April 2021 at the principal amounts. The conversion price adjusted from HK\$0.313 to HK\$0.305 per share during the year ended 30 June 2017.

The issue of the convertible bonds has been split between the liability and derivative components as follows:

	2017 HK\$'000
Fair value of convertible bonds Derivative component	73,672 (34,059)
Liability component at date of issue	39,613

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

The Directors estimate the fair values of the liability component of the convertible bonds at 30 June 2017 to be approximately HK\$40,408,000. This fair value has been calculated by discounting the future cash flows at the market interest rate (level 2 fair value measurements).

34. PROMISSORY NOTE PAYABLE

On 18 January 2010, the Company issued a promissory note (the "Note") to settle part of the consideration in the acquisition of the investments in Dragonlott Holdings Limited ("DHL").

The amount is unsecured and interest free. The principal sum of HK\$14,160,000 is to be repaid on the date falling five years from 18 January 2010. The fair value of HK\$10,834,000 on initial recognition is measured by computing the present value of estimated future cash flows at the effective interest rate of 5.5%.

No imputed interest was charged to the consolidated profit or loss for the year ended 2016 and 2017.

For the year ended 30 June 2017

35. FINANCE LEASE PAYABLES

	Minimum lease payments 2017 HK\$'000	Present value of minimum lease payments 2017 HK\$'000	Minimum lease payments 2016 HK\$'000	Present value of minimum lease payments 2016 HK\$'000
Within one year In the second to fifth years, inclusive After five years	584 2,338 1,607	104 746 1,079	600 2,399 2,248	85 613 1,367
Less: Future finance charges	4,529 (2,600)	1,929 N/A	5,247 (3,182)	2,065 N/A
Present value of lease obligations	1,929	1,929	2,065	2,065
Less: Amount due for settlement within 12 months (shown under current liabilities)		(104)		(85)
Amount due for settlement after 12 months		1,825		1,980

It is the Group's policy to lease certain of its equipment's under finance leases. The lease term is 10 years. At 30 June 2017, the average effective borrowing rate was 25% (2016: 25% per annum). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

95

For the year ended 30 June 2017

36. PROVISION FOR ASSET RETIREMENT

Under the terms of the tenancy agreements signed with landlords, the Group shall vacate and re-instate the leased cinema premises at the Group's cost upon expiry of the relevant tenancy agreements in the 13th to 19th years inclusive. Provision is therefore made for the best estimate of the expected reinstatement costs to be incurred. Movements of provision for asset retirement are as follows:

	2017 HK\$'000	2016 HK\$'000
At beginning of year	2,887	1,941
Acquisition of a subsidiary (note 43(a)(iv))	8,619	_
Additions	2,017	951
Finance cost on asset retirement obligations (note 10)	147	104
Exchange realignment	(74)	(109)
At end of year	13,596	2,887
Analysed as: Current liabilities	983	-
Non-current liabilities	12,613	2,887
	13,596	2,887

37. DERIVATIVE FINANCIAL INSTRUMENTS

	2017 HK\$'000	2016 HK\$'000
Embedded derivatives in convertible bonds	34,376	11,099
Analysed as:		
Current liabilities Non-current liabilities	2,319 32,057	_ 11,099
	34,376	11,099

On 28 June 2017, the Group disposed Full Wealthy International Limited at a consideration of 23,035,000 ordinary shares of Trillion Grand Corporate Company Limited ("Trillion Grand"), whose shares are listed on the GEM of the Stock Exchange. The Group provided profit guarantee to Trillion Grand. The management estimated the profit guarantee has fair value of HK\$nil.

For the year ended 30 June 2017

38. SHARE CAPITAL

	Number of	of shares	Amo	ount
	2017 '000	2016 '000	2017 HK\$'000	2016 HK\$'000
Ordinary shares of HK\$0.01 each (2016: HK\$0.01 each)				
Authorised: At the beginning of the year and end of the year	20,000,000	20,000,000	200,000	200,000

Ordinary shares of HK\$0.01 each (2016: HK\$0.01 each)

