Media Asia 寰亞

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

(Stock Code 股份代號：8075)

Annual Report

Year ended 31 July 2013
二零一三年七月三十一日止年度報告

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.

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
Jeffrey Soong
Lui Siu Tsuen, Richard
Chan Chi Kwong

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Lui Siu Tsuen, Richard
Etsuko Hoshiyama

COMPLIANCE OFFICER

Lui Siu Tsuen, Richard

COMPANY SECRETARY

Etsuko Hoshiyama

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
Hang Seng Bank 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

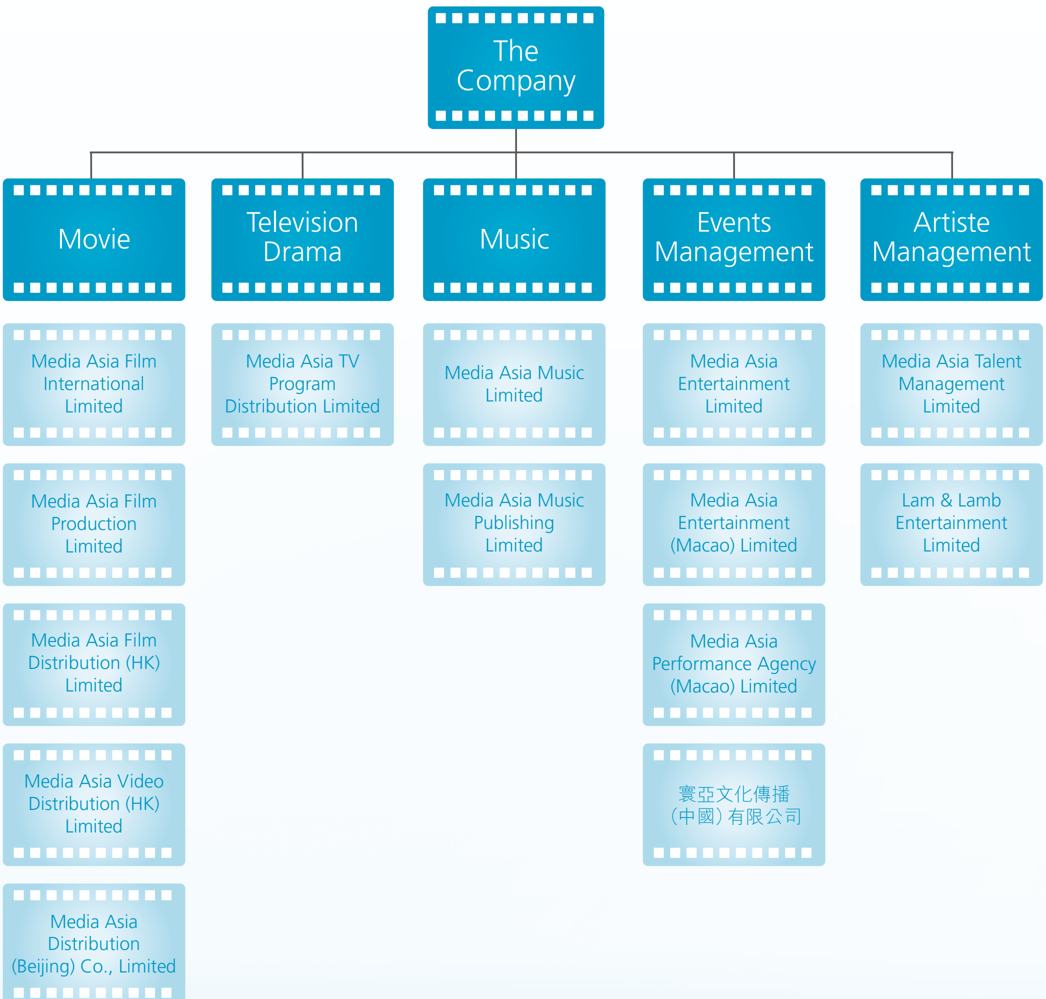
WEBSITE

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 ("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; artiste management; production and distribution of television drama series; music production and publishing; provision of advertising services and consultancy services in planning and management of cultural, entertainment and live performance projects.



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 reclassified as appropriate, is set out below:

	Year ended 31 July 2013 HK$'000	Year ended 31 July 2012 HK$'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
Results for the year/period					
Continuing operations					
Turnover	**441,170**	117,460	9,760	7,624	—
Profit/(loss) before tax	**(84,273)**	(272,821)	3,438	(36,215)	(10,422)
Income tax expenses	**(6,748)**	(4,766)	—	(150)	—
Profit/(loss) for the year/period from continuing operations	**(91,021)**	(277,587)	3,438	(36,365)	(10,422)
Discontinued operation					
Loss for the year/period from a discontinued operation	**(1,940)**	(11,247)	(3,025)	(9,103)	(6,498)
Profit/(loss) for the year/period attributable to owners of the Company and non-controlling interests	**(92,961)**	(288,834)	413	(45,468)	(16,920)
Assets and liabilities					
Total assets	**1,163,257**	1,107,368	581,408	47,719	56,756
Total liabilities	**(690,650)**	(538,447)	(289,566)	(24,676)	(4,381)
Net assets	**472,607**	568,921	291,842	23,043	52,375

CHAIRMAN'S STATEMENT

Dr. LAM Kin Ngok, Peter
Chairman

OVERVIEW OF RESULTS

During the year ended 31 July 2013, the Group recorded a turnover of approximately HK$441,170,000, representing an increase of 276% from the turnover of approximately HK$117,460,000 for the year ended 31 July 2012. For the year ended 31 July 2013, the Group recorded a loss after tax from continuing operations of approximately HK$91,021,000 (2012: approximately HK$277,587,000). During the year, the Group discontinued its licensing of software operation and such operation incurred a loss of approximately HK$1,940,000 (2012: approximately HK$11,247,000). Loss attributable to owners of the Company for the year ended 31 July 2013 was approximately HK$98,883,000 (2012:approximately HK$290,175,000). The significant reduction in loss attributable to owners of the Company was mainly due to the fact that the issuance of the Second Completion Convertible Notes (defined in the note 25 to the consolidated financial statements) was completed on 9 June 2012 and therefore no fair value gain or loss on a forward contract was recognised during the year ended 31 July 2013.

As at 31 July 2013, the Group's equity attributable to owners of the Company amounted to approximately HK$439,056,000 (2012: approximately HK$542,116,000) and the net asset value per share was HK cents 3.3 (2012: HK cents 4.1).

DIVIDEND

The board of the directors of the Company (the "Board") does not recommend the payment of any dividend for the year ended 31 July 2013.

BUSINESS REVIEW AND PROSPECTS

Entertainment consumption in China is undergoing unprecedented growth and the Group stands ready to build on its solid foundation to fully seize the opportunities.

The Group has expanded its film distribution and marketing teams in China and this summer released 2 self-produced films, "Blind Detective" and "One Night Surprise", to both box office and critical acclaim. With the slate of films currently in development and production, the Group foresees a solid distribution pipeline in the year to come.

