Media Asia 寰亞

Annual Report

Year ended 31 July 2012

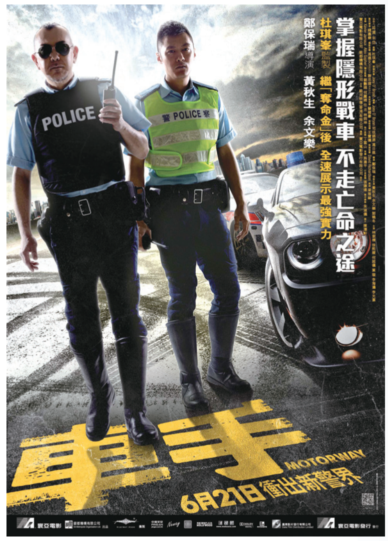
二零一二年七月三十一日止年度報告

Media Asia Group Holdings Limited
寰亞傳媒集團有限公司

(Stock Code 股份代號：8075)

Media Asia expands into China's media and entertainment markets, aiming to bring to the audience with ever-wider, more exuberant choice in entertainment experiences.

寰亞傳媒全面拓展中國大陸傳媒及娛樂市場，為廣大觀眾帶來更豐富、更全面的娛樂享受。



Characteristics of the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

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

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

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This report, for which the directors of Media Asia Group Holdings Limited (the "Directors") 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 for the purpose of giving information with regard to Media Asia Group Holdings Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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CORPORATE INFORMATION

PLACE OF INCORPORATION

Incorporated in the Cayman Islands and continued in Bermuda

BOARD OF DIRECTORS

Executive Directors

Lam Kin Ngok, Peter *(Chairman)*
Yu Feng
Choi Chiu Fai, Stanley
Lui Siu Tsuen, Richard
Chan Chi Kwong
Etsuko Hoshiyama
Chan Chi Ming, Alvin

Independent Non-executive Directors

Chan Chi Yuen
Ng Chi Ho, Dennis
Zhang Xi

AUDIT COMMITTEE

Chan Chi Yuen *(Chairman)*
Ng Chi Ho, Dennis
Zhang Xi

REMUNERATION COMMITTEE

Chan Chi Yuen *(Chairman)*
Lui Siu Tsuen, Richard
Ng Chi Ho, Dennis
Zhang Xi

AUTHORISED REPRESENTATIVES

Lui Siu Tsuen, Richard
Etsuko Hoshiyama

COMPLIANCE OFFICER

Etsuko Hoshiyama, CPA, AICPA

COMPANY SECRETARY

Etsuko Hoshiyama, CPA, AICPA

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 606, 6th Floor
Tower II, Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

INDEPENDENT AUDITORS

Ernst & Young
Certified Public Accountants

SOLICITORS

As to Hong Kong Law:
Cheung Tong & Rosa Solicitors

As to Bermuda Law:
Conyers Dill & Pearman

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

LISTING

The issued shares of the Company are listed and traded on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited

STOCK CODE/BOARD LOT

8075/2,000

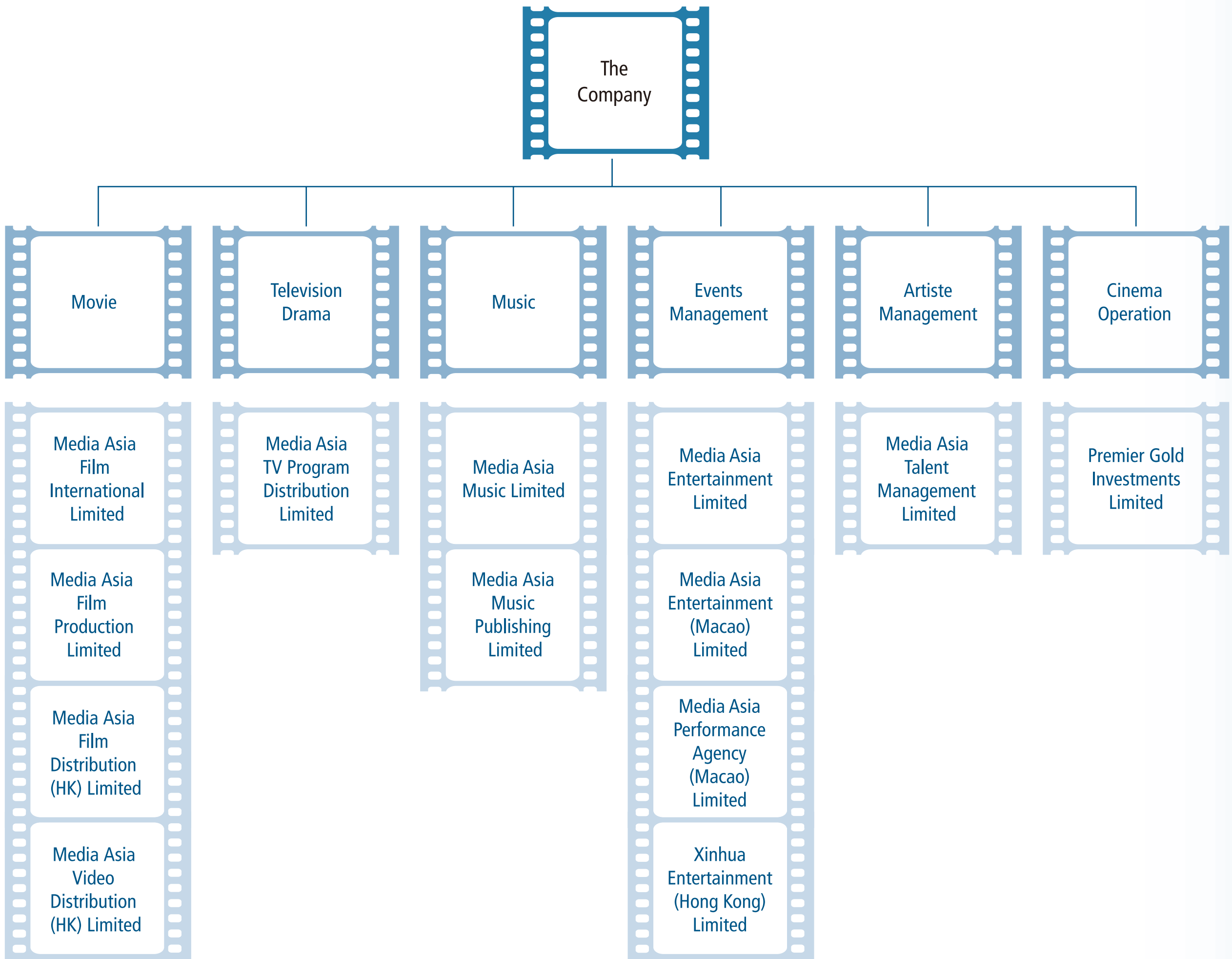
WEBSITE

http://www.mediaasia.com

CORPORATE CHART

Media Asia Group Holdings Limited (the "Company") was incorporated in the Cayman Islands on 29 February 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The Company's domicile was changed to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda on 3 December 2009. The Company's issued ordinary shares of HK$0.01 each (the "Shares") have been listed and traded on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 31 May 2001.

The following is a corporate chart of the Company and its subsidiaries (collectively, the "Group") as at the date of this report. The Group's principal activities include film production and distribution; organisation, management and production of concerts and live performances; artist management; production and distribution of television drama series; music production and publishing; cinema investment and operation; provision of consultancy services in planning and management of cultural, entertainment and live performance projects; provision of contents to new media and operation of new media and related businesses primarily in the People's Republic of China (the "PRC") and Macau.



FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial periods, as extracted from the published audited financial statements of the Group and restated/reclassified as appropriate, is set out below:

	Year ended 31 July 2012 HK$'000	Period from 1 April 2011 to 31 July 2011 HK$'000	Year ended 31 March 2011 HK$'000	Year ended 31 March 2010 HK$'000	Year ended 31 March 2009 HK$'000
Results for the year/period					
Turnover	**117,460**	10,363	9,592	1,914	2,714
Profit/(loss) before tax	**(284,068)**	43	(45,736)	(17,021)	(48,977)
Profit/(loss) attributable to owners of the parent and non-controlling interests	**(288,834)**	413	(45,468)	(16,920)	(47,822)
Assets and liabilities					
Total assets	**1,107,368**	581,408	47,719	56,756	38,292
Total liabilities	**(538,447)**	(289,566)	(24,676)	(4,381)	(5,323)
Net assets	**568,921**	291,842	23,043	52,375	32,969

CHAIRMAN'S STATEMENT

LAM Kin Ngok, Peter
Chairman

OVERVIEW OF RESULTS

During the year ended 31 July 2012, the Group recorded a turnover of approximately HK$117,460,000. As the turnover for the four-month period from 1 April 2011 to 31 July 2011 (the "Period") was approximately HK$10,363,000, the turnover for the year ended 31 July 2012 represents a 1,033% increase when compared with the turnover of the Group for the Period. The significant increase in the turnover of the Group was mainly attributable to an increase in the revenue of the Group's entertainment business. The Group's loss before tax for the year ended 31 July 2012 was approximately HK$284,068,000 (Period: profit of approximately HK$43,000). The significant loss incurred during the year was mainly attributable to the fair value loss on the forward contract in relation to the Second Completion Convertible Notes (defined below). Loss attributable to owners of the Company for the year ended 31 July 2012 was approximately HK$290,175,000 (Period: profit of approximately HK$985,000).

Cost of sales for the year ended 31 July 2012 was approximately HK$72,989,000 (Period: approximately of HK$10,785,000). Operating expenses for the year ended 31 July 2012 was approximately HK$107,912,000 (Period: approximately HK$17,500,000). During the year ended 31 July 2012, the Group recognised a fair value loss on the forward contract of approximately HK$198,636,000 (Period: gain of approximately HK$20,655,000). Finance costs mainly attributable to the interest expenses on the First Completion Convertible Notes (defined below) and the Second Completion Convertible Notes (collectively, the "Convertible Notes"), was approximately HK$30,591,000 (Period: HK$4,383,000).

The fair value loss on the forward contract and effective interest expenses arising from the Convertible Notes were non-cash in nature. The Group will in no event be obligated to settle any of such financial liability in respect of the forward contract by incurring a cash payout or otherwise by using any of its assets. As the completion of the issuance of the Second Completion Convertible Notes already took place on 9 June 2012, the Group's results shall no longer be affected by the change in fair value on the forward contract in relation to the Second Completion Convertible Notes. Excluding the fair value loss of the forward contract of approximately HK$198,636,000, the Group would have recorded a loss for the year attributable to owners of the Company of approximately HK$91,539,000 for the year ended 31 July 2012.

As at 31 July 2012, the Group's equity attributable to owners of the Company amounted to approximately HK$542,116,000 and the net asset value per share was HK$4.3 cents.

DIVIDEND

The board of the directors of the Company (the "Board") does not recommend the payment of a dividend for the year ended 31 July 2012.

SECOND COMPLETION OF SUBSCRIPTION AGREEMENT

Pursuant to a share subscription agreement dated 23 March 2011 and entered into between the Company and certain subscribers including Perfect Sky Holdings Limited ("Perfect Sky"), a wholly-owned subsidiary of eSun Holdings Limited ("eSun"), the Company and the subscribers conditionally agreed that the Company would issue and the subscribers would subscribe (i) a total of 6,918,343,209 Shares (the "Share Subscription") and (ii) the convertible notes which comprise the first completion convertible notes in an aggregate principal amount of HK$371,386,642 (the "First Completion Convertible Notes") and the second completion convertible notes with aggregate principal amount of HK$224,873,937 (the "Second Completion Convertible Notes"). The completion of the Share Subscription and the First Completion Convertible Notes took place on 9 June 2011, and the completion of the Second Completion Convertible Notes took place on 9 June 2012. Further details of the First Completion Convertible Notes and the Second Completion Convertible Notes are set out in Notes 25 and 31 of the "Notes to the financial statements".

BUSINESS REVIEW

Events Management

During the year under review, the Group organised and invested in 37 (Period: 3) shows by popular local, Asian and internationally renowned artistes, including Sammi Cheng, Ekin Cheng, Jan Lam, Andy Hui, William So, Wyman Wong and friends, Justin Lo, Kay Tse, Hanjin Tan, Super Junior and Tat Ming Pair. The total revenue from these business amounted to approximately HK$69,720,000.

In August 2011, the Group entered into an entertainment service agreement with an independent third party, pursuant to which the Group has provided certain entertainment consultancy services including designing and formulating event proposals and management of events in Macau. Events management income included retainer fees recognised of approximately HK$23,833,000 arising from the said entertainment service agreement.

Film production

During the year under review, the Group through its film production and distribution units, completed the principal photography of 5 films, with 3 other films in the production pipeline or under development. Most of them are expected to be released by 2013. The Group recorded a turnover of approximately HK$2,655,000 from video distribution and film distribution commission income.

Music

During the year under review, the Group released 21 (Period: nil) albums, including titles by Super Junior, C AllStar, Richie Jen, Exile and Ellen Loo. Turnover from music publishing and recording was approximately HK$9,133,000.

Artiste Management

During the year under review, the Group recorded turnover of approximately HK$9,845,000 from artiste management. The Group currently has more than 20 artistes under its management.

BUSINESS REVIEW (Continued)

TV program distribution

During the year under review, the Group has made investments in production of 70 episodes of television dramas in the PRC which are expected to generate return to the Group in the coming financial year. The Group recorded a turnover of approximately HK$2,274,000 from TV program distribution commission income and TV program production fee income.

Acquisition of Media Magic Holdings Limited ("Media Magic")

On 30 March 2012, the Group acquired 51% interest of Media Magic. Media Magic is principally engaged in entertainment content production and artiste management in the PRC. Through the acquisition, the Group has secured the services of seasoned directors, producers and artiste managers as well as artistes which greatly facilities the Group's development in the related markets.

CONTINUING CONNECTED TRANSACTIONS

On 23 December 2011, the Company entered into certain agreements with eSun and/or its subsidiaries in relation to (i) arrangement for the engagement of the artistes by the Group, (ii) arrangement for the co-production of concerts, (iii) licencing of music works by the Group in the PRC and Macau, and (iv) licencing of the rights in the films by the Group in the PRC and Macau. Details of the continuing connected transactions contemplated under these agreements are set out in the "Continuing Connected Transactions" in the "Report of Directors" section in this annual report.

PROSPECTS

Backed by the government support of the cultural industry, the entertainment and media spending of the PRC reached USD 109 billion in 2011 and it surpassed Germany to become the world's third largest media and entertainment market. It is expected that the media and entertainment spending of the PRC would top USD190 billion by 2016, with a compound annual growth of 12%. The Group continues to further expand its media and entertainment businesses aiming to build up its brand name and maximise income from its film, television, music, live entertainment, talent management and new media operations in the PRC in order to capitalise on this fast growing industry.

The Group anticipates that a number of its films under production will be released in the coming financial year. By leveraging on eSun's established network, the Group is actively pursuing opportunities to collaborate with renowned studios, directors and producers in investing and producing high-quality Chinese language films that appeal to the PRC market, with the objectives of expanding market share and increasing our film revenue.

The Group plans to increase the volume of its investment and/or production in concerts and live entertainment, particularly in the PRC, in the coming financial year. In order to bring to the Chinese audience with more exuberant choices in live entertainment experiences, the Group will diversify its live performance events from major pop concerts to musical performances and location based entertainment events with popular local as well as international artistes.

PROSPECTS (Continued)

The Group believes that a strong artiste roster will complement our media and entertainment businesses. Apart from working with and securing an increasing number of successful and famous artistes in Hong Kong and the PRC, the Group has recruited a group of new talents in 2012. The Group will continue to look for opportunities in cooperating with high profile Asian artistes and explore new talents in Asia to provide a fresh supply of artistes for its entertainment projects.

In view of the continued strong demand for good quality television drama from TV stations and online video website operators in the PRC, the Group will increase its investment and/or production of premium quality programmes with well-known producers and artistes. Meanwhile, the Group will continue its efforts in developing relationships with major television networks, production teams and video websites operators in the PRC and will actively seek opportunities in investment in other television programme genre such as variety shows.

In light of the enormous yet continuously growing PRC market, the Group endeavors to continue expansion of its integrated entertainment platform with the view to provide the most valuable and competitive Chinese-language content. The Group will explore cooperation and investment opportunities so as to enrich its portfolio and broaden its income stream with primary focus in the PRC market.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND CHARGE ON ASSETS

As at 31 July 2012, the Group's equity attributable to owners of the Company increased by approximately 84% to approximately HK$542,116,000 (as at 31 July 2011: approximately HK$293,995,000). The significant increase was mainly attributable to the issue of the Second Completion Convertible Notes and share placement. Total assets amounted to approximately HK$1,107,368,000 (as at 31 July 2011: approximately HK$581,408,000) which included current assets amounting to approximately HK$977,970,000 (as at 31 July 2011: approximately HK$568,521,000). Current liabilities were approximately HK$61,609,000 (as at 31 July 2011: approximately HK$12,318,000). Net asset value per share as at 31 July 2012 was approximately HK$0.043 (as at 31 July 2011: approximately HK$0.029). Current ratio was approximately 15.9 (as at 31 July 2011: approximately 46.2).

As at 31 July 2012, the Group's cash and cash equivalents significantly increased to approximately HK$696,869,000 (as at 31 July 2011: approximately HK$507,315,000). The balances were approximately 93% denominated in Hong Kong dollars, 3% in Renminbi ("RMB") and 4% in United States dollars. The RMB denominated balances were placed with licensed banks in the PRC. The conversion of these RMB balances into foreign currencies and the remittance of such foreign currencies balances, are subject to the rules and regulation of foreign exchange control promulgated by the PRC government. During the year ended 31 July 2012, the Group had net cash outflows of approximately HK$235,901,000 for operating activities and net cash outflows of approximately HK$96,307,000 from investing activities and net cash inflows of approximately HK$521,738,000 from financing activities. The significant increase in cash and cash equivalents is mainly attributable to the proceeds received from the issue of the Second Completion Convertible Notes and share placement.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND CHARGE ON ASSETS (Continued)

As at 31 July 2012, the net carrying amount of the Convertible Notes classified as liability was approximately HK$458,941,000 (as at 31 July 2011: HK$277,153,000). During the year ended 31 July 2012, a letter of credit facility in the amount of US$5,000,000 was granted by a bank to the Group. As at 31 July 2012, the Group had an unutilised letter of credit facility of US$1,250,000 (as at 31 July 2011: Nil). Save for the aforesaid, at 31 July 2012, the Group did not have any bank loans, overdrafts or any other borrowing. No interests have been capitalised during the year ended 31 July 2012. As at 31 July 2012, the gearing ratio of the Group, being the total borrowings to shareholders' equity to the owner of the Company, was approximately 84.7% (as at 31 July 2011: 94.3%).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group's exposure to foreign currencies is limited to its investment in foreign subsidiaries, which are financed internally. As at 31 July 2012, the Group had no outstanding foreign currency hedge contracts (as at 31 July 2011: Nil).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities at 31 July 2012 (as at 31 July 2011: Nil).

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 31 July 2012, the Group had 133 (as at 31 July 2011: 29) employees. Staff costs, including directors' emoluments for the year ended 31 July 2012, amounted to HK$55,909,000 (Period: HK$4,933,000). The Group's remuneration policy is basically determined by the performance of individual employees. In general, salary review is conducted annually. Staff benefits, including medical coverage and provident funds, are also provided to employees.

SHAREHOLDERS AND STAFF

Looking back on this financial year, I would like to thank my Board colleagues, the senior management team, our partners and everyone who worked with us during the year for their loyalty, support and outstanding teamwork. I would also like to thank Tang Jun who left the Board recently for his valuable contributions to the Company during his tenure.

I firmly believe that the concerted efforts of our staff and stakeholders will continue to propel the growth momentum of our Group going forward.

Lam Kin Ngok, Peter
Chairman

Hong Kong, 16 October 2012

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Dr. Lam Kin Ngok, Peter, aged 55, was appointed an executive director and the Chairman of the Board with effect from 16 June 2011. Dr. Lam is also the deputy chairman of Lai Sun Garment (International) Limited ("LSG"), the chairman of Lai Sun Development Company Limited ("LSD") and Lai Fung Holdings Limited ("LFH"), and an executive director of eSun and Crocodile Garments Limited ("CGL"). The issued shares of LSG, LSD, LFH, eSun and CGL are listed and traded on the Main Board of the Stock Exchange. LSG is the controlling shareholder of LSD while LSD is the controlling shareholder of eSun which is the ultimate holding company of the Company. Dr. Lam has extensive experience in the property development and investment, hospitality and media and entertainment businesses.

Dr. Lam is currently a director of The Real Estate Developers Association of Hong Kong. He is also chairman of Hong Kong Chamber of Films Limited and the Entertainment Industry Advisory Committee of the Hong Kong Trade Development Council, honorary chairman of Hong Kong, Kowloon & New Territories Motion Picture Industry Association Limited, vice chairman of the Hong Kong Film Development Council and a member of the Hong Kong Tourism Board. In addition, Dr. Lam is a trustee of The Better Hong Kong Foundation, a member of the 11th National Committee of the Chinese People's Political Consultative Conference, a member of Friends of Hong Kong Association Limited and a director of Hong Kong-Vietnam Chamber of Commerce Limited. Dr. Lam was conferred an Honorary Doctorate of the Academy by The Hong Kong Academy for Performing Arts in June 2011.

Mr. Yu Feng, aged 49, was appointed an executive director of the Company with effect from 16 June 2011. Mr. Yu is the founder and chairman of Yunfeng Fund, L.P. (the "Yunfeng Fund") which was launched by Mr. Yu together with other entrepreneurs in 2010. He has over 10 years' working experience in the field of media and entertainment industry and has extensive knowledge and recognised credential in the entertainment industry. Mr. Yu holds a Bachelor degree in Philosophy from Fudan University, the PRC and a Master degree in Philosophy from the same university. He has also obtained a Master degree in Executive Master of Business Administration from China Europe International Business School. Mr. Yu is currently a director of each of Huayi Brothers Media Corporation, a company whose securities are listed and traded on the China Growth Enterprise Market and Shanghai Guangdian Electric Group Co., Ltd, a company whose securities are listed and traded on the Shanghai Stock Exchange. Mr. Choi Chiu Fai, Stanley, an executive director of the Company, is also one of the founders of the Yunfeng Fund.