	Number	of shares	Amo	ount
	2017 '000	2016 '000	2017 HK\$'000	2016 HK\$'000
Issued and fully paid:				
At the beginning of the year	3,832,757	158,189	38,328	1,582
Issue of shares upon placing (note (a), (c))	2,415,600	800,000	24,156	8,000
Bonus issue (note (b), (d))	5,471,099	2,874,568	54,711	28,746
Issue of shares arising from conversion of convertible bonds (note (e))	9,371		94	
Issue of shares for acquisition of	9,371	_	54	_
investment at fair value through other				
comprehensive income (note (f))	259,107	-	2,591	-
Acquisition of subsidiaries (note (g), (h))	1,487,849	-	14,878	
At the end of the year	13,475,783	3,832,757	134,758	38,328

Notes:

For the year ended 30 June 2016:

(a) On 20 July 2015, the Company entered into a placing agreement to place a maximum number of 800,000,000 shares in a maximum of 2 tranches (in which each tranche shall not be less than 400,000,000 placing shares) to not less than six independent placees at a price of HK\$0.25 per share.

On 8 September 2015, the Company completed the placing, in which 403,000,000 shares were placed to not less than six placees who and whose ultimate beneficial owners are independent third parties of the Company and its connected persons at HK\$0.25 per share by the first tranche. The net proceeds of approximately HK\$98,073,000 were raised from the placing.

On 18 September 2015, the Company completed the placing, in which 397,000,000 shares were placed to not less than six placees who and whose ultimate beneficial owners are independent third parties of the Company and its connected persons at HK\$0.25 per share by the second tranche. The net proceeds of approximately HK\$96,769,000 were raised from the placing.

(b) By a special resolution dated 20 October 2015, the Company issued three bonus shares for every one share held. The issued share capital of the Company was therefore increased from 958,189,556 shares of HK\$0.01 each to 3,832,758,224 shares of HK\$0.01 each accordingly.

On 13 November 2015, the Company completed the bonus issue, in which, the share premium reduction for the year ended 30 June 2016 of approximately HK\$28,746,000 was credited to share capital and the same amount was debited to the share premium account.

For the year ended 30 June 2017

38. SHARE CAPITAL (CONTINUED)

Notes: (continued)

For the year ended 30 June 2017:

(c) On 21 March 2017, the Company completed the placing, in which 490,200,000 shares were placed to not less than six placees who and whose ultimate beneficial owners are independent third parties of the Company at HK\$0.25 per share. The net proceeds of approximately HK\$121,232,000 were raised from the placing.

On 12 June 2017, the Company completed the placing, in which 1,925,400,000 shares were placed to not less than six placees who and whose ultimate beneficial owners are independent third parties of the Company at HK\$0.25 per share. The net proceeds of approximately HK\$478,071,000 were raised from the placing.

- (d) On 15 February 2017, the Company completed the bonus issue, in which, the share premium reduction for the year ended 30 June 2017 of approximately HK\$54,711,000 was credited to share capital and the same amount was debited to the share premium account.
- (e) On 16 January 2017, 2016 CB with nominal value of HK\$3,500,000 were converted into 9,370,816 ordinary shares with conversion price of HK\$0.3735 per loan note. Approximately HK\$94,000 and HK\$6,936,000 were recorded in share capital and share premium respectively.
- (f) On 29 July 2016, pursuant to the acquisition of 4% equity interest in Prime Focus World N.V. ("Prime Focus"), the Company issued 259,106,982 ordinary shares of HK\$0.01 each to independent third parties with a market price of HK\$1.02 per share. The amounts of approximately HK\$2,591,000 and HK\$261,698,000 were credited to the Company's share capital and share premium account respectively for the year ended 30 June 2017.
- (g) On 3 August 2016, pursuant to the acquisition of 100% equity interest in HMV M&E, the Company issued 1,369,863,013 ordinary shares of HK\$0.01 each to independent third parties with a market price of HK\$1 per share. The amounts of HK\$13,699,000 and HK\$1,356,164,000 were credited to the Company's share capital and share premium account respectively for the year ended 30 June 2017.
- (h) On 24 February 2017, pursuant to the acquisition of 100% equity interest in Anyplex Hong Kong Limited ("Anyplex"), the Company issued 117,985,610 ordinary shares of HK\$0.01 each to independent third parties with a market price of HK\$0.28 per share. The amounts of HK\$1,179,000 and HK\$31,857,000 were debited to the Company's share capital and share premium account respectively for the year ended 30 June 2017.