Answering the continued strong demand for good quality television drama from TV stations and online video websites in the People's Republic of China (the "PRC"), the Group has strengthened its collaboration with top-notch TV producers and directors. In addition, the Group is looking to increase its investments in other types of TV programmes such as variety shows and reality series.

The Group believes that a strong artiste roster will complement our media and entertainment businesses. In addition to expanding our Chinese artiste roster, the Group also collaborates with high profile Asian artistes such as top Korean music groups. The diverse projects of the Group including film, TV, music and live events ensure maximum commercial value and appeal in attracting talent.

On the music side, the long awaited pay model for digital music in China is taking shape, with international music labels coming to a mutually acceptable licensing model with major Chinese music portals. With a vast and well-known Chinese music library under management, the Group is ideally poised to capitalize on this new economic model.

Last year also saw the Group producing and promoting numerous concerts and live performances in China by prominent local and internationally artistes. The Group remains committed to staying a major force in Chinese live entertainment, and is expanding its focus on concerts to other types of live entertainment.

Overall, the Group is convinced that its integrated media platform comprising film, TV, music, talent, and event presents the most balanced and synergistic approach to growing a Chinese entertainment powerhouse.

CHAIRMAN'S STATEMENT *(continued)*

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 am delighted to welcome Mr. Jeffrey Soong who joined the Board as an executive director during the year and brings a wealth of experiences from his prior appointments. I would also like to thank Messrs. Tang Jun and Chan Chi Ming, Alvin who left the Board during the year for their valuable contributions to the Company during their 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, 9 October 2013

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the year ended 31 July 2013, the Group recorded a turnover of approximately HK$441,170,000, representing an increase of 276% from turnover of approximately HK$117,460,000 for the year ended 31 July 2012. The significant increase in the turnover of the Group was mainly attributable to an increase in the revenue of the Group's film production and distribution and entertainment events.

Cost of sales for the year ended 31 July 2013 increased to approximately HK$304,186,000 from approximately HK$72,989,000 for the previous financial year ended 31 July 2012. Marketing expenses for the year ended 31 July 2013 was approximately HK$70,555,000 (2012: approximately HK$4,382,000) and administrative expenses for the year ended 31 July 2013 was approximately HK$99,686,000 (2012: approximately HK$79,766,000). Other operating expenses increased to approximately HK$24,320,000 (2012: approximately HK$12,476,000). Other operating expenses mainly include share of net income to co-investors from entertainment events organised by the Group and the fair value loss on options. The increase in the marketing and administrative expenses is due to increase in the operating activities of the Group. Setting up and expansion of our China operations during the year ended 31 July 2013 also increased the administrative expenses. These expenses are under strict control by the Company's management.

Finance costs increased to approximately HK$47,835,000 for the year ended 31 July 2013 from approximately HK$30,591,000 for the year ended 31 July 2012. The increase in finance costs was mainly attributable to the interest expenses on the Second Completion Convertible Notes (defined in the note 25 to the consolidated financial statements).

For the year ended 31 July 2013, the Group recorded a loss after tax from continuing operations of approximately HK$91,021,000 (2012: approximately HK$277,587,000). During the year, the Group discontinued its licensing of software operation and such operation incurred a loss of approximately HK$1,940,000 (2012: approximately HK$11,247,000). Loss attributable to owners of the Company for the year ended 31 July 2013 was approximately HK$98,883,000 compared to approximately HK$290,175,000 for the previous financial year. The significant reduction in loss attributable to owners of the Company was mainly due to the fact that the issuance of the Second Completion Convertible Notes was completed on 9 June 2012 and therefore no fair value gain or loss on a forward contract was recognised during the year ended 31 July 2013. The fair value loss on a forward contact of approximately HK$198,636,000 was recognised for the financial year ended 31 July 2012.

The fair value loss on the forward contract in relation to the Second Completion Convertible Notes and the effective interest expenses arising from the First Completion Convertible Notes (defined in the note 25 to the consolidated financial statements) and the Second Completion Convertible Notes were non-cash in nature.

As at 31 July 2013, the Group's equity attributable to owners of the Company amounted to approximately HK$439,056,000 (2012: approximately HK$542,116,000) and the net asset value per share attributable to owners of the Company was HK cents 3.3 (2012: HK cents 4.1).

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW

Media and entertainment segment

Events management

During the year under review, the Group organised and invested in 107 (2012: 37) shows by popular local, Asian and internationally renowned artistes, including Super Junior, G-Dragon, Jennifer Lopez, Andrea Bocelli, David Foster, Han Hong, Grasshopper x Softhard, Tat Ming Pair and Justin Lo. The total revenue from these business amounted to approximately HK$181,916,000.

Music

During the year under review, the Group released 25 (2012: 21) albums, including titles by Super Junior, Sally Yeh, Big Four, Mark Lui, Grasshopper x Softhard, Tat Ming Pair, Justin Lo, Denise Ho and Ellen Loo. Turnover from music production and publishing was approximately HK$24,016,000.

Artiste management

During the year under review, the Group recorded turnover of approximately HK$32,173,000 from artiste management. The Group currently has more than 60 artistes under its management.

TV program distribution

During the year under review, the Group has made investments in production of 60 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$5,438,000 from TV program distribution commission income and TV program production fee income.

Advertising

During the year under review, the Group recorded turnover of approximately HK$18,400,000 from advertising business.

Film production and distribution segment

During the year under review, the Group through its film production and distribution units, completed the principal photography of 7 films, with 8 other films in the production pipeline or under development. The Group recorded a turnover of approximately HK$179,227,000 from video distribution and film distribution commission income.

CAPITAL STRUCTURE

As at 31 July 2013, the Group's equity attributable to owners of the Company decreased by approximately 19% to approximately HK$439,056,000 (2012: approximately HK$542,116,000). Total assets amounted to approximately HK$1,163,257,000 (2012: approximately HK$1,107,368,000) which included current assets amounting to approximately HK$944,244,000 (2012: approximately HK$977,970,000). Current liabilities were approximately HK$485,341,000 (2012: approximately HK$61,609,000). Net asset value per share attributable to owners of the Company as at 31 July 2013 was approximately HK cents 3.3 (2012: approximately HK cents 4.1). Current ratio was approximately 1.9 (2012: approximately 15.9).

LIQUIDITY, FINANCIAL RESOURCES AND CHARGE ON ASSETS

The Group financed its operations with internal resources and convertible notes. As at 31 July 2013, the Group had unsecured and unguaranteed 3-years zero coupon convertible notes with an outstanding principal amount of approximately HK$571,261,000. For accounting purpose after deducting the equity portion of the convertible notes from the principal amount, the resultant carrying amount of the convertible notes after adjusting for accrued interest was approximately HK$506,776,000 (2012: HK$458,941,000). As at 31 July 2013, the Group had no unutilised letter of credit facility (2012: US$1,250,000).