Mr. Choi Chiu Fai, Stanley, aged 43, was appointed as an executive director of the Company with effect from 24 October 2011. Mr. Choi possesses about 20 years of experience in securities, futures, financial derivative products and merger and acquisition projects. Apart from working at senior positions for different financial groups in Hong Kong, Mr Choi has also served as a member of the top management of the following three companies, the shares of which are listed and traded on the Stock Exchange. He was the deputy chairman and an executive director of HyComm Wireless Limited from April 2010 to September 2010, an executive director of Simsen International Corporation Limited from May 2008 to April 2010 and the chief executive officer and an executive director of Oriental Ginza Holdings Limited from October 2006 to October 2007. Mr. Choi received a Bachelor of Business Administration degree (Magna Cum Laude) majoring in finance from Wichita State University and a Master of Science degree in International Finance from University of Illinois, both in the United States of America. In June 2006, he was awarded a Master degree in law from the Law School of the Chinese People's University. He is currently studying for a Doctor of Business Administration programme organised by the City University of Hong Kong and his thesis will be in the area of financial engineering. Mr Choi is one of the founders of the Yunfeng Fund, a well-capitalised private equity fund focused on telecommunications, media and technology and new energy investment projects.

EXECUTIVE DIRECTORS (Continued)

Mr. Lui Siu Tsuen, Richard, aged 56, was appointed an executive director of the Company with effect from 16 June 2011 and is a director of a number of subsidiaries of the Company. He is also a member of both the Executive Committee and the Remuneration Committee of the Company. Mr. Lui joined eSun in April 2010 as the chief operating officer of its Media and Entertainment Division and became an executive director of eSun with effect from 1 July 2010. He is currently the chief executive officer of eSun and an executive director of LSG, LSD and LFH respectively. LSG is the controlling shareholder of LSD while LSD is the controlling shareholder of eSun which is the ultimate holding company of the Company.

Mr. Lui is also an independent non-executive director of Prosperity Investment Holdings Limited and 21 Holdings Limited. Prior to joining eSun, Mr. Lui was a director of Hanny Holdings Limited and Rosedale Hotel Holdings Limited (formerly known as Wing On Travel (Holdings) Limited). The issued shares of all the aforementioned companies are listed and traded on the Main Board of the Stock Exchange. He was also a director of PSC Corporation Ltd., a company listed on Singapore Exchange Securities Trading Limited and a director of MRI Holdings Limited, a company previously listed on the Australian Securities Exchange. Mr. Lui has over 25 years of experience in property investment, corporate finance and media and entertainment business. He is a fellow member of each of the Hong Kong Institute of Certified Public Accountants and The Chartered Institute of Management Accountants, United Kingdom and an associate of The Institute of Chartered Accountants in England and Wales. He holds a Master of Business Administration degree from The University of Adelaide in Australia.

Mr. Chan Chi Kwong, aged 52, was appointed an executive director of the Company with effect from 16 June 2011. He is a member of the Executive Committee of the Company and a director of a number of subsidiaries of the Company. Mr. Chan is also a director of East Asia Entertainment Limited and East Asia Music (Holdings) Limited, wholly-owned subsidiaries of eSun. Mr. Chan graduated from the University of Warwick in England with a Bachelor of Science degree in Management Sciences. He has over 20 years of experience in various media and entertainment fields in the PRC and Hong Kong. Prior to joining the eSun group, he was the managing director of Warner Music Hong Kong Limited and had served as senior executives of companies like EMI Hong Kong Limited and SCMP.com Limited.

The Company and Mr. Chan have entered into a service contract with no fixed tenure, which is determinable by the Company or Mr. Chan by giving the other party not less than three months' notice or payment in lieu thereof. Mr. Chan presently receives a director's fee of HK$10,000 per month from the Company and salaries of HK$2,902,980 per annum from the Group.

Save as disclosed above, as at the date of this report, Mr. Chan (i) did not have any relationship with any directors, senior management, substantial shareholders, or controlling shareholders of the Company; (ii) did not have any interest in the Shares within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"); (iii) did not hold other positions with the Company and other members of the Group; and (iv) did not hold any directorships in the last three years in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

EXECUTIVE DIRECTORS (Continued)

Ms. Etsuko Hoshiyama, aged 51, has been an executive director of the Company since July 2007 and is a member of the Executive Committee of the Company. She is also compliance officer and a director of certain subsidiaries of the Company. Ms. Hoshiyama joined the Group in March 2000 and was appointed company secretary of the Company ("Company Secretary") in December 2001. Ms. Hoshiyama holds a Bachelor degree of Law from Kwansei Gakuin University, Japan and a Master degree of Laws in Taxation from University of Denver, the United States of America. She is a certified public accountant registered with the Hong Kong Institute of Certified Public Accountants and a member of The American Institution of Certified Public Accountants. She has over 20 years of experience in the area of business administration, business development, and tax and business consulting. Before joining the Group, Ms. Hoshiyama was a manager of PricewaterhouseCoopers in Hong Kong.

Pursuant to the employment contract dated 16 July 2012 and entered into between a subsidiary of the Company and Ms. Hoshiyama, the term of employment of Ms. Hoshiyama as an executive Director of the Company shall be one year commencing on 25 July 2012, unless otherwise terminated by either party by giving the other not less than three months' prior written notice. Ms. Hoshiyama currently receives salary of HK$82,400 per month from the Group. At the date of this report, Ms. Hoshiyama owns 3,000,000 Shares.

Save as disclosed above, as at the date of this report, Ms. Hoshiyama (i) did not have any relationship with any directors, senior management, substantial shareholders, or controlling shareholders of the Company; (ii) did not have any interest in the Shares within the meaning of Part XV of the SFO; (iii) did not hold other positions with the Company and other members of the Group; and (iv) did not hold any directorships in the last three years in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Chan Chi Ming, Alvin, aged 43, was appointed an executive director of the Company in September 2009 and is a member of the Executive Committee of the Company. Mr. Chan is also a director of a number of subsidiaries of the Company. He has been responsible for corporate finance and investment of the Group. Mr. Chan obtained a Bachelor degree in Science (Mathematics and Statistics) from the University of Western Ontario in Canada in 1994 and received the Chartered Financial Analyst (CFA) designation in 2000. He has over 16 years of experience in the financial sector. Prior to joining the Group, Mr. Chan gained extensive regional asset management experience for investment portfolio in Asia during his 11 years of employment in various management positions with Winterthur Group, a member company of Credit Suisse Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chi Yuen, aged 45, was appointed an independent non-executive director of the Company in September 2009. Mr. Chan is the chairman of both the Audit Committee and the Remuneration Committee of the Company. He holds a Bachelor degree with honours in Business Administration and a Master of Science degree in Corporate Governance and Directorship. He is a fellow of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants in the United Kingdom and an associate of The Institute of Chartered Accountants in England and Wales. Mr. Chan is a practising certified public accountant and has extensive experience in financial management, corporate finance and corporate governance.

Mr. Chan is currently an executive director of Kong Sun Holdings Limited and Sam Woo Holdings Limited, an independent non-executive director of New Times Energy Corporation Limited and Asia Energy Logistics Group Limited, China Gamma Group Limited, China Gogreen Assets Investment Limited, China Grand Forestry Green Resources Group Limited and U-RIGHT International Holdings Limited. Mr. Chan was an executive director of Kong Sun Holdings Limited from February 2007 to November 2009, Amax Holdings Limited from August 2005 to January 2009 and China E-Learning Group Limited from July 2007 to September 2008, and an independent non-executive director of The Hong Kong Building and Loan Agency Limited from October 2009 to February 2011, Richly Field China Development Limited from February 2009 to August 2010 and Superb Summit International Timber Company Limited from April 2007 to June 2010. The issued shares of all the aforesaid companies are listed and traded on the Stock Exchange.

Pursuant to the letter agreement dated 11 September 2012 and entered into between the Company and Mr. Chan and subject to the terms and conditions contained therein, the appointment of Mr. Chan as an independent non-executive director of the Company is for a term of one year commencing on 30 September 2012, unless otherwise terminated by either party by giving the other not less than one month's prior written notice. Mr. Chan presently receives a director's fee of HK$10,000 per month from the Company. At the date of this report, Mr. Chan owned 2,300,000 Shares.

Save as disclosed above, as at the date of this report, Mr. Chan (i) did not have any relationship with any directors, senior management, substantial shareholders, or controlling shareholders of the Company; (ii) did not have any interest in the Shares within the meaning of Part XV of the SFO; (iii) did not hold other positions with the Company and other members of the Group; and (iv) did not hold any directorships in the last three years in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. Zhang Xi, aged 43, was appointed an independent non-executive director of the Company in September 2009 and is a member of both the Audit Committee and the Remuneration Committee of the Company. Mr. Zhang graduated with a Bachelor's degree in Science (Electrical Engineering) from Shanghai Jiao Tong University in July 1991 and obtained an International Master degree in Business Administration from York University in Canada in 1998. Mr. Zhang is currently a Chartered Financial Analyst (CFA) charterholder. He has over 10 years of experience in the financial sector. Mr. Zhang is currently an independent non-executive director of Asia Energy Logistics Group Limited, the shares of which are listed and traded on the Stock Exchange.

Pursuant to the letter agreement dated 24 August 2012 and entered into between the Company and Mr. Zhang and subject to the terms and conditions contained therein, the appointment of Mr. Zhang as an independent non-executive director of the Company is for a term of one year commencing on 1 September 2012.

Mr. Ng Chi Ho, Dennis, aged 54, was appointed an independent non-executive director and a member of both the Audit Committee and the Remuneration Committee of the Company with effect from 3 October 2011. Mr. Ng holds a Bachelor of Commerce degree from the University of New South Wales, Australia and is a chartered accountant of The Institute of Chartered Accountants in Australia and a fellow member of the Hong Kong Institute of Certified Public Accountants. He is also a practising certified public accountant and has extensive experience in auditing, accounting, financial management and corporate affairs.

Mr. Ng was the company secretary of Powerleader Science & Technology Group Limited, a company whose shares are listed and traded on the GEM of the Stock Exchange from July 2007 to April 2010 and is currently the company secretary of Tech Pro Technology Development Limited, a company whose shares are listed and traded on the Main Board of the Stock Exchange.

Pursuant to the letter agreement dated 11 September 2012 and entered into between Mr. Ng and the Company and subject to the terms and conditions contained therein, the appointment of Mr. Ng as an independent non-executive director of the Company is for a term of one year commencing on 3 October 2012.

CORPORATE GOVERNANCE REPORT

The Company is committed to achieving and maintaining high standards of corporate governance in compliance with the principles set out in Corporate Governance Code (the "CG Code") and Corporate Governance Report (the "CG Report") contained in Appendix 15 to the GEM Listing Rules from time to time.

(1) CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the CG Code throughout the year ended 31 July 2012 save for the following deviations.

Under code provision A.5.1, a listed issuer should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.

During the year under review, the Company had not established a nomination committee. Potential new directors of the Company (the "Directors") had been recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time. The process of identifying and selecting appropriate candidates for approval by the Board had been carried out by the executive Directors during the year. On 16 October 2012, the Board resolved to establish a nomination committee.

Under code provision E.1.2, the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval. An issuer's management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

Whilst the Company endeavours to maintain an on-going dialogue with the shareholders of the Company (the "Shareholders"), the Chairman may not always be able to attend the annual general meeting due to other business engagement. Other executive Directors attended the annual general meeting of the Company held on 20 August 2011(the "AGM") and were available to answer the questions. Mr. Chan Chi Yuen, the chairman of the independent board committee attended the special general meeting held on 5 March 2012 to seek independent Shareholders' approval for the continuing connected transactions. The Company's independent auditors also attended the AGM.

(2) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees (the "Securities Code") on terms no less than the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all directors of the Company (the "Directors") who have confirmed in writing their compliance with the required standard set out in the Securities Code during the year ended 31 July 2012.

(3) BOARD OF DIRECTORS

(3.1) The Board supervises the management of the business and affairs of the Company. The Board's primary duty is to ensure the viability of the Company and to ensure that it is managed in the best interests of the shareholders as a whole while taking into account the interests of other stakeholders.

The Board has established specific committees with written terms of reference to assist it in the efficient implementation of its functions, namely the Executive Committee, the Audit Committee and the Remuneration Committee. Specific responsibilities have been delegated to the above committees.

(3.2) As at the date of this report, the Board comprises seven executive Directors, namely Dr. Lam Kin Ngok, Peter (Chairman), Mr. Yu Feng, Mr. Choi Chiu Fai, Stanley, Mr. Lui Siu Tsuen, Richard, Mr. Chan Chi Kwong, Ms. Etsuko Hoshiyama and Mr. Chan Chi Ming, Alvin and three independent non-executive Directors ("INEDs"), namely Messrs. Chan Chi Yuen, Zhang Xi and Ng Chi Ho, Dennis.

The brief biographical particulars of the above Directors are set out in the "Biographical Details of Directors" section in this annual report on page 11 to 15.

(3.3) The Company has complied with the requirements under Rules 5.05(1) and (2) of the GEM Listing Rules during the year. The former Rule requires that every board of directors of a listed issuer must include at least three INEDs and the latter Rule requires that at least one of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise. All INEDs also meet the guidelines for assessment of their independence set out in Rule 5.09 of the GEM Listing Rules.

Rule 5.05A of the GEM Listing Rules requires a listed issuer to appoint independent non-executive directors representing at least one-third of the Board and this rule must be complied by 31 December 2012.

At the date of this report, the Company has appointed three INEDs, which is less than one-third of the Board. The Company ensures that the number of INEDs will be at least one-third of the Board by 31 December 2012 in compliance with Rule 5.05A of the GEM Listing Rules.

Save as disclosed in the "Biographical Details of Directors" section of this annual report, none of the Directors has any financial, business, family or other material/relevant relationships with one another.

(4) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code requires that the roles of the chairman and the chief executive officer be separated and not be performed by the same individual.

Dr. Lam Kin Ngok, Peter was the Chairman of the Board throughout the year. Mr. Tang Jun was appointed the Chief Executive Officer of the Company with effect from 6 September 2011. Mr. Tang Jun resigned with effect from 15 September 2012 and since then the position of the Chief Executive Officer remained vacant. The Company is in process of finding a suitable candidate for the Chief Executive Officer.

(5) NON-EXECUTIVE DIRECTORS

All the existing non-executive Directors were appointed for a specific term.

(6) CONTINUOUS PROFESSIONAL DEVELOPMENT

Every newly appointed Director receives a comprehensive and formal induction upon his appointment to ensure that he has a proper understanding of operations and business of the Group and is fully aware of responsibilities and obligations of being a Director. The Group provides continuing briefings and professional development to the Directors to update on the latest development in relation to the GEM Listing Rules and other applicable regulatory requirements as well as the Group's business and governance policies.

During the year ended 31 July 2012, the Directors participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group in the following manner:

Directors	Reading materials in relation to regulatory update	Attending internal sessions in relation to corporate governance policies of the Company	Attending seminars/ courses/conferences to develop professional skills and knowledge
Executive Directors			
Dr. Lam Kin Ngok, Peter	✓	✓	
Mr. Yu Feng	✓	✓	
Mr. Choi Chiu Fai, Stanley	✓	✓	✓
Mr. Tang Jun	✓	✓	
Mr. Lui Siu Tsuen, Richard	✓	✓	✓
Mr. Chan Chi Kwong	✓	✓	
Ms. Etsuko Hoshiyama	✓	✓	✓
Mr. Chan Chi Ming, Alvin	✓	✓	
Independent Non-executive Directors			
Mr. Zhang Xi	✓	✓	
Mr. Chan Chi Yuen	✓	✓	✓
Mr. Ng Chi Ho, Dennis	✓	✓	✓

(7) REMUNERATION COMMITTEE

(7.1) On 23 October 2006, the Board established a remuneration committee which currently comprises three INEDs, namely Messrs. Chan Chi Yuen (Chairman), Zhang Xi and Ng Chi Ho, Dennis and one executive Director, namely Mr. Lui Siu Tsuen, Richard.

The written terms of reference of the Remuneration Committee which have been revised effective on 21 March 2012 to comply with the new requirements set out in the revised code provisions are posted on the website of the Company and the Stock Exchange.

(7.2) The Remuneration Committee has been charged with the responsibility of making recommendations to the Board on an appropriate policy and structure for all aspects of all Directors and senior management remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, share options, benefits in kind and pension rights to ensure that the level of remuneration offered by the Company is competitive and sufficient to attract, retain and motivate personnel of the required quality to manage the Company successfully. The Remuneration Committee, with delegated responsibility, is responsible for determining remuneration package of individual executive Directors and senior management.

(7.3) The Remuneration Committee held three meeting during the year to review the remuneration package of the newly appointed Directors.

(8) AUDIT COMMITTEE

(8.1) On 21 May 2001, the Board established an Audit Committee which currently comprises three INEDs, namely Messrs. Chan Chi Yuen (Chairman), Zhang Xi and Ng Chi Ho, Dennis.

The written terms of reference of the Audit Committee which have been revised effective on 21 March 2012 to comply with the new requirements set out in the revised code provisions are posted on the websites of the Company and the Stock Exchange.

The principal responsibilities of the Audit Committee include the monitoring of the integrity of periodical financial statements of the Company, the review of significant financial reporting judgements contained in them before submission to the Board for approval, and the review and monitoring of the auditors' independence and objectivity as well as the effectiveness of the audit process. The Audit Committee is also responsible for performing corporate governance functions.

The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an INED) is an INED who possesses appropriate professional qualifications or accounting or related financial management expertise.

(8.2) The Audit Committee held six meetings during the Period. It reviewed the unaudited quarterly and interim results and audited annual results of the Group for the year ended 31 July 2012 and other matters related to the financial and accounting policies and practices, and internal control system of the Company.

(9) EXECUTIVE COMMITTEE

On 19 August 2011, the Board established an Executive Committee which currently comprises four Executive Directors, namely Mr. Lui Siu Tsuen, Richard, Mr. Chan Chi Kwong, Ms. Etsuko Hoshiyama and Mr. Chan Chi Ming, Alvin.

The Executive Committee operates as a general management committee. The main duties of the Executive Committee include to assist the Board in monitoring the ongoing management of the business of the Company and in implementing the strategy of the Company, and to consider, evaluate, review and, if deemed appropriate, approve or recommend to the Board, any proposed investments, acquisitions or disposal of assets or business of the Company in accordance with the objectives, strategy, policies and guidelines set down by the Board.

(10) CORPORATE GOVERNANCE FUNCTIONS

The corporate governance functions of the Company is carried out by the Audit Committee pursuant to the written terms of reference of the Audit Committee revised effective on 21 March 2012 in compliance with revised code of provisions, which include (i) to develop and review the Company's policies and practices on corporate governance; (ii) to review and monitor the training and continuous professional development of the Directors and senior management, (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements, (iv) to develop, review and monitor the code of conduct and compliance manual applicable to employees and the Directors; and (v) to review the Company's compliance with the CG Code and disclosure in the CG Report.

(11) INDEPENDENT AUDITORS' REMUNERATION

The remuneration in respect of the services provided by the independent auditors of the Company, Messrs. Ernst & Young ("E&Y") for the Group for the year ended 31 July 2012 and for the period from 1 April 2011 to 31 July 2011 respectively is analysed as follows:

	Year ended 31 July 2012 HK$'000	Period from 1 April 2011 to 31 July 2011 HK$'000
Audit services	**1,530**	1,100
Non-audit services	**935**	510

The non-audit services provided by E&Y during the year included mainly the accounting and advisory services.

(12) FINANCIAL REPORTING

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Company and its subsidiaries, in accordance with accounting principles generally accepted in Hong Kong.

The statement by the independent auditors of the Company about their responsibilities for the financial statements is set out in the independent auditors' report contained in this annual report.

(13) ATTENDANCE RECORD AT MEETINGS

The attendance record of each Director at Board meetings, Audit Committee meetings, Remuneration Committee meetings and general meetings during the year ended 31 July 2012 is set out in the following table:

Meetings held between 1 August 2011 and 31 July 2012

Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Executive Committee Meeting	General Meeting
Number of Meetings held	12	6	3	16	4
	Number of meetings attended/Number of meetings held				
Executive Directors					
Dr. Lam Kin Ngok, Peter	10/12	—	—	—	0/4
Mr. Yu Feng	4/12	—	—	—	0/4
Mr. Choi Chiu Fai, Stanley (Note 1)	6/6	—	—	—	0/2
Mr. Tang Jun (Note 2)	8/9	—	0/0	7/10	2/2
Mr. Lui Siu Tsuen, Richard	11/12	—	2/2	16/16	4/4
Mr. Chan Chi Kwong	10/12	—	—	7/16	4/4
Ms. Etsuko Hoshiyama	12/12	—	—	16/16	4/4
Mr. Chan Chi Ming, Alvin	12/12	—	—	16/16	4/4
Mr. Luk Hong Man, Hammond (Note 3)	3/3	—	—	—	1/1
Independent Non-executive Directors					
Mr. Zhang Xi	9/12	5/6	2/3	—	0/4
Mr. Chan Chi Yuen	10/12	6/6	3/3	—	2/4
Mr. Ng Chi Ho, Dennis (Note 4)	8/8	4/4	1/1	—	2/2
Mr. Wong Kam Choi (Note 5)	0/3	0/1	0/1	—	0/2

(13) ATTENDANCE RECORD AT MEETINGS (Continued)

Notes:

1. Mr. Choi Chiu Fai, Stanley was appointed an executive Director with effect from 24 October 2011.

2. Mr. Tang Jun was appointed an executive Director and the chief executive officer of the Company with effect from 6 September 2011 and resigned with effect from 15 September 2012.

3. Mr. Luk Hong Man, Hammond retired from office after the conclusion of the AGM held on 20 August 2011.

4. Mr. Ng Chi Ho, Dennis was appointed an independent non-executive Director with effect from 3 October 2011.

5. Mr. Wong Kam Choi resigned with effect from 12 September 2011.

(14) COMPANY SECRETARY

The Company Secretary supports the Board by ensuring good information flow within the Board and that the Board policy and procedures are followed. The Company Secretary is responsible for advising the Board on the corporate governance matters and facilitating induction and professional development of the Directors. Details of qualifications and biography of the Company Secretary are set out in the "Biography Details of Directors" section in this annual report. The Company Secretary reports to the Chairman and the Chief Executive Officer. All Directors have access to the advice and services of the Company Secretary to ensure that the Board procedures, and all applicable law, rules and regulations, are followed.

(15) INTERNAL CONTROLS

The Board has overall responsibility for the establishment, maintenance and review of the Group's system of internal control. The Board has conducted a review of, and is satisfied with the effectiveness of the system of internal control of the Group.

During the year under review, the Company has engaged an independent external risk advisory firm (the "Firm") to conduct several agreed upon procedures over the Group's internal control systems. Relevant reports from the Firm was presented to the Board and reviewed by the Audit Committee.

(16) COMMUNICATION WITH SHAREHOLDERS

The Company has adopted Shareholders Communication Policy with objective of ensuring that the Shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company.