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

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

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

For the year ended 30 June 2017

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of Financial Position of the Company

	30 June 2017 HK\$'000	30 June 2016 HK\$'000
Non-current assets Property, plant and equipment Intangible asset Interests in subsidiaries Investments at fair value through other comprehensive income Prepayments, deposits and other receivables Film rights and films production in progress	3,948 2,930 3,451 43,042 3,105 5,414	1,859 2,930 59 15,487 3,425 –
	61,890	23,760
Current assets Trade receivables Prepayments, deposits and other receivables Investments at fair value through profit or loss Loans receivables Amounts due from subsidiaries Bank and cash balances	97,844 234,012 16,384 6,899 500,073 121,590	43,780 - 285,249 15,271
	976,802	344,300
Current liabilities Trade payables Accruals, deposits received and other payables Amount due to subsidiaries Other borrowings Convertible bonds Derivative financial instruments Promissory note payable	1,463 4,633 79,960 43,592 5,311 2,319 14,160	4,181 43,140 49,377 2,000 14,160
	151,438	112,858
Net current assets	825,366	231,442
Total assets less current liabilities	887,256	255,202
Non-current liabilities Derivative financial instruments Convertible bonds	32,057 40,408	11,099 5,919
	72,465	17,018
NET ASSETS	814,791	238,184
Capital and reserves attributable to owners of the Company Share capital Reserves	134,758 680,033	38,328 199,856
TOTAL EQUITY	814,791	238,184

¹⁰⁰ Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2017

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

(b) Statement of reserves of the Company

	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 30 June 2015 and 1 July 2015	184,209	(19,997)	261,837	(150,318)	275,731
Total comprehensive loss for the year	-	(1,098)	-	(232,873)	(233,971)
Issue of shares upon placing	192,000	-	-	-	192,000
Transaction cost attributable					
to issue of shares	(5,158)	-	-	-	(5,158)
Bonus Issue	(28,746)	-	-	-	(28,746)
Disposal of investments at fair value					
through other comprehensive					
income	-	10,210	-	(10,210)	-
Contributed surplus reduction	-	-	(261,837)	261,837	-
At 30 June 2016 and 1 July 2016	342,305	(10,885)	-	(131,564)	199,856
Total comprehensive loss for the year	-	(1,218)	-	(1,694,919)	(1,696,137)
Issue of shares upon placing	579,744	_	-	_	579,744
Issue of shares upon conversion of					
convertible bonds	6,936	-	-	-	6,936
Issue of shares for the acquisition of investment at fair value through other comprehensive income	261,698				261,698
Transaction cost attributable	201,000				201,000
to issue of shares	(5,374)	_	_	_	(5,374)
Bonus issue	(54,711)	_	_	_	(54,711)
Issue of shares upon acquisition of	(01,111)				(01,111)
subsidiaries	1,388,021	-	_	_	1,388,021
At 30 June 2017	2,518,619	(12,103)		(1,826,483)	680,033

For the year ended 30 June 2017

40. OPERATING LEASE COMMITMENTS

The Group as lessee

At 30 June 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017 HK\$'000	2016 HK\$'000
Within one year In the second to fifth years inclusive After five years	59,836 144,396 203,425	17,286 77,318 221,368
	407,657	315,972

Operating lease payments represent rentals payable by the Group for certain of its offices and cinemas. Leases are negotiated for an average term of one to twenty years (2016: one to twenty one years) and rentals are fixed over the lease terms and do not include contingent rentals.

41. OTHER COMMITMENTS

	2017 HK\$'000	2016 HK\$'000
Amount contracted for but not provided in the consolidated financial statements in respect of:		
Film production cost	244,687	96,757
Guaranteed sum to be paid under various distributors' agreements	68,507	1,622
Investment	3,950	10,176
	317,144	108,555

¹⁰² Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2017

42. MATERIAL RELATED PARTY TRANSACTIONS

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

	2017 HK\$'000	2016 HK\$'000
Management fee paid to an associate (note (i))	5,957	2,880
Consultancy fee paid to a joint venture (note (ii))	-	50
Film production cost paid to an associate (note (i))	-	800
Film production cost paid to related company (note (iii))	1,500	_
Film production cost paid to directors (note (iv))	200	120