As at 31 July 2013, the Group's cash and cash equivalents decreased to approximately HK$414,384,000 (2012: approximately HK$696,869,000). The decrease in cash for the year ended 31 July 2013 was mainly attributable to the increase of investment in film and media and entertainment projects during the year. The balances were approximately 62% denominated in Hong Kong dollars, 17% in Renminbi ("RMB") and 19% 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 regulations of foreign exchange control promulgated by the PRC government. Save for the aforesaid, as at 31 July 2013, the Group did not have any bank loans, overdrafts or any other borrowing. No interests have been capitalised during the year ended 31 July 2013. As at 31 July 2013, the gearing ratio of the Group, being the total borrowings to shareholders' equity to the owner of the Company, was approximately 116.8% (2012: 85.8%).

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 2013, the Group had no outstanding foreign currency hedge contracts (as at 31 July 2012: Nil).

MATERIAL ACQUISITION/DISPOSAL AND SIGNIFICANT INVESTMENTS

The Group had no material acquisitions or disposals of subsidiaries during the year.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 July 2013 (2012: Nil).

EMPLOYEE INFORMATION

As at 31 July 2013, the Group had 232 (2012: 133) employees. Staff costs, including directors' emoluments for the year ended 31 July 2013, amounted to approximately HK$71,136,000 (2012: approximately HK$55,909,000). 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.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Dr. Lam Kin Ngok, Peter, aged 56, was appointed an executive director of the Company 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"), an executive director of eSun Holdings Limited ("eSun") and Crocodile Garments Limited ("CGL"). The issued shares of LSG, LSD, 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, media and entertainment businesses. Dr. Lam holds an Honorary Doctorate from The Hong Kong Academy for Performing Arts.

Currently, Dr. Lam is the chairman of the Hong Kong Tourism Board and an ex officio member of the Hong Kong Trade Development Council. He is also a member of the 12th National Committee of the Chinese People's Political Consultative Conference and the vice chairman of the Committee for Liaison with Hong Kong, Macau, Taiwan and Overseas Chinese. In addition, Dr. Lam is the 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 Motion Picture Industry Association Limited, a director of The Real Estate Developers Association of Hong Kong, a trustee of The Better Hong Kong Foundation, a member of Friends of Hong Kong Association Limited and a director of Hong Kong-Vietnam Chamber of Commerce Limited.

The Company and Dr. Lam have entered into a service contract with no fixed tenure, which is determinable by the Company or Dr. Lam by giving the other party not less than three months' notice or payment in lieu thereof. Dr. Lam is subject to retirement and re-election at the forthcoming annual general meeting of the Company and thereafter subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the Bye-laws of the Company. Dr. Lam presently receives a director's fee of HK$10,000 per month from the Company. As at the date of this report,

(a) By virtue of Dr. Lam's interest through his controlled corporations described in paragraph (b) immediately below, Dr. Lam was deemed to have interest in 31,171,998,603 Shares and underlying Shares pursuant to Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"); and

(b) Perfect Sky Holdings Limited ("Perfect Sky"), a wholly-owned subsidiary of eSun, held 20,845,425,500 Shares and underlying Shares, and was deemed to be interested in 10,326,573,103 Shares and underlying Shares held by the other parties acting in concert to a subscription agreement dated 23 March 2011 (the "Subscription Agreement") pursuant to section 317 of the SFO; eSun is indirectly owned as to approximately 39.93% by LSD which is approximately 49.97% directly and indirectly owned by LSG, while LSG is approximately 10.06% owned by Dr. Lam and is approximately 29.99% owned by Wisdoman Limited which is in turn 50% beneficially owned by Dr. Lam.

Saved as disclosed above, as at the date of this report, Dr. Lam (i) did not have any relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company; (ii) did not have any other 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.

EXECUTIVE DIRECTORS (continued)

Mr. Yu Feng, aged 50, 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. ("Yunfeng Fund") which was launched by Mr. Yu together with other entrepreneurs in 2010. He has over 12 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.

The Company and Mr. Yu have entered into a service contract with no fixed tenure, which is determinable by the Company or Mr. Yu by giving the other party not less than three months' notice or payment in lieu thereof. Mr. Yu is subject to retirement and re-election at the forthcoming annual general meeting of the Company and thereafter subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the Bye-laws of the Company. Mr. Yu presently receives a director's fee of HK$10,000 per month from the Company. As at the date of this report,

(a) by virtue of Mr. Yu's interest through his controlled corporations described in paragraph (b) immediately below, Mr. Yu was deemed to have interest in 31,171,998,603 Shares and underlying Shares pursuant to Part XV of the SFO; and

(b) Next Gen Entertainment Limited (''Next Gen"), a wholly-owned subsidiary of Yunfeng Fund, held 7,062,798,426 Shares and underlying Shares, and was deemed to be interested in 24,109,200,177 Shares and underlying Shares held by the other parties acting in concert to the Subscription Agreement pursuant to section 317 of the SFO; apart from being the founder and chairman of Yunfeng Fund, Mr. Yu is also the sole director of its general partner.

Save as disclosed above, as at the date of this report, Mr. Yu (i) did not have any relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company; (ii) did not have any other 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.

BIOGRAPHICAL DETAILS OF DIRECTORS *(continued)*

EXECUTIVE DIRECTORS (continued)

Mr. Choi Chiu Fai, Stanley, aged 44, was appointed as an executive director of the Company with effect from 24 October 2011. Mr. Choi possesses about 22 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 (the "U.S.A."). 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 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, and the founder and the chairman of which is Mr. Yu Feng, an executive director of the Company.

Mr. Jeffrey Soong, aged 56, was appointed as an executive director of the Company with effect from 22 November 2012. Mr. Soong is a director of a number of subsidiaries of the Company and also a member of the Executive Committee, the Nomination Committee and the Remuneration Committee of the Company. Mr. Soong possesses about 20 years of experience in media industry both in Asia, in particular Greater China and the U.S.A. Mr. Soong was a managing director of Taiwan office of Celestial Pictures Limited, one of the leading Chinese motion picture companies from August 2010 to December 2011, and the chief executive officer and managing director of Infinio Group Limited, the shares of which are listed and traded on Singapore Stock Exchange Limited from June 2009 to July 2010. He was a chairman and the chief executive officer of Broadband Network Systems, Limited, an internet protocol television solutions provider in Hong Kong from June 2003 to June 2009. Mr. Soong had also held senior posts in the media and entertainment companies in the U.S.A. from 1992 to 2003, including an international television program distributor. Prior to joining the Company, Mr. Soong was an advisor of Fubon Financial Holdings Co., Ltd. for its media investment business. Mr. Soong received a Bachelor of Science in Engineering degree from National Taiwan University.