The Company has established a number of channels to communicate with the Shareholders as follows:

(i) corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website at www.hkex.com.hk and the Company's website at www.mediaasia.com;

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) corporate information is made available on the Company's website;

(iv) annual and special general meetings provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and

(v) the Company's branch share registrar in Hong Kong serves the Shareholders in respect of share registration, dividend payment and related matters.

(17) SHAREHOLDERS' RIGHTS

(17.1) Procedures for the Shareholders to convene a special general meeting

Shareholders holding not less than one-tenth of the paid up capital of the Company may submit a written requisition to the Company to convene a special general meeting. The requisition must state the purpose of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong.

If the Directors do not proceed duly to convene a special general meeting within twenty-one days from the deposit of the requisition, then the requisitionists (or any of them representing more than one half of the total voting rights of all of them) may themselves convene a meeting provided it is held within three months from the date of deposit of the requisition.

(17.2) Procedures for putting forward proposals at a Shareholders meeting

Shareholders holding not less than one-twentieth of the total voting rights of all the Shareholders having a right to vote at the meeting, or not less than one hundred Shareholders of the Company, may submit to the Company a written request (a) to give to the Shareholders entitled to receive notice of the next general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting or (b) to circulate to the Shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

A copy of such written request signed by the requsitionists must be deposited at the registered office of the Company or the Company's principal place of business in Hong Kong not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or one week before the meeting in the case of any other requisition.

(18) INVESTOR RELATIONS

The Company keeps on promoting investor relations and enhancing communication with the existing Shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquires to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong at Unit 606, 6th Floor, Tower II, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road, Kowloon, by phone on (852) 3184 0990 during normal business hours, by fax at (852) 3184 9999 or by e-mail at info@mediaasia.com.

During the year ended 31 July 2012, there had not been any changes in the Company's constitutional documents.

REPORT OF THE DIRECTORS

The Directors present their report together with the audited consolidated financial statements for the year 31 July 2012.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the AGM held on 20 August 2011 and approved by the Registrars of Companies of Hong Kong, the name of the Company was changed from Rojam Entertainment Holdings Limited to Media Asia Group Holdings Limited and the Chinese name "寰亞傳媒集團有限公司" was adopted as the secondary name of the Company.

CHANGE OF FINANCIAL YEAR END DATE

The financial year end date of the Company was changed from 31 March to 31 July with effect from 31 July 2011.

PRINCIPAL ACTIVITIES

During the year, the Company acted as an investment holding. The principal activities of its subsidiaries are set out in note 16 to the consolidated financial statements.

An analysis of the Group's performance for the year ended 31 July 2012 by business and geographical segments is set out in note 5 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 July 2012 are set out in the consolidated income statement on page 43.

The Board does not recommend the payment of a dividend for the year ended 31 July 2012 (the period from 1 April 2011 to 31 July 2011: Nil).

RESERVES

Details of the movements in the reserves of the Group and of the Company during the year are set out in note 36 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

CONVERTIBLE NOTES AND BONDS

Details of the convertible notes and bonds issued by the Company are set out in notes 31 and 32 to the consolidated financial statements respectively.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 34 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

At 31 July 2012, the Company had no reserves available for cash distribution and/or distribution in specie. However, the Company's share premium account, in the amount of HK$395,249,000, may be applied to pay up unissued shares to be issued to members of the Company as fully paid bonus shares.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial periods is set out in the Financial Summary of this annual report on page 5.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, the Company did not redeem any of its shares nor did the Company or any of its subsidiaries purchase or sell any of the Company's listed shares.

DIRECTORS

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

Executive Directors

Dr. Lam Kin Ngok, Peter *(Chairman)*	
Mr. Yu Feng	
Mr. Choi Chiu Fai, Stanley	(appointed with effect from 24 October 2011)
Mr. Tang Jun *(Chief Executive Officer)*	(appointed with effect from 6 September 2011 and resigned with effect from 15 September 2012)
Mr. Lui Siu Tsuen, Richard	
Mr. Chan Chi Kwong	
Ms. Etsuko Hoshiyama	
Mr. Chan Chi Ming, Alvin	
Mr. Luk Hong Man, Hammond	(retired on 20 August 2011)

Independent non-executive Directors

Mr. Zhang Xi	
Mr. Chan Chi Yuen	
Mr. Wong Kam Choi	(resigned with effect from 12 September 2011)
Mr. Ng Chi Ho, Dennis	(appointed with effect from 3 October 2011)

In accordance with By-law 84 of the Company's Bye-laws, Mr. Chan Chi Kwong, Ms. Etsuko Hoshiyama and Mr. Chan Chi Yuen will retire by rotation at the forthcoming annual general meeting. Being eligible, they offer themselves for re-election.

Mr. Chan Chi Ming, Alvin who will also retire by rotation in accordance with Bye-law 84 of the Company's Bye-laws will not offer himself for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical particulars of the Directors are set out on pages 11 to 15 of this annual report. Other particulars of the same are contained elsewhere in this report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company and/or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 40 to the consolidated financial statements, no Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

Save as disclosed in note 40 to the consolidated financial statements, at no time during the year ended 31 July 2012 had the Company or any of its subsidiaries, and the controlling shareholder or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

CONTINUING CONNECTED TRANSACTIONS

On 23 December 2011, the Company entered into the following agreements:

(a) the artistes engagement framework agreement with eSun (the "Artist Engagement Framework Agreement");

(b) the concert co-production framework agreement with eSun (the "Concert Co-Production Framework Agreement");

(c) the music catalogue licence agreements with Capital Artist Limited ("Capital Artist"), East Asia Music (Holdings) Limited ("East Asia") and Fortunate Sound Limited ("Fortunate Sound") as the licensors and eSun as the designated representative of the licensors respectively (the "Music Catalogue Licence Agreements"); and

(d) the film library licence agreements with Media Asia Distribution Limited ("Media Asia Distribution (BVI)") and Media Asia Distribution (HK) Limited ("Media Asia Distribution (HK)") as the licensors and eSun as the designated representative of the licensors respectively (the "Film Library Licence Agreements")

As eSun is a controlling shareholder of the Company indirectly holding approximately 51.09% of the existing issued share capital of the Company through one of its wholly owned subsidiaries (i.e. Perfect Sky), eSun and its associates are connected persons of the Company under the GEM Listing Rules. Since each of Capital Artist, East Asia, Fortunate Sound, Media Asia Distribution (BVI) and Media Asia Distribution (HK) is a subsidiary of eSun, each of them is a connected person of the Company under the GEM Listing Rules. As such, the transactions contemplated under the above agreements constitute continuing connected transactions of the Company under the GEM Listing Rules (each of the continuing connected transactions contemplated under the above agreements for the three financial years of the Company ending 31 July 2014, collectively, the "Continuing Connected Transactions").

CONTINUING CONNECTED TRANSACTIONS (Continued)

Each of the Continuing Connected Transactions is subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Rules 20.35 and 20.37 of the GEM Listing Rules. Details of the Continuing Connected Transactions are set out in the announcement and circular of the Company dated 23 December 2011 and 17 February 2012 respectively. The Continuing Connected Transactions and the proposed maximum annual amount of each of the Continuing Connected Transactions for the three years ending 31 July 2014 have been approved by the independent Shareholders at the special general meeting of the Company held on 5 March 2012.

Set out below is the summary of each of the Continuing Connected Transactions.

(a) Artistes Engagement Framework Agreement

Pursuant to the Artistes Engagement Framework Agreement dated 23 December 2011 and entered into between the Company and eSun, whenever any relevant member of the Group wishes to engage any artistes (the "Artistes") who are managed or represented by the relevant member of eSun and/or any of its associates (excluding any member of the Group) (the "eSun Associate Group"), eSun shall procure the eSun Associate Group and the Company shall procure the relevant member of the Group, to negotiate in good faith and on an arm's length basis and in accordance with normal custom for artiste engagement in Hong Kong the terms and provisions of an Artists Engagement Subject Agreement (defined as (i) various individual engagement agreements for the engagement of certain Artistes entered into between certain members of the Group and certain members of the eSun Associated Group prior to the date of the Artistes Engagement Framework Agreement and (ii) any agreement to be entered into during the subsistence of the Artistes Engagement Framework Agreement between any member of the eSun Associated Group and any member of the Group concerning the engagement of any Artistes).

The term of the Artistes Engagement Framework Agreement commenced on the date of the Artistes Engagement Framework Agreement and shall continue until 31 July 2014, subject to renewal provided that the requirements under the GEM Listing Rules in relation to continuing connected transactions are strictly complied with. The consideration shall be set out in the relevant Artistes Engagement Subject Agreements.

The annual caps under the Artistes Engagement Framework Agreement for each of the three years ending 31 July 2014 are HK$13,690,000, HK$19,550,000 and HK$12,350,000 respectively.

The aggregate amount paid to eSun under the Artistes Engagement Framework Agreement for the year ended 31 July 2012 was approximately HK$2,130,000.

CONTINUING CONNECTED TRANSACTIONS (Continued)

(b) Concert Co-production Framework Agreement

Pursuant to the Concert Co-production Framework Agreement dated 23 December 2011 and entered into between the Company and eSun, in the event that (i) any member of the eSun Associated Group wishes to jointly invest and participate in the production of any concert in the PRC or Macau, of which any member of the Group is the general manager or promoter; or (ii) any member of the Group wishes to jointly invest and participate in the production of any concert in Hong Kong or overseas (excluding the PRC and Macau), of which any member of the eSun Associated Group is a general manager or promoter, eSun undertakes to procure the relevant member of the eSun Associated Group, and the Company undertakes to procure the relevant member of the Group, to negotiate in good faith and, if thought fit, enter into the Concert Co-production Subject Agreement (defined as any agreement to be entered into during the subsistence of the Concert Co-production Framework Agreement between any member of the eSun Associate Group and any member of the Group concerning the co-production of concerts).

The term of the Concert Co-production Framework Agreement commenced on the date of the Concert Co-production Framework Agreement and shall continue until 31 July 2014, subject to renewal provided that the requirements under the GEM Listing Rules in relation to continuing connected transactions are strictly complied with. The consideration shall be set out in the relevant Concert Co-production Subject Agreements.

The annual caps under the Concert Co-production Framework Agreement for each of the three years ending 31 July 2014 are HK$14,600,000, HK$43,134,000 and HK$73,860,000 respectively.

The aggregate amount settled with eSun under the Concert Co-production Framework Agreement for the year ended 31 July 2012 was approximately HK$1,776,000.

(c) Music Catalogue Licence Agreements

Pursuant to the Music Catalogue Licence Agreements dated 23 December 2011 and entered into among the Company (as licensee), Capital Artist, East Asia and Fortunate Sound (all as licensors) and eSun (as designated representative of licensors), the respective licensors have conditionally agreed to grant to the Company an exclusive, non-transferable and irrevocable licence, with right to sublicense of certain music works and karaoke music videos in the PRC and Macau. The term of the Music Catalogue Licence Agreements commenced on the date of the Music Catalogue Licence Agreements and, unless earlier terminated in accordance with the provision thereof, shall continue until 31 July 2014.

The Company shall pay to eSun as the designated representative of the licensors seventy (70)% of all net receipts earned by the Company in respect of any exploitation of the rights by the Company of any or all of the rights granted to it under the licence as royalties. Unless the royalties collectively paid to eSun during the term of the Music Catalogue Licence Agreements are, in the aggregate, equal to or greater than the minimum guarantee of HK$3 million, which was determined based on an arm's length negotiation between the Company and the licensors, then eSun shall (i) determine the difference between the amounts actually paid to it and the minimum guarantee, (ii) determine the percentage of such shortfall amounts to be attributable and payable to each licensor by the Company, and (iii) inform the Company to pay such shortfall amounts.

The annual caps under the Music Catalogue License Agreements for each of the three years ending 31 July 2014 are HK$2,030,000, HK$3,290,000 and HK$6,440,000 respectively.

No activity in respect of the Music Catalogue Licence Agreement has taken place during the year ended 31 July 2012.

CONTINUING CONNECTED TRANSACTIONS (Continued)

(d) The Film Library Licence Agreements

Pursuant to the Film Library Licence Agreements dated 23 December 2011 and entered into among the Company (as licensee), Media Asia Distribution (BVI) and Media Asia Distribution (HK) (both as licensors) and eSun (as the designated representative of the licensors) respectively, the respective licensors have conditionally agreed that, subject to any third party rights in certain withheld films which are subject to existing licenses, the Company will be the exclusive licensee in the PRC (for some films) and Macau (for the other films) of any rights owned by, acquired by or exclusively licensed to Media Asia Distribution (BVI) and Media Asia Distribution (HK) after such date and the Company shall have the exclusive right to exploit such rights in the PRC (for some films) and Macau (for the other films). The term of the Film Library Licence Agreements commenced on the date of the Film Library Licence Agreements and, unless earlier terminated in accordance with the provision thereof, shall continue until 31 July 2014.

The Company shall pay to eSun as the designated representative of the licensors eighty five (85)% of all net receipts earned by the Company in respect of any exploitation of the rights by the Company of any or all of the rights granted to it under the licence as royalties. Unless the royalties collectively paid to eSun during the term of the Film Library Licence Agreements are, in the aggregate, equal to or greater than the minimum guarantee HK$9 million, which was determined based on an arm's length negotiation between the Company and eSun, then eSun shall (i) determine the difference between the amounts actually paid to it and the minimum guarantee, (ii) determine the percentage of such shortfall amounts to be attributable and payable to each licensor by the Company, and (iii) inform the Company to pay such shortfall amounts.

The annual caps under the Film Library Licence Agreements for each of the three years ending 31 July 2014 are HK$34,544,000, HK$4,487,000 and HK$1,955,000 respectively.

During the year ended 31 July 2012, the Group has licensed three films on behalf of Media Asia Distribution (BVI) and Media Asia Distribution (HK). In accordance with the Film Library Licence Agreements, royalty fee, which is calculated at 85% of the net receipts (as defined in the Film Library Licence Agreements) generated from the film licensing, is charged by eSun for exploitation of the film library. During the year ended 31 July 2012, no royalty fee was required to pay to eSun.

The independent non-executive Directors have reviewed the Continuing Connected Transactions and confirmed that the Continuing Connected Transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms; and

(3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Ernst & Young, the Company's independent auditors, were engaged to report on the Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued a letter containing their findings and conclusions in respect of the Continuing Connected Transactions in accordance with Rule 20.38 of the GEM Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and at the date of this report, the following Director(s) is/are considered to have interests in the businesses, which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the GEM Listing Rules.

Mr. Yu Feng held shareholding interests and/or directorships in companies engaged in the entertainment businesses in the Mainland of China.

However, the Board is independent from the board of directors of the aforesaid companies and Mr. Yu cannot personally control the Board. Further, Mr. Yu is fully aware of, and has been discharging, his fiduciary duty to the Company and has acted and will continue to act in the best interest of the Company and its Shareholders as a whole. Therefore, the Group is capable of carrying on its businesses independently of, and at arm's length from the business of such companies.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

At 31 July 2012, the interests or short positions of the Directors and chief executives of the Company or their respective associates (as defined under the GEM Listing Rules) in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register (the "Register") referred to therein, or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were are follows:

(1) The Company

(a) Long positions in the Shares

Name of Directors	Capacity in which the Shares are held	Number of the Shares	Approximate percentage of total issued Shares *(Note 5)*
Dr. Lam Kin Ngok, Peter *(Note 1)*	(i) Interest of controlled corporations	6,712,925,500	51.09%
	(ii) Deemed interest under S.317 of the SFO	1,732,343,209	13.18%
	Total	8,445,268,709	64.27%
Mr. Yu Feng *(Note 2)*	(i) Interest of controlled corporations	576,098,633	4.38%
	(ii) Deemed interest under S.317 of the SFO	7,869,170,076	59.89%
	Total	8,445,268,709	64.27%
Mr. Choi Chiu Fai, Stanley *(Note 3)*	Deemed interest under S.317 of the SFO	8,445,268,709	64.27%
Ms. Etsuko Hoshiyama	Beneficial owner	3,000,000	0.02%
Mr. Chan Chi Yuen	Beneficial owner	2,300,000	0.02%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES (Continued)

(1) The Company (Continued)

(b) Long positions in the underlying Shares

Name of Directors	Capacity in which the underlying Shares are held	Number of the underlying Shares comprised in Convertible Notes	Number of the underlying Shares comprised in Share Options	Approximate percentage of total issued Shares *(Note 5)*
Dr. Lam Kin Ngok, Peter *(Note 1)*	(i) Interest of controlled corporations	14,132,500,000	—	107.55%
	(ii) Deemed interest under S.317 of the SFO	9,650,479,894	—	73.44%
	Total	23,782,979,894		180.99%
Mr. Yu Feng *(Note 2)*	(i) Interest of controlled corporations	6,486,699,793	—	49.36%
	(ii) Deemed interest under S.317 of the SFO	17,296,280,101	—	131.63%
	Total	23,782,979,894		180.99%
Mr. Choi Chiu Fai, Stanley *(Note 3)*	(i) Interest of a controlled corporation	492,092,899	—	3.74%
	(ii) Deemed interest under S.317 of the SFO	23,290,886,995	—	177.25%
	Total	23,782,979,894		180.99%
Mr. Tang Jun *(Note 4)*	Beneficial owner	—	101,102,576	0.77%

(2) Associated Corporations

(a) eSun Holdings Limited

Ordinary shares of HK$0.50 each

Name of Director	Capacity in which the shares are held	Number of the shares	Approximate percentage of total issued shares
Dr. Lam Kin Ngok, Peter	(i) Interest of controlled corporations	471,604,186	37.93%
	(ii) Beneficial owner	2,794,443	0.23%
	Total	474,398,629	38.16%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES (Continued)

(2) *Associated Corporations* (Continued)

(b) Perfect Sky Holdings Limited

Ordinary shares of US$1.00 each

Name of Director	Capacity in which the shares are held	Number of the shares	Approximate percentage of total issued shares
Dr. Lam Kin Ngok, Peter	Interest of controlled corporations	1	100.00%

Notes:

(1) (a) By virtue of the interest of Dr. Lam Kin Ngok, Peter ("Dr. Lam") through his controlled corporations described in paragraph (b) immediately below, Dr. Lam was deemed to be interested in the Shares owned/to be owned by Perfect Sky as shown in the section headed "Substantial Shareholders' and Other Persons' Interests In Securities" below pursuant to Part XV of the SFO.

(b) Perfect Sky is a wholly-owned subsidiary of eSun and eSun is indirectly owned as to approximately 37.93% by Lai Sun Development Company Limited ("LSD") which is approximately 47.97% directly and indirectly owned by Lai Sun Garment (International) Limited ("LSG"). LSG is approximately 8.07% owned by Dr. Lam and is approximately 29.99% owned by Wisdoman Limited which is in turn 50% beneficially owned by Dr. Lam.

(2) (a) By virtue of the interest of Mr. Yu Feng ("Mr. Yu") through his controlled corporations described in paragraph (b) immediately below, Mr. Yu was deemed to be interested in the Shares owned/to be owned by Next Gen Entertainment Limited ("Next Gen") as shown in the section headed "Substantial Shareholders' and Other Persons' Interests In Securities" below pursuant to Part XV of the SFO.

(b) Next Gen is a wholly-owned subsidiary of Yunfeng Fund, L.P., of which Mr. Yu is the founder and chairman. Mr. Yu is also the sole director of the aforesaid fund's general partner.

(3) (a) By virtue of the interest of Mr. Choi Chui Fai, Stanley ("Mr. Choi") through his controlled corporation described in paragraph (b) immediately below, Mr. Choi was deemed to be interested in the Shares owned/to be owned by Grace Promise Limited ("Grace Promise") as shown in the section headed "Substantial Shareholders' and Other Persons' Interests In Securities" below pursuant to Part XV of the SFO.

(b) Grace Promise is wholly and beneficially owned by Mr. Choi.

(4) The share option to subscribe for a total of 101,102,576 Shares was granted to Mr. Tang Jun pursuant to the share option scheme adopted by the Company on 19 November 2009 and their particulars are set out in the section headed "Share Option Scheme" below.

(5) The total number of issued Shares as at 31 July 2012 (that is, 13,140,257,612 Shares) has been used for the calculation of the approximate percentage.