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

	2017 HK\$'000	2016 HK\$'000
Balances with related companies Prepayments	7,500	3,000
Balances with directors Prepayments	550	2,270
Balances with a related person Prepayments	_	1,000

Notes:

- (i) The amount mainly represents upfront payment for management fee and film productions paid to GME Holdings Limited, an associate of the Company.
- (ii) The amount represents consultancy service provided by Mustard Seed Entertainment Company Limited, a joint venture of the Company.
- (iii) The amount represents upfront payment for film productions paid to a related company of the Company, of which Shiu Stephen Junior, a director of the Company, is a shareholder.
- (iv) The amount represents upfront payment for film productions paid to the directors of the Company.

For the year ended 30 June 2017

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of subsidiaries

(i) Acquisition of 85% interests in Artery Production Limited

During the year ended 30 June 2016, Markwin Investment Limited, a non wholly-owned subsidiary of the Company, acquired 85% interests in Artery Production Limited ("Artery") at a consideration of HK\$4,000,000 from independent third parties.

The fair value of the identifiable assets and liabilities of Artery acquired as at its date of acquisition is as follows:

		2016
Net assets acquired:	Notes	HK\$'000
Intangible assets	17	731
Trade receivables		4
Prepayments, deposits and other receivables		168
Bank and cash balances		296
Trade payables		(33)
Accruals, deposits received and other payables		(387)
Deferred tax liabilities	25	(120)
		659
Goodwill on acquisition (note)		3,664
Non-controlling interest		(323)
		(323)
Satisfied by:		
Cash		4,000
Net cash outflow arising on acquisition:		
Cash consideration paid		4,000
Cash and cash equivalents acquired		(296)
		3,704

Note:

The recoverable amounts of Artery are determined on the basis of their value in use using discounted cash flow method (level 3 fair value measurements). Cash flow projection was based on financial budget covering a five-year period approved by management. The discount rate used for the value-in-use calculation was 18.5%. Management determined the budgeted gross margin based on past performances. The Group reviewed the recoverable amount of goodwill and impairment of goodwill of approximately HK\$3,664,000 is resulted.

If the acquisition had been completed on 1 July 2015, total Group's revenue for the year would have been approximately HK\$314,175,000 (restated), and loss for the year would have been approximately HK\$184,943,000 (restated). The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 July 2015, nor is intended to be a projection of future results.

- - . -

¹⁰⁴ Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2017

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) Acquisition of subsidiaries (Continued)

(ii) Acquisition of 100% interests in Time Edge Limited

During the year ended 30 June 2017, Sunny On Corporation Limited, a wholly-owned subsidiary of the Company, acquired 100% interests in Time Edge Limited ("Time Edge") from independent third parties at a consideration of HK\$50,000,000 which was satisfied by the issue of 2017 CB by the Company.

The fair value of the identifiable assets and liabilities of Time Edge acquired as at its date of acquisition is as follows:

Net assets acquired:	Notes	2017 HK\$'000
Property, plant and equipment	16	38
Intangible assets	17	24,500
Deferred tax assets	25	14,047
Trade receivable		1,021
Loan receivable		3,025
Prepayments, deposits and other receivables		2,741
Amount due from the Group		2,980
Bank and cash balances		8,912
Trade payable Accruals, deposits received and other payables		(1,776) (305)
Deferred tax liabilities	25	(4,042)
Goodwill on acquisition	18	51,141 22,531
Satisfied by:		
Convertible bonds, at fair value		73,672
Net cash outflow arising on acquisition: Cash and cash equivalents acquired		8,912

For the year ended 30 June 2017

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) Acquisition of subsidiaries (Continued)

(ii) Acquisition of 100% interests in Time Edge Limited (Continued)

The goodwill arising on the acquisition of Time Edge is attributable to the Group's ability to broaden the Group's scope of business in the entertainment industry by covering online music streaming and entertainment in platforms including mobile phones.

Time Edge contributed revenue of approximately HK\$883,000 and loss of approximately HK\$2,723,000 to the Group's revenue and profit for the year respectively for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 July 2016, total Group's revenue for the year would have been approximately HK\$562,272,000, and profit for the year would have been approximately HK\$19,281,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 July 2016, nor is intended to be a projection of future results.