The Company and Mr. Soong have entered into a service agreement with no fixed tenure, which is determinable by the Company or Mr. Soong by giving the other party not less than six months' notice or payment in lieu thereof. Mr. Soong is subject to retirement and re-election at the forthcoming annual general meeting and thereafter subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the Bye-laws of the Company. Mr. Soong presently receives a remuneration of HK$5,000,000 per annum and a yearly discretional bonus with reference to the results of the Company and its subsidiaries and his performance. Subject to the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules"), Mr. Soong will be granted an option pursuant to any share option scheme adopted by the Company from time to time (as from time to time amended, supplemented and/or modified) pursuant to Chapter 23 of the GEM Listing Rules entitling him to subscribe 0.5% of the Shares at a subscription price to be determined in accordance with the GEM Listing Rules and the share option scheme of the Company.

EXECUTIVE DIRECTORS (continued)

Save as disclosed above, as at the date of this report, Mr. Soong (i) did not have any relationship with any directors, senior management, or substantial or controlling shareholders of the Company; (ii) did not have any interest in the Shares, underlying Shares or debenture of the Company or any of its associated corporations 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 directorship 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. Lui Siu Tsuen, Richard, aged 57, was appointed an executive director of the Company with effect from 16 June 2011. He is a director of a number of subsidiaries of the Company and also a member of the Executive Committee, the Nomination 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 was appointed an executive director of eSun with effect from 1 July 2010. He is currently the chief executive officer of eSun.

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. (currently known as Hanwell Holdings Limited), 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 27 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. He holds a Master of Business Administration degree from The University of Adelaide in Australia.

The Company and Mr. Lui have entered into a service contract with no fixed tenure, which is determinable by the Company or Mr. Lui by giving the other party not less than three months' notice or payment in lieu thereof. Mr. Lui is subject to retirement and re-election at the forthcoming annual general meeting and thereafter subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the Bye-laws of the Company. Mr. Lui presently receives a director's fee of HK$10,000 per month from the Company.

Save as disclosed above, as at the date of this report, Mr. Lui (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.

BIOGRAPHICAL DETAILS OF DIRECTORS *(continued)*

EXECUTIVE DIRECTORS (continued)

Mr. Chan Chi Kwong, aged 53, was appointed an executive director of the Company with effect from 16 June 2011 and is in charge of non-film operations of the Group. Mr. Chan 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 22 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 the companies like EMI Hong Kong Limited and SCMP.com Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chi Yuen, aged 46, 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 and a member of the Nomination 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 Noble Century Investment Holdings Limited (formerly known as Sam Woo Holdings Limited), an independent non-executive director of New Times Energy Corporation Limited, Asia Energy Logistics Group Limited, China Gamma Group Limited, Jun Yang Solar Power Investments Limited (formerly known as China Gogreen Assets Investment Limited), China Sandi Holdings Limited (formerly known as 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 and from December 2011 to September 2013, 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 (currently known as Superb Summit International Group 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 12 August 2013 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 2013.

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

Mr. Zhang Xi, aged 44, was appointed an independent non-executive director of the Company in September 2009. Mr. Zhang is a member of both the Audit Committee and the Remuneration Committee of the Company and the chairman of the Nomination 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 12 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 12 August 2013 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 2013.

Mr. Ng Chi Ho, Dennis, aged 55, was appointed an independent non-executive director with effect from 3 October 2011. Mr. Ng is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. 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 he was 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 from December 2009 to August 2013.

Pursuant to the letter agreement dated 3 September 2013 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 2013.

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 and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules (the "CG Code") 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 2013 save for the following deviation.

Under code provision E.1.2, the chairman of the board should attend the annual general meeting.

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. Pursuant to the Bye-laws of the Company, Mr. Lui Siu Tsuen, Richard, an executive director was presided as chairman of the annual general meeting of the Company held on 20 November 2012 to ensure an effective communication with the Shareholders thereat.

(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 2013.

(3) BOARD OF DIRECTORS

Responsibilities and delegation

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, the Remuneration Committee and the Nomination Committee. Specific responsibilities have been delegated to the above committees.

The Board is provided with monthly management update report to give a balanced and understandable assessment of the Group's performance, position, recent developments and prospect in sufficient detail.

Board composition

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

(3) BOARD OF DIRECTORS (continued)

INEDs

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 independent non-executive directors and the latter Rule requires that at least one of the independent non-executive directors 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. As the number of the Directors has been reduced from ten to nine with effect from 15 December 2012 while the number of the INEDs remains three, the Company has complied with the requirement under 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 resigned as an executive Director and the Chief Executive Officer of the Company with effect from 15 September 2012. During the year the responsibilities of the Chief Executive Officer were shared amongst other executive Directors.

(5) NON-EXECUTIVE DIRECTORS

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

(6) DIRECTORS' INDUCTION AND 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.

CORPORATE GOVERNANCE REPORT *(continued)*

(6) DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT (continued)

The Directors are required to provide the Company with the record of the training they received. According to the records so provided, the continuous professional development training received by the current Directors for the year ended 31 July 2013 is set out as follows:

Directors	Legal and Regulatory	Corporate Governance	Finance and Management
Executive Directors			
Dr. Lam Kin Ngok, Peter	✓	✓	
Mr. Yu Feng	✓	✓	
Mr. Choi Chiu Fai, Stanley	✓	✓	✓
Mr. Jeffrey Soong	✓	✓	
Mr. Lui Siu Tsuen, Richard	✓	✓	✓
Mr. Chan Chi Kwong	✓	✓	
Independent Non-executive Directors			
Mr. Zhang Xi	✓	✓	✓
Mr. Chan Chi Yuen	✓	✓	✓
Mr. Ng Chi Ho, Dennis	✓	✓	✓

(7) NOMINATION COMMITTEE

On 16 October 2012, the Board established a nomination committee which currently comprises three INEDs, namely Messrs. Zhang Xi (Chairman), Chan Chi Yuen and Ng Chi Ho, Dennis and two executive Directors, namely Messrs. Jeffrey Soong and Lui Siu Tsuen, Richard. The written terms of reference of the Nomination Committee are posted on the websites of the Company and the Stock Exchange.

The main duties of the Nomination Committee include to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, to identify individuals suitably qualified to become the Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships, to assess the independence of the INEDs; and to make recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for directors, in particular the Chairman and the Chief Executive.

During the year ended 31 July 2013, the Nomination Committee considered the nomination of a new executive Director and made recommendations to the Board based on his skills, knowledge and experience.

(8) REMUNERATION COMMITTEE

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 two executive Directors, namely Messrs. Jeffrey Soong and 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 websites of the Company and the Stock Exchange.

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.

The Remuneration Committee held one meeting during the year to review the remuneration package of the newly appointed executive Director. All members of the Remuneration Committee had also deliberated on matters relating to the payment of discretionary bonuses and the review of the remuneration package of certain executive Director by way of circular resolutions.

(9) AUDIT COMMITTEE

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 which requires that the audit committee must comprise a minimum of three members at least one of whom is an independent non-executive director who possesses appropriate professional qualifications or accounting or related financial management expertise and the audit committee must be chaired by an independent non-executive director.