Save as disclosed above, as at 31 July 2012, none of the Directors or chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the Shares, underlying Shares and/or debentures of the Company or any of its associated corporations, which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the "Share Option Scheme" section and in note 35 to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SECURITIES

As at 31 July 2012, so far as it is known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or persons who had 5% or more interests in the following long positions in the Shares and underlying Shares as recorded in the register required to be kept under Section 336 of the SFO or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company (the "Voting Entitlements") (i.e. within the meaning of substantial shareholders of the GEM Listing Rules) were as follows:

Long positions in the Shares

Name of Shareholders	Capacity in which the Shares and the underlying Shares are held	Number of the Shares	Number of the underlying Shares	Deemed interest pursuant to Section 317 of the SFO *(Note 7)*	Total	Approximate percentage of total issued Shares *(Note 9)*
Dr. Lam Kin Ngok, Peter *(Note 1)*	Interest of controlled corporations	6,712,925,500	14,132,500,000	11,382,823,103	32,228,248,603	245.26%
Lai Sun Garment (International) Limited *(Note 1)*	Interest of controlled corporations	6,712,925,500	14,132,500,000	11,382,823,103	32,228,248,603	245.26%
Zimba International Limited *(Note 1)*	Interest of controlled corporations	6,712,925,500	14,132,500,000	11,382,823,103	32,228,248,603	245.26%
Lai Sun Development Company Limited *(Note 1)*	Interest of controlled corporations	6,712,925,500	14,132,500,000	11,382,823,103	32,228,248,603	245.26%
Transtrend Holdings Limited *(Note 1)*	Interest of controlled corporations	6,712,925,500	14,132,500,000	11,382,823,103	32,228,248,603	245.26%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SECURITIES (Continued)

Long positions in the Shares (Continued)

Name of Shareholders	Capacity in which the Shares and the underlying Shares are held	Number of the Shares	Number of the underlying Shares	Deemed interest pursuant to Section 317 of the SFO *(Note 7)*	Total	Approximate percentage of total issued Shares *(Note 9)*
eSun Holdings Limited *(Note 1)*	Interest of a controlled corporation	6,712,925,500	14,132,500,000	11,382,823,103	32,228,248,603	245.26%
Perfect Sky Holdings Limited *(Note 1)*	Beneficial owner	6,712,925,500	14,132,500,000	11,382,823,103	32,228,248,603	245.26%
Mr. Tse On Kin *(Note 2)*	Interest of a controlled corporation	1,064,000,000	430,000,000	30,734,248,603	32,228,248,603	245.26%
Sun Great Investments Limited *(Note 2)*	Beneficial owner	1,064,000,000	430,000,000	30,734,248,603	32,228,248,603	245.26%
Mr. Yu Feng *(Note 3)*	Interest of controlled corporations	576,098,633	6,486,699,793	25,165,450,177	32,228,248,603	245.26%
Yunfeng Fund, L. P. *(Note 3)*	Interest of a controlled corporation	576,098,633	6,486,699,793	25,165,450,177	32,228,248,603	245.26%
Next Gen Entertainment Limited *(Note 3)*	Beneficial owner	576,098,633	6,486,699,793	25,165,450,177	32,228,248,603	245.26%
SINA Corporation *(Note 4)*	Interest of a controlled corporation	92,244,576	1,164,487,920	30,971,516,107	32,228,248,603	245.26%
Memestar Limited *(Note 4)*	Beneficial owner	92,244,576	1,164,487,920	30,971,516,107	32,228,248,603	245.26%
Mr. Choi Chiu Fai, Stanley *(Note 5)*	Interest of a controlled corporation	—	492,092,899	31,736,155,704	32,228,248,603	245.26%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SECURITIES (Continued)

Long positions in the Shares (Continued)

Name of Shareholders	Capacity in which the Shares and the underlying Shares are held	Number of the Shares	Number of the underlying Shares	Deemed interest pursuant to Section 317 of the SFO *(Note 7)*	Total	Approximate percentage of total issued Shares *(Note 9)*
Ms. Cheung Fung Kuen, Maggie *(Note 5)*	Interest of a controlled corporation	—	492,092,899	31,736,155,704	32,228,248,603	245.26%
Grace Promise Limited *(Note 5)*	Beneficial owner	—	492,092,899	31,736,155,704	32,228,248,603	245.26%
Mr. Zhou Xin *(Note 6)*	Interest of a controlled corporation	—	1,077,199,282	31,151,049,321	32,228,248,603	245.26%
嚴紅春 *(Note 6)*	Interest of a controlled corporation	—	1,077,199,282	31,151,049,321	32,228,248,603	245.26%
On Chance Inc. *(Note 6)*	Beneficial owner	—	1,077,199,282	31,151,049,321	32,228,248,603	245.26%
Tencent Holdings Limited *(Note 8)*	Interest of a controlled corporation	658,750,000	—	—	658,750,000	5.01%
THL G Limited *(Note 8)*	Beneficial owner	658,750,000	—	—	658,750,000	5.01%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SECURITIES (Continued)

Long positions in the Shares (Continued)

Notes:

(1) Perfect Sky is wholly owned by eSun. eSun is owned as to approximately 37.93% by Transtrend Holdings Limited ("Transtrend"). Transtrend is wholly owned by LSD. LSD is approximately 47.97% owned by LSG and two of LSG's wholly-owned subsidiaries, namely Zimba International Limited ("Zimba") and Joy Mind Limited. LSG is approximately 8.07% owned by Dr. Lam and is approximately 29.99% owned by Wisdoman Limited which is in turn 50% beneficially owned by Dr. Lam. Thus, all the above companies are corporations controlled by Dr. Lam, and Dr. Lam, LSG, Zimba, LSD, Transtrend and eSun were deemed to be interested in such Shares which Perfect Sky was interested in pursuant to Part XV of the SFO.

(2) Sun Great Investments Limited ("Sun Great") is wholly and beneficially owned by Mr. Tse On Kin ("Mr. Tse"). Mr. Tse was, therefore, deemed to be interested in such Shares which Sun Great was interested in pursuant to Part XV of the SFO.

(3) Next Gen is wholly and beneficially owned by Yunfeng Fund, L.P ("Yunfeng"), of which Mr. Yu Feng ("Mr. Yu") is the founder and chairman. Mr. Yu and Yunfeng were, therefore, deemed to be interested in such Shares which Next Gen was interested in pursuant to Part XV of the SFO. Mr. Yu is also the sole director of Yunfeng's general partner.

(4) Memestar Limited ("Memestar") is wholly and beneficially owned by SINA Corporation ("SINA"). SINA was, therefore, deemed to be interested in such Shares which Memestar was interested in pursuant to Part XV of the SFO.

(5) Grace Promise is wholly and beneficially owned by Mr. Choi Chiu Fai, Stanley ("Mr. Choi"). Mr. Choi and his spouse Ms. Cheung Fung Kuen, Maggie were, therefore, deemed to be interested in such Shares which Grace Promise was interested in pursuant to Part XV of the SFO.

(6) On Chance Inc. ("On Chance") is owned as to 95% by Mr. Zhou Xin ("Mr. Zhou"). Mr. Zhou and his spouse 嚴紅春 were, therefore, deemed to be interested in such Shares which On Chance was interested in pursuant to Part XV of the SFO.

(7) Pursuant to Section 317 of the SFO, each of the subscribers was deemed to be interested in the Shares and the underlying Shares held by the other subscribers.

(8) THL G Limited ("THL") is wholly and beneficially owned by Tencent Holdings Limited ("Tencent"). Tencent was, therefore, deemed to be interested in such Shares which THL was interested in pursuant to Part XV of the SFO

(9) The total number of issued Shares as at 31 July 2012 (that is, 13,140,257,612 Shares) has been used for the calculation of the approximate percentage.

Save as disclosed above, the Directors are not aware of any other corporation or person who, as at 31 July 2012, had the Voting Entitlements or any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's five largest customers accounted for approximately 60.3% of the Group's total revenue, and income from the largest customer included therein amounted to approximately 20.3%.

Purchases from the Group's five largest suppliers accounted for approximately 39.3% of the Group's total purchases for the period, and purchases from the largest supplier included therein amounted to approximately 9.4%.

None of the Directors, their associates or any Shareholder (which to the knowledge of the Directors own more than 5% of the Company's issued Shares) had an interest in the five largest suppliers or customers of the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has complied with the sufficiency of public float requirement under the GEM Listing Rules at any time during the year, and as at the date of this annual report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's By-laws, or the laws of Bermuda, which would oblige the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 19 November 2009, pursuant to which the Directors may, at their discretion, invite any employee, director, non-executive director (including independent non-executive director), supplier, customer, advisor, consultant, agent, contractor, and any shareholder of any member of the Group or any invested entity or any holder of any securities issued by any member of the Group or any invested entity, to take up options to subscribe for the Shares.

SHARE OPTION SCHEME (Continued)

Details of the movements in the share options granted and exercised during the year under the Share Option Scheme are as follows:

Name of Grantee	Number of underlying Shares comprised in share options: Outstanding as at 1 August 2011	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Outstanding as at 31 July 2012	Date of grant	Exercise period (dd/mm/yyyy)	Exercise price per Share *(Note 3)* (HK$)
Director								
Mr. Tang Jun *(Notes 1 and 2)*	—	31,341,666	—	—	31,341,666	26 August 2011	06/08/2012 to 05/08/2013	0.20420
	—	31,341,666	—	—	31,341,666	26 August 2011	06/08/2013 to 05/08/2014	0.24504
	—	31,341,668	—	—	31,341,668	26 August 2011	06/08/2014 to 05/09/2015	0.26546
	—	2,359,192	—	—	2,359,192	17 January 2012	06/08/2012 to 05/08/2013	0.14480
	—	2,359,192	—	—	2,359,192	17 January 2012	06/08/2013 to 05/08/2014	0.17376
	—	2,359,192	—	—	2,359,192	17 January 2012	06/08/2014 to 05/09/2015	0.18824
Total	—	101,102,576	—	—	101,102,576			

Notes:

1. Mr. Tang Jun was appointed an executive Director and the chief executive officer of the Company with effect from 6 September 2011 and resigned with effect from 15 September 2012.

2. (a) Any part of the share option in respect of the Shares comprised therein not exercised in whole in the original exercise period may be carried forward and exercised in the subsequent periods subject to the payment of the appropriate exercise price per Share.

SHARE OPTION SCHEME (Continued)

Notes: (Continued)

2. (Continued)

   (b) Regarding the share option granted on 26 August 2011, the first tranche of the share option, the vesting period is from 26 August 2011 to 5 August 2012. For the second tranche of the share option, the vesting period is from 26 August 2011 to 5 August 2013. For the third tranche of the share option, the vesting period is from 26 August 2011 to 5 August 2014.

   (c) Regarding the share option granted on 17 January 2012, the first tranche of the share option, the vesting period is from 17 January 2012 to 5 August 2012. For the second tranche of the share option, the vesting period is from 17 January 2012 to 5 August 2013. For the third tranche of the share option, the vesting period is from 17 January 2012 to 5 August 2014.

   (d) The closing price of the Shares immediately before the dates on which the share options were granted, which were 26 August 2011 and 17 January 2012, were HK$0.2 per share and HK$0.138 per share respectively. The corresponding fair value of share options granted on 26 August 2011 and 17 January 2012 were HK$8,181,000 and HK$400,000 respectively.

3. The exercise price of share options is subject to adjustment in case of rights issue or other specific changes in the Company's share capital.

Details of the Share Option Scheme are set out in Note 35 of the consolidated financial statements.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 16 to 24 of this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors in writing an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all the independent non-executive Directors to be independent.

INDEPENDENT AUDITORS

Ernst & Young will retire and a resolution for the re-appointment of Ernst & Young as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Lam Kin Ngok, Peter
Chairman
Hong Kong, 16 October 2012

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安永

To the shareholders of Media Asia Group Holdings Limited
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

We have audited the consolidated financial statements of Media Asia Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 43 to 134, which comprise the consolidated and company statements of financial position as at 31 July 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

22nd Floor, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong
16 October 2012

CONSOLIDATED INCOME STATEMENT

Year ended 31 July 2012

	Notes	Year ended 31 July 2012 HK$'000	Period from 1 April 2011 to 31 July 2011 HK$'000
TURNOVER	6	**117,460**	10,363
Cost of sales		**(72,989)**	(10,785)
Gross profit/(loss)		**44,471**	(422)
Other income	6	**5,231**	50
Marketing expenses		**(4,382)**	(2,956)
Administrative expenses		**(80,593)**	(10,112)
Fair value gain/(loss) on a forward contract	25	**(198,636)**	20,655
Other operating gains		**3,430**	1,643
Other operating expenses		**(22,937)**	(4,432)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES		**(253,416)**	4,426
Finance costs	7	**(30,591)**	(4,383)
Share of profits and losses of a joint venture		**(54)**	—
Share of profits and losses of an associate		**(7)**	—
PROFIT/(LOSS) BEFORE TAX	8	**(284,068)**	43
Income tax credit/(expense)	10	**(4,766)**	370
PROFIT/(LOSS) FOR THE YEAR/PERIOD		**(288,834)**	413
Attributable to:			
Owners of the Company		**(290,175)**	985
Non-controlling interests		**1,341**	(572)
		(288,834)	413
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted (HK cents)	13	**(2.262)**	0.016

Details of the dividend are disclosed in note 12 to the financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 July 2012

	Year ended 31 July 2012 HK$'000	Period from 1 April 2011 to 31 July 2011 HK$'000
PROFIT/(LOSS) FOR THE YEAR/PERIOD	**(288,834)**	413
OTHER COMPREHENSIVE INCOME/(LOSS)		
Exchange differences on translation of foreign operations	**(143)**	273
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD, NET OF TAX	**(143)**	273
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD	**(288,977)**	686
Attributable to:		
Owners of the Company	**(290,189)**	1,258
Non-controlling interests	**1,212**	(572)
	(288,977)	686

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 July 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**22,207**	851
Goodwill	15	**10,182**	—
Film rights	18	**1,136**	—
Other intangible assets	19	**71,502**	1,036
Investment in a joint venture	20	**551**	—
Investment in an associate	21	**5,855**	—
Prepayments, deposits and other receivables	24	**17,965**	11,000
Total non-current assets		**129,398**	12,887
CURRENT ASSETS			
Inventories		**121**	—
Films under production	22	**135,641**	14,054
Trade receivables	23	**3,856**	3,415
Prepayments, deposits and other receivables	24	**99,252**	17,589
Forward contract	25	**—**	26,148
Options	26	**32,491**	—
Pledged time deposit	27	**9,740**	—
Cash and cash equivalents	27	**696,869**	507,315
Total current assets		**977,970**	568,521
CURRENT LIABILITIES			
Trade payables	28	**653**	2,192
Accruals and other payables	29	**49,338**	10,126
Loan from a non-controlling shareholder	30	**6,027**	—
Tax payable		**5,591**	—
Total current liabilities		**61,609**	12,318
NET CURRENT ASSETS		**916,361**	556,203
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,045,759**	569,090
NON-CURRENT LIABILITIES			
Convertible notes	31	**458,941**	277,153
Deferred tax liabilities	33	**17,897**	95
Total non-current liabilities		**476,838**	277,248
Net assets		**568,921**	291,842

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

31 July 2012

	Notes	2012 HK$'000	2011 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	34	**131,403**	101,103
Reserves	36(a)	**410,713**	192,892
		542,116	293,995
Non-controlling interests		**26,805**	(2,153)
Total equity		**568,921**	291,842

Lam Kin Ngok, Peter
Director

Lui Siu Tsuen, Richard
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 July 2012

	Attributable to owners of the Company										
	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Subscription right reserve HK$'000	Share-based payment reserve HK$'000	Foreign currency translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 August 2011	101,103	109,611	44,475	92,651	–	–	5,475	(59,320)	293,995	(2,153)	291,842
Profit/(loss) for the year	–	–	–	–	–	–	–	(290,175)	(290,175)	1,341	(288,834)
Other comprehensive loss for the year:											
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(14)	–	(14)	(129)	(143)
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	(14)	(290,175)	(290,189)	1,212	(288,977)
Partial conversion of First Completion Convertible Notes (note 34(e))	15,625	9,476	–	(6,237)	–	–	–	–	18,864	–	18,864
Placing of new shares (note 34(f))	14,675	278,825	–	–	–	–	–	–	293,500	–	293,500
Transaction costs of placing of new shares	–	(2,663)	–	–	–	–	–	–	(2,663)	–	(2,663)
Issue of Second Completion Convertible Notes (note 31(ii))	–	–	–	224,439	–	–	–	–	224,439	–	224,439
Costs of issue of Second Completion Convertible Notes (note 31(ii))	–	–	–	(860)	–	–	–	–	(860)	–	(860)
Equity-settled share option arrangements (note 35)	–	–	–	–	–	5,030	–	–	5,030	–	5,030
Acquisition of subsidiaries (note 37)	–	–	–	–	–	–	–	–	–	27,746	27,746
At 31 July 2012	131,403	395,249#	44,475#	309,993#	–#	5,030#	5,461#	(349,495)#	542,116	26,805	568,921

These reserve accounts comprise the consolidated reserves of HK$410,713,000 (period from 1 April 2011 to 31 July 2011: HK$192,892,000) in the consolidated statement of financial position.

	Attributable to owners of the Company										
	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Subscription right reserve HK$'000	Share-based payment reserve HK$'000	Foreign currency translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2011	23,071	226	44,475	4,664	2,500	8,161	5,202	(63,675)	24,624	(1,581)	23,043
Profit/(loss) for the period	—	—	—	—	—	—	—	985	985	(572)	413
Other comprehensive income for the period: Exchange differences on translation of foreign operations	—	—	—	—	—	—	273	—	273	—	273
Total comprehensive income/(loss) for the period	—	—	—	—	—	—	273	985	1,258	(572)	686
Shares issued under share option scheme (note 34(a))	1,348	30,133	—	—	—	(4,791)	—	—	26,690	—	26,690
Conversion of convertible bonds (note 34(b))	5,000	20,950	—	(4,664)	—	—	—	—	21,286	—	21,286
Exercise of share options (note 34(c))	2,500	12,500	—	—	(2,500)	—	—	—	12,500	—	12,500
Subscription of shares (note 34(d))	69,184	49,430	—	—	—	—	—	—	118,614	—	118,614
Share issue expense	—	(3,628)	—	—	—	—	—	—	(3,628)	—	(3,628)
Issue of First Completion Convertible Notes (note 31(i))	—	—	—	89,909	—	—	—	—	89,909	—	89,909
Costs of issue of First Completion Convertible Notes (note 31(i))	—	—	—	(2,751)	—	—	—	—	(2,751)	—	(2,751)
Issue of a forward contract (note 31(i))	—	—	—	5,493	—	—	—	—	5,493	—	5,493
Transfer of share-based payment reserve upon lapse or cancellation of share options	—	—	—	—	—	(3,370)	—	3,370	—	—	—
At 31 July 2011	101,103	109,611#	44,475#	92,651#	—#	—#	5,475#	(59,320)#	293,995	(2,153)	291,842

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 July 2012

	Notes	Year ended 31 July 2012 HK$'000	Period from 1 April 2011 to 31 July 2011 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(284,068)**	43
Adjustments for:			
Finance costs	7	**30,591**	4,383
Share of profit and loss of a joint venture		**54**	—
Share of profit and loss of an associate		**7**	—
Interest income	6	**(4,507)**	(41)
Fair value loss/(gain) on a forward contract	25	**198,636**	(20,655)
Fair value gain on options	8	**(1,080)**	—
Gain on disposal of a subsidiary	8	**—**	(76)
Loss on disposal of items of property, plant and equipment	8	**73**	—
Depreciation	8	**2,184**	167
Amortisation of film rights	8	**1,114**	—
Amortisation of other intangible assets	8	**3,043**	480
Write-off of a deposit	8	**500**	—
Impairment of goodwill	8	**3,477**	—
Impairment of other intangible assets	8	**1,000**	3,085
Write-off of films under production	8	**840**	—
Impairment of trade receivables	8	**1,019**	—
Impairment of advances and other receivables	8	**9,571**	—
Equity-settled share option expense	8	**5,030**	—
		(32,516)	(12,614)
Increase in inventories		**(121)**	—
Increase in films under production		**(122,427)**	(14,054)
Decrease/(increase) in trade receivables		**(1,118)**	1,431
Increase in prepayments, deposits and other receivables		**(94,268)**	(7,840)
Increase/(decrease) in trade payables		**(1,539)**	2,192
Increase in accruals and other payables		**16,088**	7,180
Net cash flows used in operating activities		**(235,901)**	(23,705)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to film rights	18	**(2,250)**	—
Acquisition of subsidiaries	37	**(58,813)**	—
Interest received		**4,272**	41
Purchases of items of property, plant and equipment		**(23,406)**	(15)
Proceeds from disposal of items of property, plant and equipment		**97**	—
Advances to a joint venture		**(605)**	—
Advances to an associate		**(5,862)**	—
Disposal of a subsidiary	38	**—**	(69)
Increase in pledged time deposit		**(9,740)**	—
Net cash flows used in investing activities		**(96,307)**	(43)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

Year ended 31 July 2012

	Notes	Year ended 31 July 2012 HK$'000	Period from 1 April 2011 to 31 July 2011 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from subscription of shares		—	118,614
Proceeds from issue of convertible notes	31	224,874	371,387
Issue costs for subscription of shares and issue of convertible notes		—	(18,606)
Proceeds from placing of new shares	34(f)	293,500	—
Issue costs for placing of new shares		(2,663)	—
Proceeds from issue of shares under the share option scheme		—	26,690
Proceeds from issue of shares upon the exercise of share options		—	12,500
Shareholder loan from a non-controlling interest		6,027	—
Interest paid		—	(24)
Net cash flows from financing activities		521,738	510,561
NET INCREASE IN CASH AND CASH EQUIVALENTS		189,530	486,813
Cash and cash equivalents at beginning of year/period		507,315	20,449
Effect of foreign exchange rate changes, net		24	53
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	27	696,869	507,315
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents	27	696,869	507,315

STATEMENT OF FINANCIAL POSITION

31 July 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	16	**422,182**	3
CURRENT ASSETS			
Due from subsidiaries	17	**—**	56,189
Prepayments, deposits and other receivables	24	**484**	4,440
Forward contract	25	**—**	26,148
Pledged time deposit	27	**9,740**	—
Cash and cash equivalents	27	**618,339**	489,580
Total current assets		**628,563**	576,357
CURRENT LIABILITIES			
Due to a subsidiary	17	**30,897**	—
Accruals and other payables	29	**2,153**	3,673
Total current liabilities		**33,050**	3,673
NET CURRENT ASSETS		**595,513**	572,684
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,017,695**	572,687
NON-CURRENT LIABILITIES			
Convertible notes	31	**458,941**	277,153
Net assets		**558,754**	295,534
EQUITY			
Issued capital	34	**131,403**	101,103
Reserves	36(b)	**427,351**	194,431
Total equity		**558,754**	295,534

Lam Kin Ngok, Peter
Director

Lui Siu Tsuen, Richard
Director

1. CORPORATE INFORMATION

Media Asia Group Holdings Limited (the "Company") is an exempted company under the laws of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is Unit 606, 6th Floor, Tower II, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road, Kowloon, Hong Kong. The Company's shares are listed and traded on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year, the Company acted as an investment holding company. The principal activities of its subsidiaries are set out in note 16 to the financial statements.

In the opinion of the directors of the Company, the ultimate holding company of the Company is eSun Holdings Limited ("eSun") which was incorporated in Bermuda and whose shares are listed and traded on the Main Board of the Stock Exchange.

2. CHANGE OF FINANCIAL YEAR END DATE

Owing to the change of the financial year end date of the Company from 31 March to 31 July with effect from the financial period ended 31 July 2011, the financial statements of the Company for the period ended 31 July 2011 cover a period of four months from 1 April 2011 to 31 July 2011. Accordingly, the comparative amounts presented for the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows and related notes, which were prepared for the period from 1 April 2011 to 31 July 2011, are not comparable.

3.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the forward contract and options, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

3.1 BASIS OF PREPARATION (Continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 July 2012 and the period from 1 April 2011 to 31 July 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in income statement. The Group's share of components previously recognised in other comprehensive income is reclassified to income statement or retained profits, as appropriate.

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs, applicable to the Group, for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*
HK(IFRIC) — Int 14 Amendments	Amendments to HK(IFRIC) — Int 14 *Prepayments of a Minimum Funding Requirement*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

The adoption of these new and revised HKFRSs has had no material impact on the reported results or financial position of the Group.

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

In addition, the Group has early adopted the following new and revised HKFRSs in advance of their respective effective dates for the first time for the current year's financial statements.

HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*

3.2.1 *Amendments to HKAS 12 Income Taxes — Deferred Tax: Recovery of Underlying Assets*

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes — Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. HKAS 12 Amendments are effective for annual periods beginning on or after 1 January 2012.

The adoption of Amendments to HKAS 12 has had no significant financial effect on these financial statements.

3.2.2 *New and revised standards on consolidation, joint arrangements, associates and disclosure of interests in other entities*

The HKICPA has issued a package of five new or revised standards on consolidation, joint arrangements, associates and disclosures including HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 (2011) *Separate Financial Statements* and HKAS 28 (2011) *Investments in Associates and Joint Ventures* which are effective for annual periods beginning on or after 1 January 2013. In the current year, the Group has applied these five standards in advance of their effective dates (annual periods beginning on or after 1 January 2013).