The transaction cost for acquisition of Time Edge is approximately HK\$80,000 which is included in administrative expenses.

For the year ended 30 June 2017

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) Acquisition of subsidiaries (Continued)

(iii) Acquisition of 100% interests in Anyplex

During the year ended 30 June 2017, Sunny On Corporation Limited, a wholly-owned subsidiary of the Company, acquired 100% interests in Anyplex from independent third parties at a consideration of HK\$38,535,971 which was satisfied by cash of HK\$5,500,000 and issue and allotment of 117,985,610 shares of the Company with a market price of HK\$0.28 per share.

The fair value of the identifiable assets and liabilities of Anyplex acquired as at its date of acquisition is as follows:

Net assets acquired:	Notes	2017 HK\$'000
Property, plant and equipment Intangible asset Deferred tax assets Trade receivables Prepayments, deposits and other receivables Bank and cash balances Trade payables Accruals, deposits received and other payables Amount due to the Group Other borrowings	16 17 25	116 34,345 10,205 1,096 9,505 3,273 (7,728) (3,057) (38,978) (9,642)
Deferred tax liabilities	25	(5,667)
Goodwill on acquisition	18	(6,532) 45,068
		38,536
Satisfied by: Cash 117,985,610 ordinary shares of the Company		5,500 33,036
		38,536
Net cash outflow arising on acquisition: Cash consideration paid Cash and cash equivalents acquired		(5,500) 3,273
		(2,227)

The goodwill arising on the acquisition of Anyplex is attributable to the Group's ability to broaden the Group's scope of business in the entertainment industry by covering online film streaming and entertainment in platforms including mobile phones.

Anyplex contributed revenue of approximately HK\$3,177,000 and loss of approximately HK\$7,216,000 to the Group's revenue and profit for the year respectively for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 July 2016, total Group's revenue for the year would have been approximately HK\$569,286,000, and profit for the year would have been approximately HK\$5,021,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 July 2016, nor is intended to be a projection of future results.

The transaction cost for acquisition of Anyplex is approximately HK\$72,000 which is included in administrative expenses.

For the year ended 30 June 2017

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) Acquisition of subsidiaries (Continued)

(iv) Acquisition of 100% interests in HMV M&E

During the year ended 30 June 2017, Certain Best Limited, a wholly-owned subsidiary of the Company, acquired 100% interests in HMV M&E from two separate independent third parties at a total consideration of HK\$1,369,863,013 which was satisfied by issue and allotment of 1,369,863,013 shares of the Company with a market price of HK\$1 per share.

The fair value of the identifiable assets and liabilities of HMV M&E acquired as at its date of acquisition is as follows:

Net assets acquired:	Notes	2017 HK\$'000
Property, plant and equipment	16	49,252
Intangible assets	17	236,500
Deferred tax assets	25	17,953
Trade receivable		1,356
Deposits, prepayment and other receivables		22,670
Loan receivable from the Group		25,000
Inventories		33,668
Pledged bank deposits		7,015
Cash and cash equivalents		69,519
Trade payable		(23,626)
Accruals, deposits received and other payables		(36,600)
Provision for asset retirement	36	(8,619)
Other borrowings		(25,619)
Deferred tax liabilities	25	(49,061)
		319,408
Goodwill on acquisition	18	1,050,455
		1,369,863
Satisfied by:		
1,369,863,013 ordinary shares of the Company		1,369,863
Net cash outflow arising on acquisition: Cash and cash equivalents acquired		69,519

The goodwill arising on the acquisition of HMV M&E is attributable to the Group's ability to generate a synergistic effect with its existing lines of business.

HMV M&E contributed revenue of approximately HK\$181,704,000 and loss of approximately HK\$10,258,000 to the Group's revenue and profit for the year respectively for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 July 2016, total Group's revenue for the year would have been approximately HK\$578,914,000, and profit for the year would have been approximately HK\$19,111,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 July 2016, nor is intended to be a projection of future results.

The transaction cost for acquisition of HMV M&E is approximately HK\$269,000 which is included in administrative expenses.