CORPORATE GOVERNANCE REPORT *(continued)*

(9) AUDIT COMMITTEE (continued)

The Audit Committee held five meetings during the year ended 31 July 2013. It reviewed the unaudited quarterly and interim results and audited annual results of the Group for the year ended 31 July 2013 and other matters related to the financial and accounting policies and practice. It also reviewed the Company's internal audit plan and certain internal control review reports prepared by independent external risk advisory firm. The Audit Committee has also reviewed this Corporate Governance Report.

(10) EXECUTIVE COMMITTEE

On 19 August 2011, the Board established an Executive Committee which currently comprises three executive Directors, namely Messrs. Jeffrey Soong, Lui Siu Tsuen, Richard and Chan Chi Kwong.

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.

(11) 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 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 Corporate Governance Report.

(12) 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 years ended 31 July 2013 and 2012 respectively is analysed as follows:

	Year ended 31 July	
	2013	2012
	HK$'000	HK$'000
Audit services	**1,980**	1,530
Non-audit services	**557**	935

The non-audit services provided by E&Y during the year included mainly the agreed upon procedures, and tax compliance and advisory services.

(13) 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.

CORPORATE GOVERNANCE REPORT *(continued)*

(14) ATTENDANCE RECORD AT MEETINGS

The attendance record of each Director at Board meetings, Audit Committee meetings, Remuneration Committee meetings, Nomination Committee meetings, Executive Committee meetings and general meetings during the year ended 31 July 2013 is set out in the following table:

Meetings held during the year

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

Notes:

1. Mr. Jeffrey Soong was appointed an executive Director with effect from 22 November 2012. He was also appointed a member of the Executive Committee, the Remuneration Committee and the Nomination Committee with effect from 15 December 2012.

2. Ms. Etsuko Hoshiyama resigned with effect from 15 December 2012.

3. Mr. Chan Chi Ming, Alvin retired from office after the conclusion of the annual general meeting held on 20 November 2012.

4. Mr. Tang Jun resigned with effect from 15 September 2012.

(15) 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. The Company Secretary reports to the Chairman. 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. The Company Secretary confirmed that she has complied with all the required qualifications, experiences and training requirements under the GEM Listing Rules.

(16) 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 were presented to the Board and reviewed by the Audit Committee.

(17) 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.

CORPORATE GOVERNANCE REPORT *(continued)*

(18) SHAREHOLDERS' RIGHTS

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.

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.

(19) 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 2013, 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 ended 31 July 2013.

PRINCIPAL ACTIVITIES

During the year, the Company acted as an investment holding. The principal activities of its subsidiaries are set out in note 15 to the consolidated financial statements.

An analysis of the Group's performance for the year ended 31 July 2013 by business and geographical segments is set out in note 4 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 July 2013 and the state of affairs of the Company and of the Group as at 31 July 2013 are set out in the consolidated financial statements on pages 47 to 139.

The Board does not recommend the payment of any dividend for the year ended 31 July 2013 (2012: Nil).

RESERVES

Details of the movements in the reserves of the Group and of the Company during the year are set out in note 35 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 13 to the consolidated financial statements.

CONVERTIBLE NOTES

Details of the convertible notes issued by the Company are set out in note 31 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 33 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

At 31 July 2013, 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 approximately 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.

REPORT OF THE DIRECTORS *(continued)*

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	
Mr. Jeffrey Soong	(appointed with effect from 22 November 2012)
Mr. Lui Siu Tsuen, Richard	
Mr. Chan Chi Kwong	
Ms. Etsuko Hoshiyama	(resigned with effect from 15 December 2012)
Mr. Chan Chi Ming, Alvin	(retired on 20 November 2012)
Mr. Tang Jun	(resigned with effect from 15 September 2012)

Independent non-executive Directors

Mr. Zhang Xi
Mr. Chan Chi Yuen
Mr. Ng Chi Ho, Dennis

In accordance with By-law 84 of the Bye-laws of the Company, Dr. Lam Kin Ngok, Peter, Mr. Yu Feng and Mr. Lui Siu Tsuen, Richard will retire by rotation at the forthcoming annual general meeting. Being eligible, they offer themselves for re-election.

Mr. Jeffrey Soong was appointed an executive Director with effect from 22 November 2012. In accordance with By-law 83 (2) of the Bye-laws, Mr. Jeffrey Soong will retire at the forthcoming annual general meeting. Being eligible, he offers himself for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical particulars of the Directors are set out on pages 12 to 17 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 SIGNIFICANT CONTRACTS

Save as disclosed in note 38 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 38 to the consolidated financial statements and the section headed "Continuing Connected Transactions", at no time during the year ended 31 July 2013 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

(I) Non-exempt continuing connected transactions

Framework Agreements and Licence Agreements with eSun and its subsidiaries

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

(a) the artistes engagement framework agreement with eSun (the "Artistes 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 Artists Limited ("Capital Artists"), 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 at the date of signing the above agreements, eSun was a controlling Shareholder 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 were connected persons of the Company under the GEM Listing Rules. Since each of Capital Artists, East Asia, Fortunate Sound, Media Asia Distribution (BVI) and Media Asia Distribution (HK) was a subsidiary of eSun, each of them was 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.

REPORT OF THE DIRECTORS *(continued)*

CONTINUING CONNECTED TRANSACTIONS (continued)

(I) Non-exempt continuing connected transactions (continued)

Each of the continuing connected transactions under (a) to (d) of the above 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 these continuing connected transactions are set out in the announcement and circular of the Company dated 23 December 2011 and 17 February 2012 respectively. These continuing connected transactions and the proposed maximum annual amounts 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, 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 Associated Group"), eSun shall procure the eSun Associated 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 artiste engagement agreement.

The term of the Artistes Engagement Framework Agreement commenced on 23 December 2011 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 individual artiste engagement agreement.

The annual cap under the Artistes Engagement Framework Agreement for the year ended 31 July 2013 was HK$19,550,000.

The aggregate amount paid to the eSun Associated Group under the Artistes Engagement Framework Agreement for the year ended 31 July 2013 was approximately HK$515,000, of which HK$435,000 for the Group's events and HK$80,000 for the eSun Associated Group event.

CONTINUING CONNECTED TRANSACTIONS (continued)

(I) *Non-exempt continuing connected transactions* (continued)

(b) Concert Co-production Framework Agreement

Pursuant to the Concert Co-production Framework Agreement, 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 individual concert co-production agreement.

The term of the Concert Co-production Framework Agreement commenced on 23 December 2011 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 individual concert co-production agreements.

The annual cap under the Concert Co-production Framework Agreement for the year ended 31 July 2013 was HK$43,134,000.

The aggregate amount settled with the eSun Associated Group under the Concert Co-production Framework Agreement for the year ended 31 July 2013 was approximately HK$17,507,000.

(c) Music Catalogue Licence Agreements

Pursuant to the Music Catalogue Licence Agreements, the respective licensors have conditionally agreed to grant to the Company an exclusive, non-transferable and irrevocable licence, with right to sublicense certain music works and karaoke music videos in the PRC and Macau. The term of the Music Catalogue Licence Agreements commenced on 23 December 2011 and, unless terminated in accordance with 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, i.e. net of cost and expenses and taxes, in respect of any exploitation of the rights granted to the Company. Unless the royalties collectively paid to eSun during the term of the Music Catalogue Licence Agreements from 23 December 2011 to 31 July 2014 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.