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

3.2.2 *New and revised standards on consolidation, joint arrangements, associates and disclosure of interests in other entities* (Continued)

HKFRS 10 *Consolidated Financial Statements*

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12.

HKFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in HKFRS 10, all of the three criteria, including (a) an investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns, must be met. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Much more guidance has been included in HKFRS 10 to explain when an investor has control over an investee. In particular, detailed guidance has been established in HKFRS 10 to explain when an investor that owns less than 50 per cent of the voting shares in an investee has control over the investee. For example, in assessing whether or not an investor with less than a majority of the voting rights in an investee has a sufficiently dominant voting interest to meet the power criterion, HKFRS 10 requires the investor to take into account all relevant facts and circumstances, particularly, the size of the investor's holding of voting rights relative to the size and dispersion of shareholdings of the other vote holders.

The adoption of HKFRS 10 has had no significant financial effect on these financial statements.

HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 (2011) *Separate Financial Statements* and HKAS 28 (2011) *Investments in Associates and Joint Ventures*

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 as a result of the issuance of HKFRS 10 and HKFRS 12. The Group has early adopted HKFRS 10 and HKFRS 12, and the consequential amendments to HKAS 27 in the current year's financial statements.

The application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements. The adoption of HKAS 27 (2011) does not have significant impact on the Group's consolidated financial statements.

3.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans* [2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities* [2]
HKFRS 9	*Financial Instruments* [4]
HKFRS 9 and HKFRS 7 *Amendments*	Amendments to HKFRS 9 *Financial Instruments* and HKFRS 7 *Financial Instruments: Disclosures* — Mandatory Effective Date of HKFRS 9 and Transition Disclosures [4]
HKFRS 13	*Fair Value Measurement* [2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income* [1]
HKAS 19 (2011)	*Employee Benefits* [2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities* [3]
HK(IFRIC) — Int 20	*Stripping Costs in the Production Phase of a Surface Mine* [2]
Annual Improvements Project	*Annual Improvements to HKFRSs 2009-2011 Cycle* [2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. The Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity over which the Group has power such that the Group is able to direct the subsidiary's relevant activities, has exposure or rights to variable returns from its involvement with the subsidiary and has the ability to use its power over the subsidiary to affect the amount of its returns.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the four elements of control listed above.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any accumulated impairment losses.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Associates

The existence of significant influence is assessed by the Group based on the Group's ownership percentage (considering its direct ownership as well as potentially exercisable or convertible shares) and other contractual rights. An associate is an entity, not being a subsidiary or a joint arrangement subject to joint control, in which the Group has an equity voting interest of generally not less than 20% and over which the Group is in a position to exercise significant influence. The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated statement of comprehensive income and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Joint arrangements

Certain of the Group's activities are conducted through joint arrangements. Joint arrangements are classified as either a joint operation or joint venture, based on the rights and obligations arising from the contractual arrangements between the parties to the arrangement.

Joint ventures

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. The Group's investments in joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post acquisition results and reserves of joint ventures is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's investments in the joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of joint ventures is included as part of the Group's investments in joint ventures and is not individually tested for impairment.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint ventures (Continued)

The results of joint ventures are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 July. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	20%
Office equipment, furniture and fixtures	20% – 25%
Motor vehicles	30%
Computer equipment	30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each financial year.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

(i) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 10 years.

(ii) Club debentures

Club debentures are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated in accordance with on estimated useful life on individual club membership. The club debenture with an indefinite economic useful life is stated at cost and subject to annual impairment review. Impairment is reviewed annually or when there is any indication that the club debentures have suffered an impairment loss.

(iii) Customer contracts

Customer contracts are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful lives of 5 years.

(iv) Artiste management contracts

Artiste management contracts are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives ranging from 2 to 12 years.

(v) Services contract

Services contract is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over its estimated useful life of 15 years.

Film rights and films under production

Film rights are rights acquired or licensed from outsiders for exhibition and other exploitation of the films.

Film rights are stated at cost less accumulated amortisation and impairment losses. Film rights, less estimated residual value and accumulated impairment losses, are amortised in proportion to the estimated projected revenues over their economic beneficial period subject to a maximum of 10 years. Additional amortisation/impairment loss is made if future estimated projected revenues are adversely different from the previous estimation. Estimated projected revenues are reviewed at regular intervals.

Films under production include production costs, costs of services, direct labour costs, facilities and raw materials consumed in the creation of films. Upon completion, these films under production are reclassified as film products. Films under production are accounted for on a film-by-film basis and are stated at cost less any impairment losses.

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, and loans and receivables, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and cash equivalents, a pledged time deposit, trade receivables, other receivables, a forward contract, options and amounts due from a joint venture and an associate.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Options

For accounting purposes, options (as defined in note 26) are classified as derivative financial instruments under HKAS 39. The options are subsequently re-measured at fair value with changes in fair value recognised in the income statement. Options are carried as an asset when its fair value is positive and as a liability when the fair value is negative.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income in the income statement. The loss arising from impairment is recognised in the income statement as other operating expenses.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost (Continued)

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade payables, accruals and other payables, loan from a non-controlling shareholder and convertible notes.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Convertible notes/convertible bonds

The component of convertible notes/convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible notes/convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible notes/convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Forward contract

For accounting purpose, forward contract on the Second Completion Convertible Notes (note 25) is classified as derivative financial instrument under HKAS 39. The forward contract recognised at its fair value as an assets or a liability on the commitment date and is subsequently re-measured at fair value with changes in fair value recognised in the income statement. Forward contract is carried as an asset when its fair value is positive and as a liability when its fair values is negative.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Inventories

Inventories represent video products and are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases net of any incentives received from lessor are charged to the income statement on the straight-line basis over the lease terms.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when revenue can be measured reliably, on the following bases:

(a) turnover from entertainment events organised by the Group, when the events are completed;

(b) net income from entertainment events organised by other co-investors, when the events are completed and in proportion as agreed with co-investors;

(c) licence income from films licensed for a fixed fee or non-refundable guarantee under a non-cancellable contract, where an assignment is granted to the licensee which permits the licensee to exploit those film rights freely and where the Group has no remaining obligations to perform and when the film materials have been delivered to licensees. Revenue recognised is limited to the amount of consideration received and subject to due allowance for contingencies;

(d) licence income from films licensed, other than for a fixed fee or non-refundable guarantee under a non-cancellable contract, to licensees, over the licence period and when the films are available for showing or telecast;

(e) sale of products and albums, when significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the products and albums sold;

(f) distribution commission income, when the album or film materials have been delivered to the wholesalers and distributors;

(g) album licence income and music publishing income, on an accrual basis in accordance with the terms of the relevant agreements;

(h) artiste management fee, producer fee income and consultancy service income on entertainment events, in the period in which the relevant services are rendered;

(i) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(j) licensing income generated from the licensing of contents and technology for use in connection with the provision of value-added telecommunications services, on an accrual basis in accordance with the terms of the relevant agreements.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial option pricing model, further details of which are given in note 35 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings/(loss) per share.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Retirement benefit scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlements or translation of monetary items are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or income statement are also recognised in other comprehensive income or income statement, respectively).

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, an associate and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, an associate and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Related parties

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

(a) the party is a person or a close member of that person's family and 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 Group or of a parent of the Group;

or

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group 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;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(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.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

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 described below.

(a) Accounting for film rights

The costs of film rights, less residual values, are amortised in proportion to the estimated projected revenues over the economic beneficial period subject to a maximum of 10 years. Additional amortisation is made if estimated projected revenues are materially different from the previous estimation.

Management bases its estimates of total projected revenues of each film on the historical performance of similar films, incorporating factors such as the past box office record of the leading actors and actresses, the genre of the film, anticipated performance in the home entertainment, television and other ancillary markets, and agreements for future sales.

These estimated projected revenues can change significantly due to a variety of factors. Based on information available on the actual results of films, management reviews and revises, when necessary, the estimated projected revenues at regular intervals. Such change in revenue projections or estimations may result in a change in the rate of amortisation and/or the write-down of the carrying values of the assets to fair value. This could have an impact on the Group's results of operations. The carrying amount of film rights at 31 July 2012 was HK$1,136,000 (note 18).

(b) Useful lives of other intangible assets

The Group determines the estimated useful lives and related amortisation charges for the Group's other intangible assets. This estimate is based on the historical experience of the actual useful lives of other intangible assets of similar nature and functions. The Group will revise the amortisation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Impairment of other intangible assets

The Group assesses at the end of each reporting period whether there is an indication that other intangible assets may be impaired. If any indication exists, the Group estimates the recoverable amount of the other intangible assets. The Group measures the recoverable amount of the other intangible assets with reference to their value-in-use. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from other intangible assets and a suitable discount rate in order to calculate the present value. As at 31 July 2012, the carrying amount of other intangible assets was approximately HK$71,502,000 (2011: HK$1,036,000) (note 19).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(d) Impairment of trade and other receivables

The Group makes impairment of receivables based on assessments of the recoverability of trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of receivables requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of trade and other receivables and impairment of receivables in the year/period in which such estimate has been changed.

(e) Fair values of derivative financial instruments

Where fair values of financial assets and financial liabilities cannot be derived from active markets, they are determined using valuation techniques. The inputs to valuation models are taken from observable markets where possible, but where this is not feasible, a degree of the judgements include consideration of inputs such as cash flow projections, the discount rate, adjustment factors to the stock price, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair values of financial instruments. As at 31 July 2012, the fair value of the Group's options was approximately HK$32,491,000 (note 26). The fair value of the Group's forward contract as at 31 July 2011 was approximately HK$26,148,000 (note 25).

5. OPERATING SEGMENT INFORMATION

For management purpose, the Group is organised into business units based on their products and services and has the following reportable segments:

(a) the media and entertainment segment engages in the investment in, and the production of entertainment events, the provision of artiste management services, album sales, distribution and license of music and investment, production and distribution of TV programs;

(b) the film production and distribution segment engages in the investment in, production of, sale and distribution of films as well as the distribution of video format products derived from these films and films licensed-in by the Group;

(c) the licensing of software business segment engaged in development and licensing of software and technology for use in connection with the provision of value-added telecommunications services in the People's Republic of China ("PRC"); and

(d) the corporate segment comprises corporate income and expenses items.

5. OPERATING SEGMENT INFORMATION (Continued)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income and finance costs are excluded from such measurement.

Segment assets exclude a forward contract as this asset is managed on a group basis.

Segment liabilities exclude convertible notes, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

In determining the Group's geographical information, revenue information is based on the location of the customers, and asset information is based on the location of the assets.

There were no material intersegmental sales and transfers during the year (period from 1 April 2011 to 31 July 2011: Nil).

Segment revenue/results:

	Media and entertainment		Film production and distribution		Licensing of software		Corporate		Consolidated	
	Year ended 31 July 2012 HK$'000	Period from 1 April 2011 to 31 July 2011 HK$'000	Year ended 31 July 2012 HK$'000	Period from 1 April 2011 to 31 July 2011 HK$'000	Year ended 31 July 2012 HK$'000	Period from 1 April 2011 to 31 July 2011 HK$'000	Year ended 31 July 2012 HK$'000	Period from 1 April 2011 to 31 July 2011 HK$'000	Year ended 31 July 2012 HK$'000	Period from 1 April 2011 to 31 July 2011 HK$'000
Revenue to external customers	114,805	9,760	2,655	–	–	603	–	–	117,460	10,363
Other income	633	–	35	–	41	–	4,522	50	5,231	50
Segment profit/(loss)	11,295	(2,089)	(17,986)	(725)	(11,247)	(2,792)	(37,922)	(10,623)	(55,860)	(16,229)
Fair value gain/(loss) on a forward contract	–	–	–	–	–	–	(198,636)	20,655	(198,636)	20,655
Fair value gain on options	1,080	–	–	–	–	–	–	–	1,080	–
Finance costs									(30,591)	(4,383)
Share of profits and losses of a joint venture	(54)	–	–	–	–	–	–	–	(54)	–
Share of profits and losses of an associate	–	–	(7)	–	–	–	–	–	(7)	–
Profit/(loss) before tax									(284,068)	43

5. OPERATING SEGMENT INFORMATION (Continued)

Segment assets/liabilities:

	Media and entertainment		Film production and distribution		Licensing of software		Corporate		Consolidated	
	Year ended 31 July 2012 HK$'000	Period from 1 April 2011 to 31 July 2011 HK$'000	**Year ended 31 July 2012 HK$'000**	Period from 1 April 2011 to 31 July 2011 HK$'000	**Year ended 31 July 2012 HK$'000**	Period from 1 April 2011 to 31 July 2011 HK$'000	**Year ended 31 July 2012 HK$'000**	Period from 1 April 2011 to 31 July 2011 HK$'000	**Year ended 31 July 2012 HK$'000**	Period from 1 April 2011 to 31 July 2011 HK$'000
Segment assets	**209,514**	25,677	**204,806**	27,127	**2,646**	4,520	**683,996**	497,936	**1,100,962**	555,260
Investment in a joint venture	**551**	–	**–**	–	**–**	–	**–**	–	**551**	–
Investment in an associate	**–**	–	**5,855**	–	**–**	–	**–**	–	**5,855**	–
Unallocated assets									**–**	26,148
Total assets									**1,107,368**	581,408
Segment liabilities	**26,853**	7,474	**6,313**	219	**21**	31	**22,831**	4,659	**56,018**	12,383
Unallocated liabilities									**482,429**	277,183
Total liabilities									**538,447**	289,566
Other segment information:										
Depreciation	**13**	–	**88**	–	**6**	–	**2,077**	167	**2,184**	167
Amortisation of film rights	**–**	–	**1,114**	–	**–**	–	**–**	–	**1,114**	–
Amortisation of other intangible assets	**3,043**	–	**–**	–	**–**	474	**–**	6	**3,043**	480
Write-off of a deposit	**–**	–	**500**	–	**–**	–	**–**	–	**500**	–
Write-off of films under production	**–**	–	**840**	–	**–**	–	**–**	–	**840**	–
Impairment of other intangible assets	**–**	–	**–**	–	**–**	3,085	**1,000**	–	**1,000**	3,085
Impairment of trade receivables	**–**	–	**40**	–	**979**	–	**–**	–	**1,019**	–
Impairment of advances and other receivables	**134**	–	**–**	–	**9,437**	–	**–**	–	**9,571**	–
Additions of property, plant and equipment	**120**	–	**10**	–	**13**	–	**23,263**	15	**23,406**	15
Additions of film rights	**–**	–	**2,250**	–	**–**	–	**–**	–	**2,250**	–
Additions of films under production	**–**	–	**122,427**	14,054	**–**	–	**–**	–	**122,427**	14,054
Additions of other intangible assets	**74,825**	–	**–**	–	**–**	–	**–**	–	**74,825**	–

5. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

	Hong Kong		Mainland China		Macau		Others		Consolidated	
	Year ended 31 July 2012 HK$'000	Period from 1 April 2011 to 31 July 2011 HK$'000	Year ended 31 July 2012 HK$'000	Period from 1 April 2011 to 31 July 2011 HK$'000	Year ended 31 July 2012 HK$'000	Period from 1 April 2011 to 31 July 2011 HK$'000	Year ended 31 July 2012 HK$'000	Period from 1 April 2011 to 31 July 2011 HK$'000	Year ended 31 July 2012 HK$'000	Period from 1 April 2011 to 31 July 2011 HK$'000
Revenue:										
Sales to external customers	29,180	—	22,458	2,777	58,233	6,689	7,589	897	117,460	10,363
Assets:										
Segment assets										
— non-current assets	57,458	12,787	71,940	100	—	—	—	—	129,398	12,887
— current assets	935,622	537,953	39,112	4,420	3,236	—	—	—	977,970	542,373
Unallocated assets	—	26,148	—	—	—	—	—	—	—	26,148
Total assets									1,107,368	581,408
Other information:										
Additions of property, plant and equipment	23,271	15	135	—	—	—	—	—	23,406	15
Additions of film rights	2,250	—	—	—	—	—	—	—	2,250	—
Additions of films under production	122,427	14,054	—	—	—	—	—	—	122,427	14,054
Additions of other intangible assets	—	—	74,825	—	—	—	—	—	74,825	—

Information about major customers

Revenue from three (period from 1 April 2011 to 31 July 2011: one) customers, each of whom accounted for revenue exceeding 10% of the Group's total revenues, amounted to approximately HK$57,121,000 (period from 1 April 2011 to 31 July 2011: HK$6,400,000).

6. TURNOVER AND OTHER INCOME

An analysis of the Group's turnover and other income is as follows:

	Group	
	Year ended 31 July 2012 HK$'000	Period from 1 April 2011 to 31 July 2011 HK$'000
Turnover		
Entertainment event income	**93,553**	9,760
Album sales, licence income and distribution commission income from music publishing and licensing	**9,133**	—
Artiste management fee income	**9,845**	—
Producer fee income of TV program	**2,274**	—
Sales of video products, distribution commission income and licence fee income from film rights	**2,655**	—
Licensing of software income	**—**	603
	117,460	10,363
Other income		
Interest income	**4,507**	41
Others	**724**	9
	5,231	50
	122,691	10,413

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	Year ended 31 July 2012 HK$'000	Period from 1 April 2011 to 31 July 2011 HK$'000
Interest on:		
— First Completion Convertible Notes wholly repayable within five years (note 31(i))	**28,181**	4,288
— Second Completion Convertible Notes wholly repayable within five years (note 31(ii))	**2,410**	—
— Convertible bonds wholly repayable within five years	**—**	95
	30,591	4,383

8. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Notes	Group Year ended 31 July 2012 HK$'000	Period from 1 April 2011 to 31 July 2011 HK$'000
Cost of film rights and licence rights		**1,954**	—
Cost of artiste management services and services for entertainment events provided		**70,773**	10,678
Cost of inventories sold		**262**	—
Cost of licensing of software		**—**	107
Total cost of sales		**72,989**	10,785
Depreciation	14	**2,184**	167
Amortisation of film rights#	18	**1,114**	—
Amortisation of other intangible assets#	19	**3,043**	480
Minimum lease payments under operating leases in respect of land and buildings incurred for:			
Entertainment events#		**1,378**	—
Others		**2,301**	476
Contingent rents incurred for entertainment events#		**2,912**	—
Total operating lease payments		**6,591**	476
Auditors' remuneration		**1,530**	1,100
Employee benefit expense (including directors' emoluments (note 9)):			
Salaries, bonuses and allowances		**49,572**	4,860
Equity-settled share option expense	35	**5,030**	—
Pension scheme contributions		**1,307**	73
		55,909	4,933
Write-off of a deposit##		**500**	—
Impairment of goodwill##	15	**3,477**	—
Impairment of other intangible assets##	19	**1,000**	3,085
Write-off of films under production#	22	**840**	—
Impairment of trade receivables##	23	**1,019**	—
Impairment of advances and other receivables##	24	**9,571**	—
Loss on disposal of items of property, plant and equipment##		**73**	—
Fair value gain on options*	26	**(1,080)**	—
Share of net income from entertainment events organised by co-investors*		**(2,350)**	(87)
Gain on disposal of a subsidiary*	38	**—**	(76)
Foreign exchange loss, net		**601**	—

8. PROFIT/(LOSS) BEFORE TAX (Continued)

These items are included in "Cost of sales" in the consolidated income statement. The contingent rents are charged based on certain percentages of the gross ticket proceeds collected in respect of the entertainment events.

These items are included in "Other operating expenses" in the consolidated income statement.

* These items are included in "Other operating gains" in the consolidated income statement.

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments for the year/period, disclosed pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM" Listing Rules) and the disclosure requirements of Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Group	
	Year ended 31 July 2012 HK$'000	Period from 1 April 2011 to 31 July 2011 HK$'000
Fees	**1,034**	220
Other emoluments:		
Salaries and allowances	**10,215**	1,018
Equity-settled share option expense	**5,030**	—
Pension scheme contributions	**39**	14
	15,284	1,032
	16,318	1,252

During the year, a director was granted share options, in respect of his services to the Group under the share option scheme of the Company, further details of which are set out in note 35 to the financial statements. The fair value of such options which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amounts included in the financial statements for the current year is included in the above directors' remuneration disclosures.

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

	Fees HK$'000	Salaries and allowances HK$'000	Equity-settled share-option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Year ended 31 July 2012					
Executive Directors					
Lam Kin Ngok, Peter (note (i))	120	—	—	—	120
Yu Feng (note (i))	120	—	—	—	120
Choi Chiu Fai, Stanley (note (v))	93	—	—	—	93
Tang Jun (note (vi))	108	5,481	5,030	—	10,619
Lui Siu Tsuen, Richard (note (i))	120	—	—	—	120
Chan Chi Kwong (note (i))	120	3,031	—	13	3,164
Chan Chi Ming, Alvin	—	536	—	12	548
Etsuko Hoshiyama	—	1,061	—	13	1,074
Luk Hong Man, Hammond (note (ii))	—	106	—	1	107
	681	10,215	5,030	39	15,965
Independent Non-executive Directors					
Chan Chi Yuen	120	—	—	—	120
Zhang Xi	120	—	—	—	120
Ng Chi Ho, Dennis (note (vii))	14	—	—	—	14
Yeung Wai Hung, Peter (note (iii))	—	—	—	—	—
Wong Kam Choi (note (iv))	99	—	—	—	99
	353	—	—	—	353
	1,034	10,215	5,030	39	16,318

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(a) *Directors' emoluments* (Continued)

	Fees HK$'000	Salaries and allowances HK$'000	Equity-settled share-option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Period from 1 April 2011 to 31 July 2011					
Executive Directors					
Lam Kin Ngok, Peter (note (i))	15	—	—	—	15
Yu Feng (note (i))	15	—	—	—	15
Lui Siu Tsuen, Richard (note (i))	15	—	—	—	15
Chan Chi Kwong (note (i))	15	358	—	2	375
Chan Chi Ming, Alvin	—	165	—	4	169
Etsuko Hoshiyama	—	330	—	4	334
Luk Hong Man, Hammond (note (ii))	—	165	—	4	169
	60	1,018	—	14	1,092
Independent Non-executive Directors					
Chan Chi Yuen	40	—	—	—	40
Zhang Xi	40	—	—	—	40
Yeung Wai Hung, Peter (note (iii))	40	—	—	—	40
Wong Kam Choi (note (iv))	40	—	—	—	40
	160	—	—	—	160
	220	1,018	—	14	1,252

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(a) *Directors' emoluments* (Continued)

Notes:

(i) Appointed with effect from 16 June 2011

(ii) Retired on 20 August 2011

(iii) Resigned with effect from 1 August 2011

(iv) Resigned with effect from 12 September 2011

(v) Appointed with effect from 24 October 2011

(vi) Appointed with effect from 6 September 2011 and resigned with effect from 15 September 2012

(vii) Appointed with effect from 3 October 2011

There was no arrangement under which a director waived or agreed to waive any emoluments during the year/period.