¹⁰⁸ Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2017

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) Acquisition of subsidiaries (Continued)

(v) Disposal of 55% interest in GME H as a consideration for acquisition of 20% of HMV (BVI)

On 20 February 2017, the Group disposed 55% equity interest in GME H to two independent third parties of the Group, at a consideration of 20% of the equity interest in HMV (BVI) non wholly-owned subsidiary of the Company.

The effect of change in the ownership interests of HMV (BVI) on the equity attributable to owners of the Company during the year ended 30 June 2017 were summarised as follows:

	2017
	HK\$'000
Decrease in non-controlling interest	579
Fair value of 20% of the equity interest in HMV (BVI)	(3,392)
Movement in equity	(2,813)

(b) Disposal of subsidiaries

(i) Disposal of 20% interest in HMV (BVI)

On 8 March 2016, the Group disposed 20% of the issued share capital of HMV (BVI), a non wholly-owned subsidiary of the Company, at a consideration of HK\$1,700,000 to an independent third party.

The effect of change in the ownership interests of HMV (BVI) on the equity attributable to owners of the Company during the year ended 30 June 2016 were summarised as follows:

	2016 HK\$'000
Increase in non-controlling interest Consideration received	488 (1,700)
Movement in equity	(1,212)

For the year ended 30 June 2017

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Disposal of subsidiaries (Continued)

(ii) Disposal of 85% interest in Full Wealthy International Limited

On 28 June 2017, the Group disposed 85% of the issued share capital of Full Wealthy International Limited ("Full Wealthy"), a wholly-owned subsidiary of the Company, at a consideration of 23,035,000 ordinary shares of Trillion Grand Corporate Company Limited ("Trillion Grand") at fair value of HK\$2.06 per share to Trillion Grand.

The fair value of the identifiable assets and liabilities of Full Wealthy disposed as at its date of disposal is as follows:

Net assets at the date of disposal were as follows:	Notes	2017 HK\$'000
Property, plant and equipment Trade receivables	16	121 2,000
Intangible asset Deferred tax assets	17	33,200 11,462
Prepayment and other receivables Goodwill Bank and cash balances	18	16,056 45,068 1,562
Trade payables Amount due to the Group Accruals, deposits received and other payables		(19,816) (40,029) (3,120)
Other borrowings Deferred tax liabilities	25	(10,663) (5,478)
Net assets disposal of Gain on disposal of Full Wealthy		30,363 17,089
Total consideration received		47,452
Net cash inflow arising on disposal: Cash and cash equivalents disposed of		1,562

(c) Major non-cash transactions

- (i) In addition to notes 43(a) and 43(b), the group has the followings major non-cash transaction during the years ended 30 June 2016 and 2017.
- (ii) On 29 July 2016, Horizon Coast acquired 4% interests in Prime Focus at a consideration of 259,106,982 shares of the Company which had fair value of approximately HK\$264,289,000 and market price per share of HK\$1.02. The carrying amount of the 4% interests in Prime Focus on the date of acquisition was approximately HK\$264,289,000.
- (iii) As at 30 June 2016, prepayment of HK\$27,600,000 to an independent third party is financed by borrowing, with interest rate of 10% per annum, of HK\$27,600,000 from that independent third party.

0047

¹¹⁰ Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2017

44. INTERESTS IN SUBSIDIARIES

Particulars of the subsidiaries as at 30 June 2017 are as follows:

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

For the year ended 30 June 2017

44. INTERESTS IN SUBSIDIARIES (CONTINUED)

Particulars of the subsidiaries as at 30 June 2017 are as follows: (Continued)