REPORT OF THE DIRECTORS *(continued)*

CONTINUING CONNECTED TRANSACTIONS (continued)

(I) *Non-exempt continuing connected transactions* (continued)

(c) *Music Catalogue Licence Agreements* (continued)

The 70% of all net receipts, which is to be paid to eSun, is subject to annual cap. The annual cap under the Music Catalogue Licence Agreements for the year ended 31 July 2013 was HK$3,290,000.

The aggregate amount paid to eSun under the Music Catalogue Licence Agreements during the year ended 31 July 2013 was approximately HK$1,062,000.

(d) *The Film Library Licence Agreements*

Pursuant to the Film Library Licence Agreements, the respective licensors have conditionally agreed that, subject to any third party rights in certain withheld films which are subject to existing licences, 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). The term of the Film Library Licence Agreements commenced on 23 December 2011 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, i.e. net of cost and expenses and taxes, in respect of any exploitation of the rights granted to the Company. Unless the royalties collectively paid to eSun during the term of the Film Library Licence Agreements from 23 December 2011 to 31 July 2014 are, in the aggregate, equal to or greater than the minimum guarantee of 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 85% of all net receipts, which is to be paid to eSun, is subject to annual cap. The annual cap under the Film Library Licence Agreements for the year ended 31 July 2013 was HK$4,487,000.

On 26 March 2013, the Company announced that due to delay of the release of certain film which was originally to be released in early 2012 but subsequently postponed to mid-2012, the expected corresponding film gross receipts were not generated for the year ended 31 July 2012. As it was expected that the corresponding film gross receipts would be generated during the year ended 31 July 2013, the aggregate amount of royalties payable by the Company to eSun for the year ended 31 July 2013 was expected to exceed the original annual cap, therefore, the Board had resolved to revise the annual cap for the year ended 31 July 2013 from HK$4,487,000 to HK$9,800,000.

The aggregate amount paid to eSun under the Film Library Licence Agreements for the year ended 31 July 2013 was approximately HK$7,889,000.

CONTINUING CONNECTED TRANSACTIONS (continued)

(II) Continuing connected transactions exempt from the independent shareholders' approval requirement

Letting and/or Licensing of Premises

On 30 October 2012, Lai Sun Development Company Limited ("LSD") became a subsidiary of Lai Sun Garment (International) Limited ("LSG") and Lai Fung Holdings Limited ("Lai Fung") became a subsidiary of eSun on account of the early adoption of Hong Kong Financial Reporting Standard 10. As a result, certain continuing transactions or continuing connected transactions of LSD and/or its subsidiaries and Lai Fung and/or its subsidiaries have constituted or may constitute continuing connected transactions of the LSG and/or its subsidiaries and eSun and/or its subsidiaries respectively.

On 24 May 2013, the Company, LSG, LSD, eSun, and Lai Fung (together with their subsidiaries, collectively, the "Lai Sun Group") jointly announced that on 24 May 2013, the respective listed groups comprised within the Lai Sun Group have entered into an agreement to record the basis on which such continuing connected transactions may be concluded in future. As at the date of signing the agreement, the Company was indirectly owned as to approximately 51.09% by eSun, and eSun was in turn indirectly owned as to approximately 39.93% by LSD which was approximately 49.97% directly and indirectly owned by LSG. Lai Fung was owned as to approximately 49.39% by eSun.

eSun, Lai Fung and the Company have respectively adopted annual caps for such continuing connected transactions that may subsist from time to time in respect of the financial years ending 31 July 2013 and 2014. The Company adopted a cap amount of HK$2,000,000 for the financial year ending 31 July 2014 in respect of the transactions with the LSG and/or its subsidiaries and LSD and/or its subsidiaries. The Company did not adopt any cap for the year ended 31 July 2013.

The INEDs have reviewed the continuing connected transactions set out in section (I) of the above and confirmed that these 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 Shareholders as a whole.

REPORT OF THE DIRECTORS *(continued)*

CONTINUING CONNECTED TRANSACTIONS (continued)

Ernst & Young, the Company's independent auditors, were engaged to report on the continuing connected transactions set out in section (I) of the above 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 to the Company confirming that the continuing connected transactions set out in section (I) of the above:

(1) have received the approval of the Board;

(2) have been entered into in accordance with the relevant agreement governing such transactions; and

(3) have not exceeded the caps disclosed in the announcements mentioned in section (I) of the above.

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 2013, 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 4)
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	1,521,093,209	11.57%
	Total	8,234,018,709	62.66%
Mr. Yu Feng (Note 2)	(i) Interest of controlled corporations	576,098,633	4.38%
	(ii) Deemed interest under S.317 of the SFO	7,657,920,076	58.28%
	Total	8,234,018,709	62.66%
Mr. Choi Chiu Fai, Stanley (Note 3)	Deemed interest under S.317 of the SFO	8,234,018,709	62.66%
Mr. Chan Chi Yuen	Beneficial owner	2,300,000	0.02%

REPORT OF THE DIRECTORS *(continued)*

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	Approximate percentage of total issued Shares (Note 4)
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%

(2) Associated Corporations

(a.1) eSun Holdings Limited ("eSun")

Name of Director	Capacity in which the shares are held	Number of the shares	Approximate percentage of total issued shares
	Ordinary shares of HK$0.50 each		
Dr. Lam Kin Ngok, Peter	(i) Interest of controlled corporations	496,404,186	39.93%
	(ii) Beneficial owner	2,794,443	0.22%
	Total	499,198,629	40.15%

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

(2) *Associated Corporations* (continued)

(a.2) Long position in eSun underlying shares

Dr. Lam Kin Ngok, Peter ("Dr. Lam") was granted on 18 January 2013 an option under the eSun share option scheme to subscribe for 1,243,212 eSun shares.

Mr. Lui Siu Tsuen, Richard was granted on 18 January 2013 an option under the eSun share option scheme to subscribe for 3,729,636 eSun shares.

(b) Perfect Sky Holdings Limited ("Perfect Sky")

	Ordinary shares of US$1.00 each		
Name of Director	**Capacity in which the shares are held**	**Number of the share**	**Approximate percentage of total issued share**
Dr. Lam Kin Ngok, Peter (Note 1)	Interest of controlled corporations	1	100.00%

(c) Lai Fung Holdings Limited ("Lai Fung")

(c.1) Long position in Lai Fung shares

	Ordinary shares of HK$0.10 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* (Note 1)	Interest of controlled corporations	7,960,375,422	49.46%

* Dr. Lam (who was the chairman and an executive director of Lai Fung from 25 November 1993 to 31 October 2012) was deemed to be interested in 7,960,375,422 Lai Fung shares (approximately 49.46% of the Lai Fung shares in issued) indirectly held by eSun.