(b) *Employees' emoluments*

The five highest paid employees during the year included two (period from 1 April 2011 to 31 July 2011: two) directors, details of whose emoluments are set out above. Details of the remuneration of the remaining three (period from 1 April 2011 to 31 July 2011: three) non-director, highest paid employees for the year/period are as follows:

	Group	
	Year ended 31 July 2012 HK$'000	Period from 1 April 2011 to 31 July 2011 HK$'000
Salaries and allowances	**5,441**	913
Pension scheme contributions	**31**	5
	5,472	918

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) *Employees' emoluments* (Continued)

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

	Group Number of employees Year ended 31 July 2012	Period from 1 April 2011 to 31 July 2011
Below HK$1,000,000	**—**	3
HK$1,000,001 to HK$1,500,000	**1**	—
HK$1,500,001 to HK$2,000,000	**—**	—
HK$2,000,001 to HK$2,500,000	**2**	—
	3	3

10. INCOME TAX CREDIT/(EXPENSE)

No provision for Hong Kong profits tax has been made for the year/period as there were no assessable profits arising in Hong Kong for the year/period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group Year ended 31 July 2012 HK$'000	Period from 1 April 2011 to 31 July 2011 HK$'000
Provision for tax for the year/period		
Hong Kong	**—**	—
Elsewhere	**5,591**	—
	5,591	—
Deferred tax credit for the year/period (note 33)	**(825)**	(370)
Total tax expense/(credit) for the year/period	**4,766**	(370)

10. INCOME TAX CREDIT/(EXPENSE) (Continued)

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rates for the locations in which the Company and the majority of its subsidiaries are domiciled to the tax expenses/(credit) at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	Group			
	Year ended 31 July 2012 HK$'000	**%**	Period from 1 April 2011 to 31 July 2011 HK$'000	%
Profit/(loss) before tax	**(284,068)**		43	
Tax at the statutory tax rate	**(46,871)**	**(16.5)**	7	16.5
Adjustments for tax rates for other jurisdictions	**(1,074)**	**(0.3)**	(32)	(74.4)
Profits and losses attributable to a joint venture and an associate	**10**	**—**	—	—
Income not subject to tax	**(833)**	**(0.3)**	(3,443)	(8,007.1)
Expenses not deductible for tax	**45,757**	**16.1**	528	1,227.8
Estimated tax losses not recognised	**8,602**	**3.0**	2,940	6,837.2
Deferred tax arising from temporary differences	**(825)**	**(0.3)**	(370)	(860.5)
Tax expense/(credit) at the Group's effective rate	**4,766**	**1.7**	(370)	(860.5)

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

The consolidated profit/(loss) attributable to owners of the Company for the year ended 31 July 2012 includes a loss of approximately HK$243,460,000 (period from 1 April 2011 to 31 July 2011: profit of HK$14,129,000) which has been dealt with in the financial statements of the Company (note 36(b)).

12. DIVIDEND

The board of directors of the Company does not recommend the payment of any dividend in respect of the year ended 31 July 2012 (period from 1 April 2011 to 31 July 2011: Nil).

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

The calculation of basic earnings/(loss) per share amounts is based on the loss attributable to owners of the Company for the year of HK$290,175,000 (period from 1 April 2011 to 31 July 2011: profit of HK$985,000) and the weighted average number of ordinary shares of approximately 12,825,667,000 (period from 1 April 2011 to 31 July 2011: approximately 5,979,461,000) in issue during the year/period.

No adjustment has been made to the basic loss per share amounts presented for the year ended 31 July 2012 in respect of a dilution as the impact of the share options, First Completion Convertible Notes and Second Completion Convertible Notes outstanding during the year had an anti-dilutive effect on the basic loss per share amounts presented.

No adjustment has been made to the basic earnings per share amounts presented for the period from 1 April 2011 to 31 July 2011 in respect of a dilution as the impact of the First Completion Convertible Notes outstanding during the period had an anti-dilutive effect on the basic earnings per share amounts presented.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Notes	Leasehold improvements HK$'000	Office equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Total HK$'000
Cost:						
At 1 April 2011		—	233	1,324	453	2,010
Additions		—	—	—	15	15
Disposals		—	—	—	(4)	(4)
Disposal of a subsidiary	38	—	—	(738)	—	(738)
Exchange realignment		—	—	—	4	4
At 31 July 2011 and 1 August 2011		—	233	586	468	1,287
Additions		22,205	503	—	698	23,406
Acquisition of subsidiaries	37	—	115	—	189	304
Disposals		—	(184)	—	(246)	(430)
At 31 July 2012		22,205	667	586	1,109	24,567
Accumulated depreciation:						
At 1 April 2011		—	71	232	241	544
Charge for the period		—	14	131	22	167
Disposals		—	—	—	(4)	(4)
Disposal of a subsidiary	38	—	—	(275)	—	(275)
Exchange realignment		—	—	—	4	4
At 31 July 2011 and 1 August 2011		—	85	88	263	436
Charge for the year		1,790	47	176	171	2,184
Disposals		—	(78)	—	(182)	(260)
At 31 July 2012		1,790	54	264	252	2,360
Net carrying amount:						
At 31 July 2012		20,415	613	322	857	22,207
At 31 July 2011		—	148	498	205	851

15. GOODWILL

	Note	Group HK$'000
Cost:		
At 1 April 2011, 31 July 2011 and 1 August 2011		—
Acquisition of subsidiaries	37	13,704
Exchange realignment		(45)
At 31 July 2012		13,659
Accumulated impairment:		
At 1 April 2011, 31 July 2011 and 1 August 2011		—
Impairment during the year		3,477
At 31 July 2012		3,477
Net carrying amount:		
At 31 July 2012		10,182
At 31 July 2011		—

Impairment testing of goodwill

Goodwill acquired through business combination during the year ended 31 July 2012 had been allocated to the artiste management and TV production cash-generating unit (the "CGU"), which is a component of media and entertainment reportable segment, for impairment testing.

The recoverable amount of the CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period with a growth rate approved by senior management, which is based on the management's expectation for market development. The discount rate applied to the cash flow projections is 30.44%.

Key assumptions were used in the value-in-use calculation of the CGU for the year ended 31 July 2012. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budget gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the markets, adjusted for expected efficiency improvement, and expected market development.

Discount rate — The discount rate used is before tax.

During the year ended 31 July 2012, the directors considered that the carrying amount of goodwill of HK$3,477,000 was fully impaired based on the carrying value of the CGU. This resulted in an impairment loss of approximately HK$3,477,000 which has been recognised in consolidated income statement.

16. INVESTMENTS IN SUBSIDIARIES

	Company 31 July 2012 HK$'000	31 July 2011 HK$'000
Unlisted investments, at cost	**81,488**	81,488
Amounts due from subsidiaries	**453,809**	—
	535,297	81,488
Less: Impairment losses #	**(113,115)**	(81,485)
	422,182	3

\# As at 31 July 2012, an aggregate impairment of HK$113,115,000 (2011: HK$81,485,000) was recognised for investments in and amounts due from certain unlisted investments with an aggregate gross carrying amount of HK$113,115,000 (2011: HK$81,485,000) (before deducting the impairment loss) because the relevant subsidiaries have suffered losses for years.

The amounts due from subsidiaries are unsecured, interest-free and not repayable within the next 12 months from the end of the reporting period. The carrying amounts of the amounts due from subsidiaries approximate their fair values.

Particulars of the principal subsidiaries as at 31 July 2012 are as follows:

Name	Place of incorporation/ registration and operation	Nominal value of issued share/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
AnyMusic Limited*	PRC/Mainland China	Registered capital of US$5,140,000	—	100	Development and licensing of software and technology in connection with the provision of value-added telecommunication services in the PRC and business information consulting services
Champ Universe Limited	Hong Kong	1 ordinary share of HK$1	100	—	Provision of management services

16. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operation	Nominal value of issued share/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Premier Gold Investments Limited	Hong Kong	1 ordinary share of HK$1	100	—	Cinema operation
Media Asia Distribution (Beijing) Co. Limited ("MAD (BJ)") *##	PRC/Mainland China	RMB1,000,000	—	100	Film distribution
Media Asia Entertainment Limited (formerly known as Forest Garden Limited)	Hong Kong	100 ordinary shares of HK$1 each	—	100	Entertainment activity production
Media Asia Entertainment (Macao) Limited*	Macau	Registered capital of MOP25,000	—	100	Provision of events management and consultancy services
Media Asia Film Distribution (HK) Limited	Hong Kong	1 ordinary share of HK$1	—	100	Film distribution
Media Asia Film Production Limited (formerly known as Dynasty Choice Development Limited)	Hong Kong	100 ordinary shares of HK$1 each	—	100	Film production
Media Asia Films (UK) Limited*	United Kingdom	1 ordinary share of GBP1	—	100	Film distribution
Media Asia Music Limited	Hong Kong	1 ordinary share of HK$1	—	100	Music production and distribution
Media Asia Music Publishing Limited (formerly known as Sharp Way Music Limited)	Hong Kong	100 ordinary shares of HK$1 each	—	100	Music publishing
Media Asia Performance Agency (Macao) Limited*	Macau	Registered capital of MOP25,000	—	100	Entertainment activity production

16. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operation	Nominal value of issued share/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Media Asia Talent Management Limited (formerly known as Twinkle Talent Management Limited)	Hong Kong	10,000 ordinary shares of HK$1 each	—	100	Provision of artiste management service
Media Asia TV Program Distribution Limited	Hong Kong	1 ordinary share of HK$1	—	100	Licensing of television drama
Media Asia Video Distribution (HK) Limited	Hong Kong	1 ordinary share of HK$1	—	100	Licensing of film rights and sale of video products
Media Magic Holdings Limited ("Media Magic") *##	British Virgin Islands/Hong Kong	1,000 ordinary shares of US$1	—	51	Investment holding
Rojam Entertainment Limited	Hong Kong	100,001 ordinary shares of HK$1 each	100	—	Intellectual property holding, provision of management services
Xinhua Entertainment (Hong Kong) Limited	Hong Kong	10 ordinary shares of HK$1 each	—	80	Entertainment business
寰亞文化傳播(中國)有限公司 *	PRC/Mainland China	HK$5,700,000#	—	100	Entertainment activities production

\# The amounts stated represent the paid-up capital.

\## These subsidiaries are acquired by the Group during the year with details set out in note 37 to the financial statements.

* Subsidiaries whose financial statements were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

16. INVESTMENTS IN SUBSIDIARIES (Continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Summarised financial information in respect of Media Magic that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Media Magic

	31 July 2012 HK$'000
Current assets	20,927
Non-current assets	71,529
Current liabilities	(15,512)
Non-current liabilities	(17,867)
Equity attributable to owners of the Company	30,129
Non-controlling interests	28,948
Revenue	10,843
Expenses	(7,635)
Profit for the year and total comprehensive income for the year	3,208
Profit attributable to owners of the Company	1,636
Profit attributable to non-controlling interests	1,572
	3,208

17. DUE FROM/TO SUBSIDIARIES

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the amounts due from/to subsidiaries approximate their fair values.

18. FILM RIGHTS

	Group HK$'000
Cost:	
At 1 April 2011, 31 July 2011 and 1 August 2011	—
Additions	2,250
At 31 July 2012	2,250
Accumulated amortisation:	
At 1 April 2011, 31 July 2011 and 1 August 2011	—
Provided during the year	1,114
At 31 July 2012	1,114
Net carrying amount:	
At 31 July 2012	1,136
At 31 July 2011	—

19. OTHER INTANGIBLE ASSETS

Group

	Computer software HK$'000	Club debentures HK$'000	Customer contracts HK$'000	Artiste management contracts HK$'000	Services contract HK$'000	Total HK$'000
Cost:						
At 1 April 2011	39	1,601	19,300	—	—	20,940
Exchange realignment	1	12	337	—	—	350
At 31 July 2011 and 1 August 2011	40	1,613	19,637	—	—	21,290
Acquisition of subsidiaries (note 37(a))	—	—	—	50,187	24,638	74,825
Exchange realignment	—	8	252	(219)	(107)	(66)
At 31 July 2012	40	1,621	19,889	49,968	24,531	96,049
Accumulated amortisation and impairment:						
At 1 April 2011	4	61	16,315	—	—	16,380
Amortisation for the period	—	6	474	—	—	480
Impairment losses	—	544	2,541	—	—	3,085
Exchange realignment	—	2	307	—	—	309
At 31 July 2011 and 1 August 2011	4	613	19,637	—	—	20,254
Amortisation for the year	1	—	—	2,480	562	3,043
Impairment losses	—	1,000	—	—	—	1,000
Exchange realignment	—	8	252	(8)	(2)	250
At 31 July 2012	5	1,621	19,889	2,472	560	24,547
Net carrying amount:						
At 31 July 2012	35	—	—	47,496	23,971	71,502
At 31 July 2011	36	1,000	—	—	—	1,036

19. OTHER INTANGIBLE ASSETS (Continued)

Club debentures

The club debenture has indefinite useful life.

The Group carried out a review of the recoverable amount of the club debentures at the end of the reporting period. The review led to the recognition of an impairment loss of HK$1,000,000 (period from 1 April 2011 to 31 July 2011: HK$544,000) which has been recognised in the consolidated income statement for the year ended 31 July 2012.

Customer contracts

Customer contracts represent software license contracts with telecommunication service providers who possess Value-Added Telecommunication Operation Licenses to provide value-added telecommunication services and who have established cooperative arrangements with the leading communications operators in the PRC.

The Group carried out a review of the recoverable amount of the customer contracts at the end of the reporting period, having regard the market conditions of the Group's software. The customer contracts are attributable to the Group's licensing of software segment. For the period from 1 April 2011 to 31 July 2011, the review led to the recognition of an impairment loss of HK$2,541,000 which had been recognised in the consolidated income statement for the period.

Artiste management contracts

Artiste management contracts represent contracts with various artistes which the Group has the exclusive right for the provision of artiste management service to these artistes.

Services contract

Services contract represents the contract with a TV drama and film production team including 4 individuals who are film and TV drama producers and directors (the "Production Team"), in which the contract procures the Production Team to manage the daily operation of Media Magic including TV drama and film production.

The Group carried out review of the recoverable amount of the artiste management contracts and services contract at the end of the reporting period. The recoverable amount of the contracts as at 31 July 2012 had been determined on the basis of their value-in-use. The discount rate in measuring the value-in-use as at 31 July 2012 was 31.44%.

20. INVESTMENT IN A JOINT VENTURE

	Group 31 July 2012 HK$'000	31 July 2011 HK$'000
Share of net liabilities	**(54)**	—
Due from a joint venture	**605**	—
	551	—

The amount due from a joint venture is unsecured, interest-free and is not repayable in the next twelve months. The carrying amount of the amount due from a joint venture approximates its fair value.

As at 31 July 2012, particulars of the joint venture are as follows:

Name of company	Business structure	Place of incorporation and operation	Class of shares held	Percentage of ownership interest attributable to the Group	Principal activity
Much Entertainment (HK) Limited	Corporate	Hong Kong	Ordinary	50	Event supervising

The investment in a joint venture is indirectly held by the Company.

Summarised financial information in respect of the Group's material joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs adjusted by the Group for equity accounting purposes.

The joint venture is accounted for using the equity method in these consolidated financial statements.

20. INVESTMENT IN A JOINT VENTURE (Continued)

Much Entertainment (HK) Limited

	2012 HK$'000	2011 HK$'000
Current assets	**506**	—
Non-current assets	**114**	—
Current liabilities	**(123)**	—
Non-current liabilities	**(605)**	—
Revenue	**67**	—
Loss and total comprehensive loss for the year	**(107)**	—

21. INVESTMENT IN AN ASSOCIATE

	Group 2012 HK$'000	2011 HK$'000
Share of net liabilities	**(7)**	—
Due from an associate	**5,862**	—
	5,855	—

The amount due from an associate is unsecured, interest-free and is not repayable in the next twelve months. The carrying amount of the amount due from an associate approximates its fair value.

Details of the associate as at 31 July 2012 are as follows:

Name of company	Business structure	Place of incorporation and operation	Class of shares held	Percentage of ownership interest attributable to the Group	Principal activity
ProM Rococo Limited	Corporate	Hong Kong	Ordinary	25	Film production

The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

The associate is accounted for using the equity method in these consolidated financial statements.

21. INVESTMENT IN AN ASSOCIATE (Continued)

ProM Rococo Limited

	31 July 2012 HK$'000	31 July 2011 HK$'000
Current assets	23,367	—
Current liabilities	(25)	—
Non-current liabilities	(23,370)	—
Revenue	—	—
Loss for the year and total comprehensive loss for the year	(28)	—

22. FILMS UNDER PRODUCTION

	Group	
	31 July 2012 HK$'000	31 July 2011 HK$'000
At beginning of the reporting period	14,054	—
Additions	122,427	14,054
Write-off	(840)	—
At end of the reporting period	135,641	14,054

23. TRADE RECEIVABLES

	Group 2012 HK$'000	2011 HK$'000
Trade receivables	**8,911**	7,333
Impairment	**(5,055)**	(3,918)
	3,856	3,415

The Group's trading terms with its customers are mainly on credit. The credit period generally ranges from 30 to 60 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. The carrying amounts of trade receivables approximate their fair values.

An ageing analysis of trade receivables, net of provision for doubtful debts, based on payment due date, as at the end of the reporting period, is as follows:

	Group 2012 HK$'000	2011 HK$'000
Neither past due nor impaired	**624**	2,436
1 to 90 days past due	**2,944**	662
Over 90 days past due	**288**	317
	3,856	3,415

23. TRADE RECEIVABLES (Continued)

Movements in provision for impairment of trade receivables are as follows:

	Group 2012 HK$'000	2011 HK$'000
At beginning of the reporting period	**3,918**	3,918
Impairment losses recognised	**1,019**	—
Exchange realignment	**118**	—
At end of the reporting period	**5,055**	3,918

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade debtors of HK$5,055,000 (31 July 2011: HK$3,918,000) with a gross carrying amount before provision of HK$5,055,000 (31 July 2011: HK$3,918,000). The individually impaired trade receivables relate to customers that were in default in settlements and only a portion or no portion of the receivables is expected to be recovered.

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments, deposits and advances for artiste management, music production and film production	**90,679**	23,354	**—**	—
Prepayments, deposits and other receivables	**47,986**	16,976	**484**	4,440
	138,665	40,330	**484**	4,440
Impairment	**(21,448)**	(11,741)	**—**	—
	117,217	28,589	**484**	4,440
Portion classified as current portion	**(99,252)**	(17,589)	**(484)**	(4,440)
Non-current portion	**17,965**	11,000	**—**	—

Included in prepayments, deposits and other receivables as at 31 July 2012 are advances of HK$40,242,000 due from film owners for the Group's investment in film projects. The advances are unsecured, repayable within next 12 months and with a fixed guarantee return ranging from 8% to 15%.

As at 31 July 2012, included in the Group's prepayments, deposits and other receivables are amounts due from fellow subsidiaries of HK$291,000 (2011: HK$9,100) which are repayable on similar credit terms to those offered to the major customers of the Group. The carrying amounts of the advances and other receivables approximate their fair values.

Movements in the provision for impairment of advances and other receivables are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
At beginning of the reporting period	**11,741**	11,539
Impairment loss recognised	**9,571**	—
Exchange realignment	**136**	202
At end of the reporting period	**21,448**	11,741

Included in the above provision for advances and other receivables is a provision for individually impaired advances and receivables of HK$21,448,000 (31 July 2011: HK$11,741,000) with a gross carrying amount of HK$21,448,000 (31 July 2011: HK$11,741,000). The individually impaired advances and receivables related to the portions of advances and receivables that were not expected to be recovered.

25. FORWARD CONTRACT

	Group and Company	
	2012	2011
	HK$'000	HK$'000
Forward contract on the Second Completion Convertible Notes, at fair value	**—**	26,148

Pursuant to a subscription agreement (the "Subscription Agreement") entered into between Perfect Sky Holdings Limited ("Perfect Sky", a wholly-owned subsidiary of eSun), Sun Great Investments Limited, Next Gen Entertainment Limited, Memestar Limited, On Chance Inc. and Grace Promise Limited (collectively the "Subscribers") and the Company on 23 March 2011, among others, the Company:

— conditionally agreed to issue, and the Subscribers conditionally agreed to subscribe for 3-year zero coupon convertible notes in an aggregate principal amount of HK$371,386,642 (the "First Completion Convertible Notes"); and

— conditionally agreed to issue, and the Subscribers conditionally agreed to subscribe for 3-year zero coupon convertible notes in an aggregate principal amount of HK$224,873,937 (the "Second Completion Convertible Notes").

All conditions precedent to the completion of the subscription for the First Completion Convertible Notes and Second Completion Convertible Notes were fulfilled on 9 June 2011 (the "First Completion Date") and 9 June 2012 (the "Second Completion Date"), respectively.

Further details of the Subscription Agreement are set out in the Company's announcement and circular dated 31 March 2011 and 21 April 2011, respectively.

Before the Second Completion Date, the Company was contractually obligated to issue the Second Completion Convertible Notes. In this regard, before the issue of the Second Completion Convertible Notes, the Subscription Agreement in respect of the issue of the Second Completion Convertible Notes constitutes a forward contract within the scope of HKAS 39 "Financial instruments: Recognition and Measurement" ("HKAS 39"), and is recognised at its fair value as an asset or a liability on the commitment date, and is subsequently remeasured at fair value with changes in fair value recognised in the consolidated income statement. On the First Completion Date, the fair value of the forward contract was HK$5,493,000. As at 31 July 2011, the Group and the Company recognised a derivative financial asset of HK$26,148,000 in respect of the forward contract in the statements of financial position and a fair value gain in respect of the forward contract of HK$20,655,000 in the income statement for the period from 1 April 2011 to 31 July 2011.

25. FORWARD CONTRACT (Continued)

On the Second Completion Date, the Company and the Group recognised a financial liability of the forward contract of HK$172,488,000. Accordingly, the Group and the Company have recognised a fair value loss in respect of the forward contract of approximately HK$198,636,000 to the income statement. On the same date, the Company issued the Second Completion Convertible Notes in an aggregate principal amount of HK$224,873,937 (further details are set out in note 31). The fair value of the forward contract of HK$172,488,000 formed part of the consideration for the issuance of the Second Completion Convertible Notes.

The fair values of the forward contract as at the Second Completion Date, 31 July 2011, and the First Completion Date were determined with reference to the valuations of the forward contract as at those dates performed by Greater China Appraisal Limited, an independent firm of professional valuers. The valuations have taken into account factors including adjusted weighted average market prices of the Company's shares, volatilities and prevailing market interest rates.