Name of subsidiary	Place of incorporation/ registration/ operations	lssued and fully paid share capital	Percentage of ownership interest	Principal activities
Markwin Investment Limited	Hong Kong	HK\$20	80%	Artiste management
Quick Money Finance Limited	Hong Kong	HK\$1	100%	Money lending
Beijing Hua Hao Ying An Yule Consulting Company* 北京華浩盈安娛樂咨詢有限公司	The PRC	RMB4,032,190	100%	Provision for consultancy service
Ying Lian Cinema (Chong Qing) Company Limited* 映聯影業(重慶)有限公司	The PRC	RMB16,509,617	100%	Operation of cinema in the PRC
Empire Fame Limited	Hong Kong	HK\$1	100%	Production of film
Asian Rich Limited	Hong Kong	HK\$1	100%	Production of film
Golden Full Corporation Limited	Hong Kong	HK\$1	100%	Production of film
Smart Mega Corporation Ltd	Hong Kong	HK\$1	100%	Production of film
Kingcool Inc Limited	Hong Kong	HK\$1	100%	Production of film
King Universe Inc. Limited	Hong Kong	HK\$1	100%	Production of film
Union Rico Limited	Hong Kong	HK\$1	100%	Production of film
Creative Projects Company Limited	Hong Kong	HK\$5,500,000	100%	Property investment
GME China Entertainment Limited (renamed to HMV Artiste Management (BVI) Limited with effect from 3/8/2017)	BVI	US\$12,500	80%	Investment holding
GME China Entertainment (HK) Limited	Hong Kong	HK\$1	100%	Investment holding
Artery Production Limited	Hong Kong	HK\$10,000	68%	Artiste management
Golden Chinny Limited	Hong Kong	HK\$1	100%	Production of film
Horizon Coast Limited	Hong Kong	HK\$1	100%	Production of film
Double Spirit Development Limited	Hong Kong	HK\$1	100%	Production of film
Union Kingwell Limited	Hong Kong	HK\$1	100%	Artiste management
Master Scene Limited	Hong Kong	HK\$1	100%	Production of film

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

* For identification purpose only

¹¹² Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2017

45. CONTINGENT LIABILITIES

On 20 October 2015, a new tenancy agreement was jointly entered into by Mark Glory International Enterprise Limited ("Mark Glory"), an indirectly wholly-owned subsidiary of the Company and Top Euro Limited ("Top Euro"), an indirect wholly-owned subsidiary of Easy Repay Finance & Investment Limited (stock code: 8079) with Wit Way Enterprises Limited in relation to the lease of the premises. The duration of the tenancy agreements is for two years commencing from 1 November 2015 to 31 October 2017 with a monthly rental of HK\$325,000 inclusive of management charges (equivalent to HK\$3,900,000 per annum), but exclusive of government rates and all other outgoings. The rent, government rates and all outgoings of the premises shall be paid by Mark Glory and Top Euro in equal shares.

If either party fails to fulfill their leasing obligations under the agreement, the other party will obligate to pay the other party's outstanding contingent rental liability amounting to HK\$1,950,000 per annum.

46. LITIGATION

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

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

Green Giant claims the principal amount of the Note of HK\$14,160,000, interest thereon from the time of presentment for payment until payment in full at the rate of 10% per annum pursuant to the terms of the Note, incurred expenses and costs. The claim is disputed and action is being defended.

In the opinion of the Directors, the Note payable of HK\$14,160,000 is property recognized as at 30 June 2016 and 30 June 2017, as such, the Directors did not consider that the litigation have any significant impact on the Group's financial position and operations.

47. EVENTS AFTER THE REPORTING PERIOD

Acquisitions of Panorama Corporation Limited and Parkway Licensing Company Limited

The Panorama Acquisition

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

The Parkway Acquisition

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

Details of the acquisitions were disclosed in the announcement dated 9 January 2017 and 4 August 2017. The acquisitions were not yet completed.

48. COMPARATIVE FIGURE

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

49. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Board of Directors on 29 September 2017.

PUBLICATION OF ANNUAL REPORT ON THE GEM WEBSITE

The Annual Report of the Company containing all the information required by the GEM Listing Rules will be dispatched to the shareholders of the Company and be published on the GEM website of the Stock Exchange (www.hkgem.com) and the Company's website (www.china3d8078.com) in due course.

Yours faithfully, By Order of the Board **HMV Digital China Group Limited Shiu Stephen Junior** *Chairman*

Hong Kong, 29 September 2017

As at the date hereof, the Board comprise:

Executive Directors:

Mr. Shiu Stephen Junior (*Chairman*) Ms. Li Mau (*Co-Chairman*) Mr. Sun Lap Key, Christopher Mr. Lee Wing Ho, Albert Mr. Cheung Hung Lui

Independent Non-executive Directors:

Mr. Kam Tik Lun Mr. Chan Chi Ho Mr. Tam Kwok Ming, Banny

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for seven days from the day of its posting and on the website of the Company at www.china3d8078.com.