(c.2) Long position in Lai Fung underlying shares

Dr. Lam was granted on 18 January 2013 an option under the Lai Fung share option scheme to subscribe for 16,095,912 Lai Fung shares.

(c.3) By virtue of his deemed controlling shareholding interests in eSun as described in Note(1) (b) below, as at 31 July 2013, Dr. Lam was also deemed to be interested in principal amount of US$1,025,000 in the 9.125% Senior Notes due 2014 issued by Lai Fung, which was beneficially owned by a wholly-owned subsidiary of eSun.

REPORT OF THE DIRECTORS *(continued)*

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

Notes:

(1) (a) By virtue of the interest of 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 which as at 31 July 2013 owned approximately 51.09% of the issued Shares. As at 31 July 2013, eSun was indirectly owned as to approximately 39.93% by Lai Sun Development Company Limited ("LSD") which was approximately 49.97% directly and indirectly owned by Lai Sun Garment (International) Limited ("LSG"). LSG was approximately 10.06% owned by Dr. Lam and approximately 29.99% owned by Wisdoman Limited Which was in turn 50% beneficially owned by Dr. Lam. Further, Lai Fung was approximately 49.46% owned by eSun.

(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 Chiu 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 total number of issued Shares as at 31 July 2013 (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 2013, 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 34 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 2013, 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 8)	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	11,171,573,103	32,016,998,603	243.66%
Lai Sun Garment (International) Limited (Note 1)	Interest of controlled corporations	6,712,925,500	14,132,500,000	11,171,573,103	32,016,998,603	243.66%
Zimba International Limited (Note 1)	Interest of controlled corporations	6,712,925,500	14,132,500,000	11,171,573,103	32,016,998,603	243.66%
Lai Sun Development Company Limited (Note 1)	Interest of controlled corporations	6,712,925,500	14,132,500,000	11,171,573,103	32,016,998,603	243.66%
Transtrend Holdings Limited (Note 1)	Interest of controlled corporations	6,712,925,500	14,132,500,000	11,171,573,103	32,016,998,603	243.66%
eSun Holdings Limited (Note 1)	Interest of a controlled corporation	6,712,925,500	14,132,500,000	11,171,573,103	32,016,998,603	243.66%
Perfect Sky Holdings Limited (Note 1)	Beneficial owner	6,712,925,500	14,132,500,000	11,171,573,103	32,016,998,603	243.66%
Mr. Tse On Kin (Note 2)	Interest of a controlled corporation	852,750,000	430,000,000	30,734,248,603	32,016,998,603	243.66%

REPORT OF THE DIRECTORS *(continued)*

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 8)	Total	Approximate percentage of total issued Shares (Note 9)
Sun Great Investments Limited (Note 2)	Beneficial owner	852,750,000	430,000,000	30,734,248,603	32,016,998,603	243.66%
Mr. Yu Feng (Note 3)	Interest of controlled corporations	576,098,633	6,486,699,793	24,954,200,177	32,016,998,603	243.66%
Yunfeng Fund, L. P. (Note 3)	Interest of a controlled corporation	576,098,633	6,486,699,793	24,954,200,177	32,016,998,603	243.66%
Next Gen Entertainment Limited (Note 3)	Beneficial owner	576,098,633	6,486,699,793	24,954,200,177	32,016,998,603	243.66%
SINA Corporation (Note 4)	Interest of a controlled corporation	92,244,576	1,164,487,920	30,760,266,107	32,016,998,603	243.66%
Memestar Limited (Note 4)	Beneficial owner	92,244,576	1,164,487,920	30,760,266,107	32,016,998,603	243.66%
Mr. Choi Chiu Fai, Stanley (Note 5)	Interest of a controlled corporation	—	492,092,899	31,524,905,704	32,016,998,603	243.66%
Ms. Cheung Fung Kuen, Maggie (Note 5)	Interest of a controlled corporation	—	492,092,899	31,524,905,704	32,016,998,603	243.66%
Grace Promise Limited (Note 5)	Beneficial owner	—	492,092,899	31,524,905,704	32,016,998,603	243.66%
Mr. Zhou Xin (Note 6)	Interest of a controlled corporation	—	1,077,199,282	30,939,799,321	32,016,998,603	243.66%
嚴紅春 (Note 6)	Interest of a controlled corporation	—	1,077,199,282	30,939,799,321	32,016,998,603	243.66%

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 8)	Total	Approximate percentage of total issued Shares (Note 9)
On Chance Inc. (Note 6)	Beneficial owner	—	1,077,199,282	30,939,799,321	32,016,998,603	243.66%
Tencent Holdings Limited (Note 7)	Interest of a controlled corporation	658,750,000	—	—	658,750,000	5.01%
THL G Limited (Note 7)	Beneficial owner	658,750,000	—	—	658,750,000	5.01%

Notes:

(1) Perfect Sky is wholly owned by eSun. As at 31 July 2013 eSun was owned as to approximately 39.93% by Transtrend Holdings Limited ("Transtrend"). Transtrend is wholly owned by LSD. LSD was approximately 49.97% owned by LSG and two of LSG's wholly-owned subsidiaries, namely Zimba International Limited ("Zimba") and Joy Mind Limited. LSG was approximately 10.06% owned by Dr. Lam and 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 Fund"), of which Mr. Yu Feng ("Mr. Yu") is the founder and chairman. Mr. Yu and Yunfeng Fund 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 the general partner of the aforesaid fund.

(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) 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.

REPORT OF THE DIRECTORS *(continued)*

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

Long positions in the Shares (continued)

Notes: (continued)

(8) 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.

(9) The total number of issued Shares as at 31 July 2013 (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 2013, 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 49.5% of the Group's total revenue, and income from the largest customer included therein amounted to approximately 19.6%.

Purchases from the Group's five largest suppliers accounted for approximately 43.4% of the Group's total purchases for the period, and purchases from the largest supplier included therein amounted to approximately 19.5%.

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

On 18 December 2012, the Company adopted a new share option scheme (the "New Share Option Scheme") and terminated the share option scheme adopted by the Company on 19 November 2009 (the "Old Share Option Scheme"). The details of the Old Share Option Scheme and the New Share Option Scheme are set out in note 34 to the consolidated financial statements.

As at 31 July 2013, no share options had been granted under the New Share Option Scheme.

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

	Number of underlying Shares comprised in share options							
Name of Grantee	**Outstanding as at 1 August 2012**	**Granted during the year**	**Exercised during the year**	**Lapsed/ cancelled during the year**	**Outstanding as at 31 July 2013**	**Date of grant**	**Exercise period (dd/mm/yyyy)**	**Exercise price per Share** (HK$)
Director								
Mr. Tang Jun (Note)	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)	—			

Note:

Mr. Tang Jun ("Mr. Tang") resigned as an executive Director and the chief executive officer of the Company with effect from 15 September 2012. All the outstanding share options had lapsed during the period as the share options were not exercised by Mr. Tang within one month from the date of his resignation.