26. OPTIONS

	Group	
	2012	2011
	HK$'000	HK$'000
Options, at fair value	**32,491**	—

Pursuant to the share transfer agreement entered into between the Group and the Vendor (as defined in note 37) on the acquisition of Media Magic as detailed in note 37(a), the Group is granted with an option to acquire an additional 25% interest in Media Magic by 28 December 2014 and an option to acquire the remaining 24% interest in Media Magic by 28 December 2015. If any one of the options is not exercised, the Vendor is contractually obliged to buy back the Group's interests in Media Magic at the original acquisition cost. The above rights and contractual obligation options are collectively referred as the "Options".

The Options constitute derivatives within the scope of HKAS 39, and are recognised at their fair values as assets or liabilities on initial recognition and are subsequently remeasured at fair value with changes in fair value recognised in the consolidated income statement.

As at 30 March 2012, the date of acquisition of Media Magic, the Group recognised a derivative financial asset of HK$31,411,000 (note 37(a)) in respect of the Options in the consolidated statement of financial position. As at 31 July 2012, the fair value of the financial asset in respect of the Options amounted to HK$32,491,000 with a fair value gain of HK$1,080,000 (note 8) being recognised in the consolidated income statement for the year ended 31 July 2012.

The fair value of the options as at 30 March 2012 and 31 July 2012 were determined with reference to the valuations of the options as at those dates performed by Greater China Appraisal Limited, an independent firm of professional valuers. The valuations were arrived at using the trinomial lattice model, which have taken into account factors including related profit projections, exercise prices of options, volatilities, risk-free rate and time to maturity.

27. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSIT

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**96,635**	78,307	**18,105**	60,572
Time deposits	**609,974**	429,008	**609,974**	429,008
	706,609	507,315	**628,079**	489,580
Less: Pledged time deposit	**(9,740)**	—	**(9,740)**	—
Cash and cash equivalents	**696,869**	507,315	**618,339**	489,580

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$22,300,000 (31 July 2011: HK$12,435,000). The conversion of RMB denominated cash and bank balances into foreign currencies and the remittance of such foreign currencies denominated balances out of Mainland China are subject to the relevant rules and regulations of foreign exchange control by the government authorities concerned.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. Bank balances and pledged time deposit are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate their fair values.

As at 31 July 2012, the pledged time deposit was pledged for a letter of credit facility granted by a bank.

28. TRADE PAYABLES

An ageing analysis of trade payables based on the invoice date, as at the end of the reporting period, is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Less than 30 days	**487**	2,192
31 to 60 days	**95**	—
61 to 90 days	**71**	—
	653	2,192

Trade payables are non-interest-bearing and have credit term generally ranged from 30 to 60 days.

29. ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accruals and other payables	**49,338**	10,126	**2,153**	3,673

Included in accruals and other payables was a payable of HK$14,052,000 to the Vendor (note 37(a)).

Other payables are non-interest-bearing and have an average credit term of one month.

The carrying amounts of accruals and other payables approximate their fair values.

30. LOAN FROM A NON-CONTROLLING SHAREHOLDER

The balance is unsecured, interest-free and has no fixed terms of repayment. The carrying amount of the loan approximates its fair value.

31 . CONVERTIBLE NOTES

		Group and Company	
		2012	2011
	Notes	**HK$'000**	HK$'000
First Completion Convertible Notes	(i)	**286,470**	277,153
Second Completion Convertible Notes	(ii)	**172,471**	—
		458,941	277,153

Pursuant to the Subscription Agreement of which the details have been set out in note 25 above, among other terms, the Company conditionally agreed to issue to the Subscribers and the Subscribers conditionally agreed to subscribe for 3-year zero coupon convertible notes in an aggregate principal amount of HK$371,386,642 (being the First Completion Convertible Notes referred to in note 25 above) and HK$224,873,937 (being the Second Completion Convertible Notes referred in note 25 above), which can be convertible at the option of the holders into the Company's ordinary shares during the period commencing on the first day of the First Completion Convertible Notes and the first day of the Second Completion Convertible Notes and expiring on the date which is five business days preceding the maturity date.

31. CONVERTIBLE NOTES (Continued)

(i) First Completion Convertible Notes

The First Completion Convertible Notes were issued to the holders on 9 June 2011. Part of the First Completion Convertible Notes in an aggregate principal amount of HK$170,000,000 carries the conversion right entitling the relevant holders to subscribe for a total of 10,625,000,000 shares of HK$0.01 each in the Company at a conversion price of HK$0.016 per share. Part of the First Completion Convertible Notes in an aggregate principal amount of HK$201,386,642 carries the conversion right entitling the relevant holders to subscribe for a total of 7,231,118,192 shares of HK$0.01 each in the Company at a conversion price of HK$0.02785 per share.

Unless previously converted, redeemed, purchased or cancelled in accordance with the terms and conditions of the First Completion Convertible Notes, it will be redeemed by the Company on the maturity date of 8 June 2014 at the principal amount outstanding.

The fair value of the liability component was estimated at the issue date, net of transaction cost allocated to the liability component using an equivalent market interest rate for a similar note without a conversion option. The residual amount is assigned as the equity component and is included in the capital reserve.

No adjustment was made to the conversion price during the year ended 31 July 2012 and the period from 1 April 2011 to 31 July 2011.

The various components of the First Completion Convertible Notes recognised on initial recognition are as follows:

	Group and Company HK$'000
First Completion Convertible Notes	
Face value of convertible notes issued	371,387
Equity component	(89,909)
Liability component at date of issue	281,478

31. CONVERTIBLE NOTES (Continued)

(i) *First Completion Convertible Notes* (Continued)

The movements of the liability component and the equity component of the First Completion Convertible Notes are as follows:

	Liability component HK$'000	**Equity component** HK$'000	**Total** HK$'000
At 1 April 2011	—	—	—
Issue during the period	281,478	89,909	371,387
Cost of issue of convertible notes	(8,613)	(2,751)	(11,364)
Interest charged during the period	4,288	—	4,288
Issue of a forward contract	—	5,493	5,493
At 31 July 2011 and 1 August 2011	277,153	92,651	369,804
Interest charged during the year	28,181	—	28,181
Partial conversion of convertible notes (note 34(e))	(18,864)	(6,237)	(25,101)
At 31 July 2012	286,470	86,414	372,884

(ii) *Second Completion Convertible Notes*

The Second Completion Convertible Notes were issued to the holders on 9 June 2012. The Second Completion Convertible Notes in an aggregate principal amount of HK$224,873,937 carries the conversion right entitling the relevant holders to subscribe for a total of 8,074,468,085 shares of HK$0.01 each in the Company at a conversion price of HK$0.02785 per share.

Unless previously converted, redeemed, purchased or cancelled in accordance with the terms and conditions of the Second Completion Convertible Notes, it will be redeemed by the Company on the maturity date of 8 June 2015 at the principal amount outstanding.

The fair value of the liability component was estimated at the issue date, net of transaction cost allocated to the liability component using an equivalent market interest rate for a similar note without a conversion option. The residual amount is assigned as the equity component and is included in the capital reserve.

No adjustment was made to the conversion price during the year ended 31 July 2012.

31. CONVERTIBLE NOTES (Continued)

(ii) *Second Completion Convertible Notes* (Continued)

The various components of the Second Completion Convertible Notes recognised on initial recognition are as follows:

	Note	Group and Company HK$'000
Second Completion Convertible Notes		
Face value of convertible notes issued		224,874
Consideration arising from the fair value of the forward contract	25	172,488
Equity component		(224,439)
Liability component at date of issue		172,923

The movements of the liability component and the equity component of Second Completion Convertible Notes are as follows:

	Liability component HK$'000	Equity component HK$'000	Total HK$'000
At 1 April 2011, 31 July 2011 and 1 August 2011	—	—	—
Issued during the year	172,923	224,439	397,362
Cost of issue of convertible notes	(2,862)	(860)	(3,722)
Interest charged during the year	2,410	—	2,410
At 31 July 2012	172,471	223,579	396,050

Interest charged for the First Completion Convertible Notes and the Second Completion Convertible Notes were calculated by applying an effective interest rates of 10.8% per annum and 9.8% per annum, to the respective liability component.

The fair values of the liability component of the First Completion Convertible Notes and the Second Completion Convertible Notes at 31 July 2012 were approximately HK$294,416,000 (2011: HK$262,263,000) and HK$175,096,000 (2011: Nil), respectively. The fair values as at 31 July 2012 and 31 July 2011 were calculated by discounting the future cash flows at the prevailing market interest rate as at 31 July 2012 and 31 July 2011, respectively.

32. CONVERTIBLE BONDS

(a) Convertible bonds in the principal amount of HK$25,000,000

The convertible bonds were issued to the bondholder on 30 April 2010. The said bonds were convertible into ordinary shares of HK$0.01 each in the Company at any time between the date of issue of the bonds and their settlement date. The bonds were convertible at 20 shares per HK$1 bond note.

The convertible bonds would be redeemed at par on 29 April 2013 if the conversion right attaching to the convertible bonds was not exercised. The bonds carried interest at a rate of 2% per annum, payable semi-annually in arrears on 31 March and 30 September in each year.

	Group and Company HK$'000
At 1 April 2011	21,215
Interest charged	95
Interest paid	(24)
Conversion of convertible bonds (note 34(b))	(21,286)
At 31 July 2011	—

Interest charged for the prior period was calculated by applying an effective interest rate of 9.4% per annum to the liability component.

(b) Share options in the principal amount of HK$12,500,000

On 30 April 2010, the Company granted to the option holder to subscribe for 250,000,000 ordinary shares of HK$0.01 each in the Company at an option price of HK$0.05 per option share, exercisable for a period of three years from the date of issue.

The option fee of HK$2,500,000 received during the year ended 31 March 2011 was recognised in equity as subscription right reserve as at 31 March 2011.

Upon exercise of the share options by the option holder, on 5 May 2011, the Company issued 250,000,000 ordinary shares of HK$0.01 each at the price of HK$0.05 per share (note 34(c)).

33. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year/period were as follows:

Group

	Accelerated tax depreciation HK$'000	**Other intangible assets** HK$'000	**Total** HK$'000
At 1 April 2011	149	366	515
Deferred tax credited to the income statement during the period (note 10)	—	(370)	(370)
Disposal of a subsidiary	(54)	—	(54)
Exchange realignment	—	4	4
At 31 July 2011 and 1 August 2011	95	—	95
Acquisition of subsidiaries (note 37(a))	—	18,706	18,706
Deferred tax credited to the income statement during the year (note 10)	(65)	(760)	(825)
Exchange realignment	—	(79)	(79)
At 31 July 2012	30	17,867	17,897

The Group has tax losses arising in Hong Kong of approximately HK$113,237,000 (31 July 2011: HK$64,122,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group also has tax losses arising in Mainland China of approximately HK$7,544,000 (31 July 2011: HK$5,555,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

34. SHARE CAPITAL

	2012 Number of shares '000	2012 Nominal value HK$'000	2011 Number of shares '000	2011 Nominal value HK$'000
Authorised:				
Ordinary shares of HK$0.01 each (Note)	**60,000,000**	**600,000**	50,000,000	500,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each	**13,140,257**	**131,403**	10,110,257	101,103

Note: Pursuant to the ordinary resolutions passed at the annual general meeting on 20 August 2011, the Company's authorised share capital has been increased from HK$500,000,000 divided into 50,000,000,000 shares to HK$600,000,000 divided into 60,000,000,000 shares by the creation of additional 10,000,000,000 shares of HK$0.01 each.

Movements in the issued share capital of the Company during the year/period are as follows:

	Notes	Year ended 31 July 2012 Number of shares '000	Year ended 31 July 2012 Nominal value HK$'000	Period from 1 April 2011 to 31 July 2011 Number of shares '000	Period from 1 April 2011 to 31 July 2011 Nominal value HK$'000
Balance at the beginning of the year/period		**10,110,257**	**101,103**	2,307,114	23,071
Shares issued under the share option scheme	(a)	—	—	134,800	1,348
Conversion of convertible bonds	(b)	—	—	500,000	5,000
Exercise of share options	(c)	—	—	250,000	2,500
Subscription of shares	(d)	—	—	6,918,343	69,184
Partial conversion of First Completion Convertible Notes	(e)	**1,562,500**	**15,625**	—	—
Placing of new shares	(f)	**1,467,500**	**14,675**	—	—
Balance at the end of the year/period		**13,140,257**	**131,403**	10,110,257	101,103

34. SHARE CAPITAL (Continued)

Notes:

(a) On 15 November 2010, the Company issued 134,800,000 ordinary shares of HK$0.01 each at the price of HK$0.198 per share upon exercise of the share options by the option holder for a cash consideration of HK$1,348,000. An amount of HK$4,791,000 was transferred from the subscription right reserve account to the share premium account upon exercise of the options.

(b) Upon receipt of a notice from the bondholder on 18 April 2011, the Company issued 500,000,000 ordinary shares of HK$0.01 each at the price of HK$0.05 per share for full conversion of the convertible bonds with a principal amount of HK$25,000,000 (note 32(a)). Upon conversion, the liability component of HK$21,286,000 and the equity component of HK$4,664,000 of the convertible bonds were transferred to the issued share capital of HK$5,000,000 and the share premium account of HK$20,950,000.

(c) On 5 May 2011, the Company issued 250,000,000 ordinary shares of HK$0.01 each at the price of HK$0.05 per share upon exercise of the share options by the option holder for a cash consideration of HK$12,500,000 (note 32(b)). An amount of HK$2,500,000 was transferred from the subscription right reserve account to the share premium account upon exercise of the options.

(d) Pursuant to the Subscription Agreement of which the details have been set out in note 25 above, the Company issued, on 9 June 2011, a total of 6,918,343,209 ordinary shares of HK$0.01 each. The proceeds from the issue of those shares amounted to approximately HK$118,614,000.

(e) Upon receipt of a notice from Perfect Sky on 8 September 2011, the Company issued a total of 1,562,500,000 ordinary shares of HK$0.01 each at a conversion price of HK$0.016 for partial conversion of the First Completion Convertible Notes with a principal amount of HK$25,000,000. Upon conversion, the liability component of HK$18,864,000 and equity component of HK$6,237,000 of the convertible notes (note 31(i)) were transferred to the issued share capital of HK$15,625,000 and the share premium account of HK$9,476,000.

(f) Pursuant to a placing agreement and a supplemental agreement thereto entered into between the Company and CLSA Limited on 28 July 2011 and 1 August 2011, respectively, the Company issued, on 8 September 2011, an aggregate of 1,467,500,000 shares at a price of HK$0.20 per share to three placees who were independent of, and not connected with the Group. The gross proceeds from the said placement amounted to approximately HK$293,500,000 and the related issue expense was HK$2,663,000.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 35 to the financial statements.

35. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group and any Invested Entity (as defined in the Share Option Scheme). Eligible participants include full-time and part-time employees, executive directors, non-executive directors (including independent non-executive directors), suppliers, customers, advisors, consultants, agents, contractors, and shareholders of any member of the Group or any Invested Entity. The Share Option Scheme was adopted on 19 November 2009 and became effective on 24 November 2009 (being the date of the conditional listing approval issued by the Stock Exchange) and, unless otherwise cancelled or amended, will remain in force for 10 years from the latter date.

The principal terms of the Share Option Scheme are:

(a) The maximum number of shares to be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

(b) The total number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the total number of shares in issue as at 19 November 2009 (the "Scheme Limit").

(c) The Company may seek approval of the Company's shareholders at a general meeting for refreshing the 10% limit under the Share Option Scheme save that the total number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme under the limit as refreshed must not exceed 10% of the total number of shares in issue as at the date of approval of the limit.

(d) Subject to (f) below, the maximum number of shares to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding share options) in any 12-month period must not exceed 1% of the shares of the Company in issue at anytime. Any further grant of share options in excess of this limit is subject to shareholders' approval at a general meeting with such participant and his associates abstaining from voting.

35. SHARE OPTION SCHEME (Continued)

The principal terms of the Share Option Scheme are: (Continued)

(e) Any grant of share options to a director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive directors.

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

(g) The offer of a grant of share options may be accepted within 28 days from the date of offer, together with payment of a nominal consideration of HK$1 for the grant by the grantee.

(h) The exercise period of the share options granted is determined by the directors provided that such period must not be more than ten years from the date of offer of grant of share options or the determination date of the Share Option Scheme, if earlier.

(i) The exercise price of the share options is determined by the directors, but must not be lower than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of grant; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at general meetings of the Company.

35. SHARE OPTION SCHEME (Continued)

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

	Year ended 31 July 2012		Period from 1 April 2011 to 31 July 2011	
	Number of share options	Weighted average exercise price* per share HK$	Number of share options	Weighted average exercise price* per share HK$
Outstanding at the beginning of the year/period	—	—	229,600,000	0.198
Granted during the year/period	101,102,576	0.233	—	—
Exercised during the year/period	—	—	(134,800,000)	0.198
Lapsed/cancelled during the year/period	—	—	(94,800,000)	0.198
Outstanding at the end of the year/period	101,102,576	0.233	—	—
Exercisable at the end of the year/period	—	—	—	—

The weighted average closing price of the shares immediately before the dates on which share options were exercised during the period from 1 April 2011 to 31 July 2011 was HK$0.255 per share. No share options were exercised during the year.

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

31 July 2012

Number of share options	Exercise price* per share HK$	Exercise period
31,341,666	0.20420	6-8-12 to 5-8-13
31,341,666	0.24504	6-8-13 to 5-8-14
31,341,668	0.26546	6-8-14 to 5-9-15
2,359,192	0.14480	6-8-12 to 5-8-13
2,359,192	0.17376	6-8-13 to 5-8-14
2,359,192	0.18824	6-8-14 to 5-9-15
101,102,576		

* The exercise price of the share options is subject to adjustment in case of rights issue or other specific changes in the Company's share capital.

35. SHARE OPTION SCHEME (Continued)

The fair value of the share options granted during the year was HK$8,580,000 of which the Group recognised a share option expense of HK$5,030,000 during the year ended 31 July 2012.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using the binomial option pricing model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used:

Date of grant	26 August 2011	17 January 2012
Dividend yield (%)	—	—
Expected volatility (%)	77.116%	73.085%
Risk-free interest rate (%)	0.563%	0.555%
Expected life of option (year)	4.03	3.636

Expected volatility was determined by calculating the historical volatility of the Company's share price for a period equal to the expected life of the share options. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

No other feature of the options granted was incorporated into the measurement of fair value.

In compliance with Chapter 23 of the GEM Listing Rules, the shareholders passed a resolution at the annual general meeting of the Company held on 20 August 2011 for approving the refreshment of the Scheme Limit allowing the Company to grant further options for subscription of up to a total of 1,011,025,761 shares, representing 10% of the total issued shares of the Company as at the date of passing the relevant resolution.

The refreshment of the Scheme Limit was also approved by the shareholders of eSun at a special general meeting held on 22 October 2011 pursuant to the requirements of Rule 17.01(4) of the Main Board Listing Rules and Rule 23.01(4) of the GEM Listing Rules.

At the end of the reporting period, the Company had 101,102,576 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 101,102,576 additional ordinary shares of the Company and additional share capital of HK$1,011,000 and share premium of HK$22,585,000 (before issue expenses).

At the date of approval of these financial statements, the outstanding 101,102,576 share options all lapsed as a result of the resignation of a director as disclosed in note 9(a) in which the director did not exercise the share options within one month from the date of resignation.

36. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current year and the prior period are presented in the consolidated statement of changes in equity.

(b) Company

	Share premium account HK$'000	Contributed surplus HK$'000 (note i)	Capital reserve HK$'000 (note ii)	Subscription right reserve HK$'000 (note iii)	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2011	226	44,475	4,664	2,500	8,161	(69,805)	(9,779)
Profit for the period and total comprehensive income for the period	—	—	—	—	—	14,129	14,129
Shares issued under share option scheme (note 34(a))	30,133	—	—	—	(4,791)	—	25,342
Conversion of convertible bonds (note 34(b))	20,950	—	(4,664)	—	—	—	16,286
Exercise of share options (note 34(c))	12,500	—	—	(2,500)	—	—	10,000
Subscription of shares (note 34(d))	49,430	—	—	—	—	—	49,430
Share issue expense	(3,628)	—	—	—	—	—	(3,628)
Issue of First Completion Convertible Notes (note 31(i))	—	—	89,909	—	—	—	89,909
Costs of issue of First Completion Convertible Notes (note 31(i))	—	—	(2,751)	—	—	—	(2,751)
Issue of a forward contract	—	—	5,493	—	—	—	5,493
Transfer of share-based payment reserve upon lapse or cancellation of share options	—	—	—	—	(3,370)	3,370	—
At 31 July 2011 and 1 August 2011	109,611	44,475	92,651	—	—	(52,306)	194,431
Loss for the year and total comprehensive loss for the year	—	—	—	—	—	(275,090)	(275,090)
Partial conversion of First Completion Convertible Notes (note 34(e))	9,476	—	(6,237)	—	—	—	3,239
Placing of new shares (note 34(f))	278,825	—	—	—	—	—	278,825
Transaction costs of placing new shares	(2,663)	—	—	—	—	—	(2,663)
Issue of Second Completion Convertible Notes (note 31(ii))	—	—	224,439	—	—	—	224,439
Costs of issue of Second Completion Convertible Notes (note 31(ii))	—	—	(860)	—	—	—	(860)
Equity-settled share option arrangements (note 35)	—	—	—	—	5,030	—	5,030
At 31 July 2012	395,249	44,475	309,993	—	5,030	(327,396)	427,351

36. RESERVES (Continued)

(b) *Company* (Continued)

Notes:

(i) *Contributed surplus*

Contributed surplus represents the net effect of the capital reduction and the elimination of accumulated losses of the Company as a result of the Capital Reorganisation of the Company effected in 2009.

Under the Bermuda Companies Act, the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus if:

— it is, or would after the payment be, unable to pay its liabilities as they become due; or

— the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

(ii) *Capital reserve*

The capital reserve represents the value of the equity component of the unexercised convertible notes and convertible bonds issued by the Company recognised in accordance with the accounting policies adopted for the convertible notes and convertible bonds as disclosed in notes 31 and 32 to the financial statements, respectively.

(iii) *Subscription right reserve*

Subscription right reserve represents the net proceeds received from the issue of share options. The subscription right reserve is transferred to share premium account upon exercise of the share options.

37. BUSINESS COMBINATION

(a) On 30 March 2012, the Group acquired a 51% interest in Media Magic from an independent third party (the "Vendor"). Since then, Media Magic has become a subsidiary. Media Magic is engaged in entertainment content production and artiste management in the PRC. The purchase consideration for the acquisition was in the form of cash, with RMB45.7 million (equivalent to approximately HK$56.2 million) paid during the year and the remaining RMB11.4 million (equivalent to approximately HK$14.1 million) payable within 90 days upon the completion of transfer of title of the artiste management contracts to Media Magic. Subsequent to the reporting period, the Group has settled the remaining balance of RMB11.4 million.

The Group considers that the acquisition provides a good opportunity to leverage the Group's established networks in the media and entertainment sectors into different geographic focus.

The Group has elected to measure the non-controlling interests in Media Magic at the non-controlling interests' proportionate share of Media Magic's identifiable net assets.

The fair values of identifiable assets and liabilities of Media Magic as at the date of acquisition were as follows:

	Notes	HK$'000
Artiste management contracts	19	50,187
Services contract	19	24,638
Options	26	31,411
Cash and bank balances		8
Deferred tax liabilities	33	(18,706)
		87,538
Non-controlling interests		(27,502)
Total identifiable net assets at fair value		60,036
Goodwill on acquisition	15	10,226
Satisfied by cash		70,262

The Group incurred transaction costs of HK$987,000 for this acquisition. These transaction costs have been expensed and are included in other operating expenses in the consolidated income statement.

37. BUSINESS COMBINATION (Continued)

(a) (Continued)

The carrying amount of goodwill represents access to and industry establishment of entertainment business in the PRC and the expected synergy from the acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of Media Magic is as follows:

	HK$'000
Cash consideration paid	(56,210)
Cash and bank balances acquired	8
Net outflow of cash and cash equivalents included in cash flows from investing activities	(56,202)
Transaction costs of the acquisition included in cash flows from operating activities	(987)
	(57,189)

Since the acquisition, Media Magic contributed HK$10,843,000 to the Group's turnover and a profit of HK$2,447,000 to the consolidated loss for the year ended 31 July 2012.

Had the combination taken place at the beginning of the year, the turnover of the Group and the loss of the Group for the year ended 31 July 2012 would have been HK$117,460,000 and HK$288,834,000, respectively.

Pursuant to the agreement on acquisition of Media Magic, the Vendor has warranted to the Group that, subject to the agreement terms, the audited consolidated net profit after tax ("NPAT") of Media Magic shall not be less than a specific level (the "Warranted Profit"). In the event that the actual NPAT is less than the Warranted Profit (the "Shortfall") for the financial year ending 31 July 2013, the Vendor shall pay to the Group a total sum of a multiplier of the Shortfall after the determination of the actual NPAT for the year ending 31 July 2013. The payment will be satisfied by cash.

The consideration adjustment in relation to the Warranted Profit as described above is accounted for as contingent consideration whose fair values on initial recognition and at the end of the reporting period were determined as insignificant by the directors with reference to the valuation performed by Greater China Appraisal Limited, an independent firm of professional valuers.

37. BUSINESS COMBINATION (Continued)

(b) On 22 June 2012, the Group acquired 100% interest in MAD (BJ) from eSun. MAD (BJ) is engaged in film distribution in the PRC. On 2 July 2012, the Group acquired 100% interest in 耀輝時代影視文化(北京)有限公司(「耀輝時代」) and 北京東亞澤民文化有限公司(「東亞澤民」) from two independent third parties. 耀輝時代 is engaged in event and artiste management and 東亞澤民 is engaged in music licensing in the PRC. (The above companies acquired by the Group are collectively referred to as the "PRC Companies")

The Group considers that the acquisition of the PRC Companies represents a good opportunity for the Group to leverage the Group's established networks in the media and entertainment sectors into different geographic focus.

The Group has elected to measure the non-controlling interests at the non-controlling interests' proportionate share of the PRC Companies' identifiable net assets.

The fair values of identifiable assets and liabilities of the PRC Companies acquired by the Group as at the date of acquisition date were as follows:

	Notes	HK$'000
Property, plant and equipment	14	304
Trade receivables		325
Prepayments, deposits and other receivables		7,820
Cash and bank balances		5,701
Accruals and other payables		(9,072)
		5,078
Non-controlling interests		(244)
Total identifiable net assets at fair value		4,834
Goodwill on acquisition	15	3,478
Satisfied by cash		8,312

An analysis of cash flows in respect of the acquisition of the PRC Companies is as follows:

	HK$'000
Cash consideration paid	(8,312)
Cash and bank balances acquired	5,701
	(2,611)

37. BUSINESS COMBINATION (Continued)

(b) (Continued)

Since the acquisition, the PRC companies contributed a loss of HK$1,136,000 included in the consolidated income statement for the year ended 31 July 2012. Had the combination taken place at the beginning of the year, the turnover of the Group and the loss of the Group for the year ended 31 July 2012 would have been HK$117,460,000 and HK$288,834,000, respectively.

38. DISPOSAL OF A SUBSIDIARY

On 28 July 2011, the Company entered into a sale and purchase agreement with an independent third party, pursuant to which the Company agreed to dispose of its entire 100% equity interest in Oriental Brand Limited ("Oriental Brand") for a cash consideration of approximately HK$608,000. The aforesaid sale and purchase transaction was completed on 28 July 2011.

The net assets of Oriental Brand at the date of disposal were as follows:

	Notes	HK$'000
Property, plant and equipment	14	463
Prepayments, deposits and other receivables		54
Cash and bank balances		69
Deferred tax liabilities		(54)
Net assets disposed of		532
Gain on disposal of a subsidiary	8	76
Cash consideration		608

An analysis of the cash flows in respect of the disposal of a subsidiary is as follows:

	HK$'000
Cash consideration to receive	608
Cash and bank balances disposed of	(69)
	539
Less: Cash consideration received subsequent to the end of reporting period (note)	(608)
Net cash outflow in respect of the disposal of a subsidiary during the period from 1 April 2011 to 31 July 2011	(69)

Note: The consideration was recorded as a receivable of the Group as at 31 July 2011. Subsequent to 31 July 2011, the receivable was fully settled in cash by the purchaser.

39. COMMITMENTS

(a) *Capital commitments*

As 31 July 2012, the Group had the following capital commitments, contracted but not provided for, as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Capital contribution to a joint venture to be established	**12,492**	3,555
Shareholder loan to an associate	**13,561**	—
Acquisition of property, plant and equipment	**3,144**	—
	29,197	3,555

At the end of the reporting period, the Company did not have any significant capital commitment.

(b) *Operating lease commitments*

At 31 July 2012, the Group leased certain of its office premises under operating lease arrangements. Leases for properties are negotiated for terms ranging from three months to two years (31 July 2011: from six months to two years).

At 31 July 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Within one year	**2,184**	583
Within two to five years	**3,261**	—
	5,445	583

At the end of the reporting period, the Company had no significant operating lease commitments (31 July 2011: Nil).

40. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year/period:

	Notes	Group Year ended 31 July 2012 HK$'000	Group Period from 1 April 2011 to 31 July 2011 HK$'000
Fellow subsidiaries:			
Rental expenses	(i)	**210**	—
Artiste fee@	(ii)	**1,355**	—
Performance fee@	(ii)	**175**	—
Related companies:			
Rental expense and building management fee*	(i)	**471**	—
Artiste fee#	(ii)	**600**	—
Production fee#	(ii)	**400**	—

* The company is a major shareholder of eSun.

\# These companies are joint ventures of eSun.

@ These related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules.

Notes:

(i) The rental expense and building management fee were charged with reference to market rates.

(ii) The artiste fee, performance fee and production fee were charged in accordance with contractual terms with the respective parties.

40. RELATED PARTY TRANSACTIONS (Continued)

(b) Commitments with related parties:

(i) During the year, a subsidiary of the Group, as the lessee, entered into a tenancy agreement with a major shareholder of eSun for leasing office premise for terms of two years. The total operating lease commitment due within one year, and two to five years as at 31 July 2012 were approximately HK$704,000 and HK$499,000, respectively.

(ii) During the year, a subsidiary of the Group, as the lessee, entered into an agreement with a fellow subsidiary, for leasing office premise for terms of three years. The total operating lease commitment due within one year and two to five years as at 31 July 2012 were HK$420,000 and HK$630,000, respectively.

(c) Compensation of key management personnel of the Group:

	Group	
	Year ended 31 July 2012 HK$'000	Period from 1 April 2011 to 31 July 2011 HK$'000
Short term employee benefits	**11,249**	2,151
Equity-settled share option expense	**5,030**	—
Post-employment benefits	**39**	19
	16,318	2,170

Further details of directors' emoluments are included in note 9 to the financial statements.

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group

Financial assets

31 July 2012

	Loans and receivables HK$'000	**Financial assets at fair value through profit or loss HK$'000**	**Total HK$'000**
Trade receivables	**3,856**	**—**	**3,856**
Financial assets included in prepayments, deposits and other receivables	**96,878**	**—**	**96,878**
Options	**—**	**32,491**	**32,491**
Pledged time deposit	**9,740**	**—**	**9,740**
Cash and cash equivalents	**696,869**	**—**	**696,869**
Due from a joint venture	**605**	**—**	**605**
Due from an associate	**5,862**	**—**	**5,862**
	813,810	**32,491**	**846,301**

31 July 2011

	Loans and receivables HK$'000	Financial assets at fair value through profit or loss HK$'000	Total HK$'000
Trade receivables	3,415	—	3,415
Financial assets included in prepayments, deposits and other receivables	3,460	—	3,460
Forward contract	—	26,148	26,148
Cash and cash equivalents	507,315	—	507,315
	514,190	26,148	540,338

41. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Group

Financial liabilities

	31 July 2012 Financial liabilities at amortised cost HK$'000	31 July 2011 Financial liabilities at amortised cost HK$'000
Trade payables	**653**	2,192
Financial liabilities included in accruals and other payables	**46,094**	7,862
Loan from a non-controlling shareholder	**6,027**	—
Convertible notes	**458,941**	277,153
	511,715	287,207

Company

Financial assets

31 July 2012

	Loans and receivables HK$'000	**Financial assets at fair value through profit or loss HK$'000**	**Total HK$'000**
Due from subsidiaries	**422,179**	**—**	**422,179**
Financial assets included in prepayments, deposits and other receivables	**265**	**—**	**265**
Pledged time deposit	**9,740**	**—**	**9,740**
Cash and cash equivalents	**618,339**	**—**	**618,339**
	1,050,523	**—**	**1,050,523**

41. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Company (Continued)

Financial assets (Continued)

31 July 2011

	Loans and receivables HK$'000	Financial assets at fair value through profit or loss HK$'000	Total HK$'000
Due from subsidiaries	56,189	—	56,189
Financial assets included in prepayments, deposits and other receivables	766	—	766
Forward contract	—	26,148	26,148
Cash and cash equivalents	489,580	—	489,580
	546,535	26,148	572,683

Financial liabilities

	2012 Financial liabilities at amortised cost HK$'000	2011 Financial liabilities at amortised cost HK$'000
Due to a subsidiary	**30,897**	—
Financial liabilities included in accruals and other payables	**2,153**	3,673
Convertible notes	**458,941**	277,153
	491,991	280,826

42. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 31 July 2012, the options amounting to HK$32,491,000 were measured at fair value in Level 3.

As at 31 July 2011, the forward contract amounting to HK$26,148,000 was measured at fair value in Level 3.

Movements in fair value measurement in Level 3 during the year/period were as follows:

	Group Options HK$'000	**Group and Company Forward contract** HK$'000
At 1 April 2011	—	—
Initial recognition of fair value on 9 June 2011	—	5,493
Fair value gain recognised in the consolidated income statement	—	20,655
At 31 July 2011 and 1 August 2011	—	26,148
Initial recognition of fair value upon acquisition of subsidiaries	31,411	—
Fair value gain/(loss) recognised in consolidated income statement	1,080	(198,636)
Transfer to Second Completion Convertible Notes as part of the consideration upon the issue of Second Completion Convertible Notes	—	172,488
At 31 July 2012	32,491	—

During the year, there were no transfers into or out of Level 3 fair value measurements (period from 1 April 2011 to 31 July 2011: Nil).

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise convertible notes, a forward contract, options, pledged time deposit and cash and cash equivalents. The main purpose of these financial instruments is to raise funds for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and interest rate risk. The directors of the Company meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The directors review and agree policies for managing each of these risks and they are summarised as follows:

Foreign currency risk

Certain subsidiaries of the Company have transactions denominated in Renminbi ("RMB"). The Group is exposed to foreign exchange risk arising from the exposure of RMB against Hong Kong dollars.

At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. However, the Group will constantly review the economic situation and its foreign exchange risk profile and will consider appropriate hedging measures in the future as may be necessary.

The following table demonstrates the sensitivity of the Group's equity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant.

	Increase in RMB rate %	**Increase in equity** HK$'000
31 July 2012		
If Hong Kong dollar weakens against RMB	5	1,335
31 July 2011		
If Hong Kong dollar weakens against RMB	5	1,091

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's financial assets, which comprise cash and cash equivalents, trade and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's receivables are widely dispersed in different sectors and industries.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank deposits and convertible bonds.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

At present, the Group does not intend to seek to hedge its exposure to interest rate fluctuations. However, the Group will constantly review the economic situation and its interest rate risk profile, and will consider appropriate hedging measures in future as may be necessary.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit/(loss) before tax and the Group's and the Company's equity.

	Group			Company	
	Increase in interest rate (in percentage)	Increase in profit/ decrease in loss before tax HK$'000	Increase in equity HK$'000	Increase in interest rate (in percentage)	Increase in equity HK$'000
31 July 2012					
Time deposits	0.5	3,050	3,050	0.5	3,050
31 July 2011					
Time deposits	0.5	2,145	2,145	0.5	2,145

The Group adopts a prudent liquidity risk management policy to maintain sufficient cash to fund its operations.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	On demand	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31 July 2012					
Trade payables	—	**653**	—	—	**653**
Financial liabilities included in accruals and other payables	—	**46,094**	—	—	**46,094**
Loan from a non-controlling shareholder	**6,027**	—	—	—	**6,027**
Convertible notes	—	—	**346,387**	**224,874**	**571,261**
Total	**6,027**	**46,747**	**346,387**	**224,874**	**624,035**
31 July 2011					
Trade payables	—	2,192	—	—	2,192
Financial liabilities included in accruals and other payables	—	7,862	—	—	7,862
Convertible notes	—	—	—	371,387	371,387
Total	—	10,054	—	371,387	381,441

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Company

	On demand HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
At 31 July 2012					
Due to a subsidiary	**30,897**	**—**	**—**	**—**	**30,897**
Financial liabilities included in accruals and other payables	**—**	**2,153**	**—**	**—**	**2,153**
Convertible notes	**—**	**—**	**346,387**	**224,874**	**571,261**
Total	**30,897**	**2,153**	**346,387**	**224,874**	**604,311**
At 31 July 2011					
Financial liabilities included in accruals and other payables	—	3,673	—	—	3,673
Convertible notes	—	—	—	371,387	371,387
Total	—	3,673	—	371,387	375,060

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, return capital to shareholders, issue new shares, raise new debts and redeem existing debts.

The Group monitors capital by maintaining a net cash position throughout the year/period.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

The only externally imposed capital requirement is that, for the Group to maintain its listing on the Stock Exchange, it has to maintain sufficient public float required under the GEM Listing Rules. The Group receives a report from the share registrars monthly on substantial share interests showing the non-public float, and it demonstrates the Group's continuing compliance with the 25% threshold throughout the period.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 16 October 2012.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an annual general meeting of the members of **MEDIA ASIA GROUP HOLDINGS LIMITED** (the "Company") will be held at Kellett Room II, 3rd Floor, The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong on Tuesday, 20 November 2012 at 10:00 a.m. (the "AGM") for the purpose of considering and, if thought fit, passing, with or without modification, the following purposes:

ORDINARY BUSINESS

(1) To receive and consider the audited financial statements of the Company and the reports of the directors and the independent auditors for the year ended 31 July 2012;

(2) To re-elect the retiring directors of the Company (the "Directors") and authorise the board of Directors to fix their remuneration; and

(3) To appoint Messrs. Ernst & Young, Certified Public Accountants as the independent auditors of the Company and authorise the board of Directors to fix their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions of the Company:

(4) "**THAT**

(a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to issue, allot and deal with additional ordinary shares of HK$0.01 each in the capital of the Company (the "Shares") and to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are exchangeable or convertible into Shares) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) of this Resolution shall be in addition to any other authorisation given to the Directors at any time to issue, allot and deal with additional Shares and shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are exchangeable or convertible into Shares) which would or might require the exercise of such power after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to:

(i) a Rights Issue (as defined below); or

(ii) an issue of Shares upon the exercise of rights of subscription, exchange or conversion under the terms of any of the options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are exchangeable or convertible into Shares); or

(iii) an issue of Shares as scrip dividends pursuant to the Bye-laws of the Company from time to time; or

(iv) an issue of Shares under any award or option scheme or similar arrangement for the grant or issue to eligible participants under such scheme or arrangement of Shares or rights to acquire Shares;

shall not exceed the aggregate of:

(aa) 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution, and

(bb) (if the Directors are so authorised by a separate resolution of the shareholders of the Company) the aggregate nominal amount of share capital of the Company purchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution),

the said approval shall be limited accordingly; and

(d) for the purpose of this Resolution:

"Relevant Period" means the period from (and including) the date of passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the members of the Company in general meeting; or

(iii) the expiration of the period within which the next annual general meeting of the Company is required by law or the Bye-laws of the Company to be held; and

"Rights Issue" means an offer for shares of the Company open for a period fixed by the Directors to the holders of shares whose names appear on the Register of Members and/or the Hong Kong Branch Register of Members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company)."

(5) "**THAT**

(a) the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to repurchase Shares in issue on The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or any other stock exchange on which the Shares may be listed and recognised for this purpose by the Securities and Futures Commission of Hong Kong (the "SFC") and the Stock Exchange under the Code on Share Repurchases issued by the SFC, and that the exercise by the Directors of all powers of the Company to repurchase the Shares subject to and in accordance with all applicable laws, rules and regulations, be and is hereby generally and unconditionally approved, subject to the following conditions:

(i) such mandate shall not extend beyond the Relevant Period (as defined below);

(ii) such mandate shall authorise the Directors to procure the Company to repurchase the Shares at such prices and on such terms as the Directors may at their absolute discretion determine;

(iii) the aggregate nominal amount of the Shares to be repurchased by the Company pursuant to this Resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution and the said approval shall be limited accordingly; and

(b) for the purpose of this Resolution:

"Relevant Period" means the period from (and including) the date of the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the members of the Company in general meeting; or

(iii) the expiration of the period within which the next annual general meeting of the Company is required by law or the Bye-laws of the Company to be held."

(6) "**THAT** conditional on the passing of Resolution Nos. (4) and (5), the exercise by the Directors of the powers referred to in paragraph (a) of Resolution No. (4) in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (c) of Resolution No. (4), be and is hereby approved and authorised."

By Order of the Board
Media Asia Group Holdings Limited
Etsuko Hoshiyama
Company Secretary

Hong Kong, 19 October 2012

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Unit 606, 6th Floor
Tower II, Cheung Sha Wan Plaza
833 Cheung Sha Wan
Kowloon, Hong Kong

Notes:

1. A member of the Company (the "Member") entitled to attend and vote at the AGM is entitled to appoint one (or, if he holds two or more shares, more than one) proxy to attend the AGM and vote on his behalf in accordance with the Company's Bye-laws. A proxy need not be a Member but must attend the AGM in person to represent the Member.

2. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the branch share registrar of the Company in Hong Kong (the "Registrar"), Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the AGM or its adjourned meeting (as the case may be) and in default, the proxy shall not be treated as valid. Completion and return of the form of proxy shall not preclude Members from attending in person and voting at the AGM or at any of its adjourned meeting should they so wish. In that event, their form of proxy will be deemed to have been revoked.

3. To ascertain the entitlements to attend and vote at the AGM, Members must lodge the relevant transfer document(s) and share certificate(s) at the Registrar's above office not later than 4:30 p.m. on 15 November 2012 for registration.

4. Where there are joint registered holders of any share in the Company, any one of such joint holders may attend and vote at the AGM or its adjourned meeting, either in person or by proxy, in respect of such shares as if he/she/it were solely entitled thereto; but if more than one of such joint holders are present at the AGM or its adjourned meeting, personally or by proxy, that one of such holders so present whose name stands first in the register/branch register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

5. Concerning agenda item 2 of this Notice,

   (i) in accordance with Bye-law 84 of the Company's Bye-laws, Mr. Chan Chi Kwong, Ms. Etsuko Hoshiyama and Mr. Chan Chi Yuen will retire by rotation at the AGM and, being eligible, offer themselves for re-election; and

   (ii) in accordance with Rule 17.46(A) of the GEM Listing Rules, details of the aforesaid Directors are set out in the "Biographical Details of Directors" section of the Annual Report of the Company for the year ended 31 July 2012; and

   (iii) Mr. Chan Chi Ming, Alvin who will also retire by rotation in accordance with Bye-law 84 of the Company's Bye-laws will not offer himself for re-election.

   For the purpose of their re-election as Directors at the AGM, there is no other information which is discloseable pursuant to any of the requirements under Rule 17.50(2) of the GEM Listing Rules, and there is no other matter which needs to be brought to the attention of the Members.

6. A circular containing details regarding Resolutions Nos (4) to (7) of this notice will be sent to Members together with the Annual Report of the Company for the year ended 31 July 2012.

7. In compliance with Rule 17.47(4) of the GEM Listing Rules and the Company's Bye-laws, voting on resolutions in respect of the above matters set out in this notice and any other resolutions properly put to the vote of the AGM will be decided by way of a poll.

8. If a tropical cyclone warning signal No. 8 or above is expected to be hoisted or a black rainstorm warning signal is expected to be in force at any time between 9:00 a.m. and 5:00 p.m. on the date of the AGM, then the AGM will be postponed and the Members will be informed of the date, time and venue of the postponed AGM by a supplementary notice posted on the respective websites of the Company and Hong Kong Exchanges and Clearing Limited.

   If a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is cancelled at or before 9:00 a.m. on the date of the AGM, and where conditions permit, the AGM will be held as scheduled.

   The AGM will be held as scheduled when an amber or red rainstorm warning signal is in force.

   Members should decide on their own whether they would attend the AGM under a bad weather condition bearing in mind their own situations and if they do so, they are advised to exercise care and caution.

Media Asia actively expands the media and entertainment markets of mainland China. Its business scope includes film production, concert and music performance, artiste management, television dramas production and distribution, investment in movie theatres, and new media business.

寰亞傳媒大力開拓中國大陸的傳媒及娛樂市場，其業務範圍包括電影製作、演唱會與音樂表演、藝人管理、電視劇製作與發行、電影院投資及新媒體業務。

Media Asia Group Holdings Limited
寰亞傳媒集團有限公司
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(於開曼群島註冊成立及於百慕達存續之有限公司)

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