REPORT OF THE DIRECTORS *(continued)*

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 18 to 26 of this annual report.

INDEPENDENCE OF INEDS

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

INDEPENDENT AUDITORS

Ernst & Young will retire and a resolution for the re-appointment of Ernst & Young as independent 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, 9 October 2013

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 47 to 139, which comprise the consolidated and company statements of financial position as at 31 July 2013, 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.

INDEPENDENT AUDITORS' REPORT *(continued)*

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 2013, 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

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

9 October 2013

CONSOLIDATED INCOME STATEMENT

Year ended 31 July 2013

	Notes	2013 HK$'000	2012 HK$'000
CONTINUING OPERATIONS			
TURNOVER	5	**441,170**	117,460
Cost of sales		**(304,186)**	(72,989)
Gross profit		**136,984**	44,471
Other income	5	**5,523**	5,190
Marketing expenses		**(70,555)**	(4,382)
Administrative expenses		**(99,686)**	(79,766)
Fair value loss on a forward contract	25	**—**	(198,636)
Other operating gains		**16,560**	3,430
Other operating expenses		**(24,320)**	(12,476)
LOSS FROM OPERATING ACTIVITIES		**(35,494)**	(242,169)
Finance costs	6	**(47,835)**	(30,591)
Share of profits and losses of joint ventures		**(913)**	(54)
Share of profits and losses of an associate		**(31)**	(7)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	7	**(84,273)**	(272,821)
Income tax expense	9	**(6,748)**	(4,766)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(91,021)**	(277,587)
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	39(a)	**(1,940)**	(11,247)
LOSS FOR THE YEAR		**(92,961)**	(288,834)
Attributable to:			
Owners of the Company		**(98,883)**	(290,175)
Non-controlling interests		**5,922**	1,341
		(92,961)	(288,834)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	12		
Basic and diluted (HK cents)			
For loss for the year		**(0.753)**	(2.262)
For loss from continuing operations		**(0.738)**	(2.174)

Details of the dividend are disclosed in note 11 to the financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 July 2013

	Note	2013 HK$'000	2012 HK$'000
LOSS FOR THE YEAR		**(92,961)**	(288,834)
OTHER COMPREHENSIVE LOSS			
Items that may be reclassified subsequently to the income statement:			
Exchange differences on translation of foreign operations		**2,016**	(143)
Release of foreign currency translation reserve upon disposal of subsidiaries	39(b)	**(5,703)**	—
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(3,687)**	(143)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(96,648)**	(288,977)
Attributable to:			
Owners of the Company		**(103,394)**	(290,189)
Non-controlling interests		**6,746**	1,212
		(96,648)	(288,977)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 July 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**23,225**	22,207
Goodwill	14	**10,435**	10,182
Film products	17	**48,777**	—
Film rights	18	**7,935**	1,136
Other intangible assets	19	**64,018**	71,502
Investments in joint ventures	20	**14,985**	551
Investment in an associate	21	**17,450**	5,855
Prepayments, deposits and other receivables	24	**32,188**	17,965
Total non-current assets		**219,013**	129,398
CURRENT ASSETS			
Inventories		**162**	121
Films under production	22	**142,246**	135,641
Trade receivables	23	**58,109**	3,856
Prepayments, deposits and other receivables	24	**307,764**	99,252
Options	26	**21,579**	32,491
Pledged time deposit	27	**—**	9,740
Cash and cash equivalents	27	**414,384**	696,869
Total current assets		**944,244**	977,970
CURRENT LIABILITIES			
Trade payables	28	**2,177**	653
Accruals and other payables	29	**92,431**	37,211
Deposits received		**54,656**	12,127
Loan from a non-controlling shareholder	30	**6,150**	6,027
Convertible notes	31	**317,472**	—
Tax payable		**12,455**	5,591
Total current liabilities		**485,341**	61,609
NET CURRENT ASSETS		**458,903**	916,361
TOTAL ASSETS LESS CURRENT LIABILITIES		**677,916**	1,045,759
NON-CURRENT LIABILITIES			
Convertible notes	31	**189,304**	458,941
Deferred tax liabilities	32	**16,005**	17,897
Total non-current liabilities		**205,309**	476,838
Net assets		**472,607**	568,921

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

31 July 2013

	Notes	2013 HK$'000	2012 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	33	**131,403**	131,403
Reserves	35(a)	**307,653**	410,713
		439,056	542,116
Non-controlling interests		**33,551**	26,805
Total equity		**472,607**	568,921

Lam Kin Ngok, Peter
Director

Lui Siu Tsuen, Richard
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 July 2013

	Attributable to owners of the Company									
	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Capital reserve HK$'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 2012	131,403	395,249	44,475	309,993	5,030	5,461	(349,495)	542,116	26,805	568,921
Profit/(loss) for the year	—	—	—	—	—	—	(98,883)	(98,883)	5,922	(92,961)
Other comprehensive income/(loss) for the year:										
Exchange differences on translation of foreign operations	—	—	—	—	—	1,192	—	1,192	824	2,016
Release of foreign currency translation reserve upon disposal of subsidiaries	—	—	—	—	—	(5,703)	—	(5,703)	—	(5,703)
Total comprehensive income/(loss) for the year	—	—	—	—	—	(4,511)	(98,883)	(103,394)	6,746	(96,648)
Equity-settled share option arrangements (note 34)	—	—	—	—	334	—	—	334	—	334
Transfer of share-based payment reserve upon lapse of share options	—	—	—	—	(5,364)	—	5,364	—	—	—
At 31 July 2013	131,403	395,249#	44,475#	309,993#	—#	950#	(443,014)#	439,056	33,551	472,607

These reserve accounts comprise the consolidated reserves of HK$307,653,000 (2012: HK$410,713,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

Year ended 31 July 2013

	Attributable to owners of the Company									
	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Capital reserve HK$'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 33(a))	15,625	9,476	—	(6,237)	—	—	—	18,864	—	18,864
Placing of new shares (note 33(b))	14,675	278,825	—	—	—	—	—	293,500	—	293,500
Transaction costs of placing of new shares (note 33(b))	—	(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 34)	—	—	—	—	5,030	—	—	5,030	—	5,030
Acquisition of subsidiaries (note 36)	—	—	—	—	—	—	—	—	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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 July 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax			
From continuing operations		**(84,273)**	(272,821)
From a discontinued operation		**(1,940)**	(11,247)
Adjustments for:			
Finance costs	6	**47,835**	30,591
Share of profit and loss of joint ventures		**913**	54
Share of profit and loss of an associate		**31**	7
Interest income	5, 39	**(2,971)**	(4,507)
Fair value loss on a forward contract	25	**—**	198,636
Fair value loss/(gain) on options	7	**10,912**	(1,080)
Gain on disposal of subsidiaries	7	**(5,703)**	—
Loss on disposal of items of property, plant and equipment	7, 39	**69**	73
Depreciation	7, 39	**5,742**	2,184
Amortisation of film products	7	**90,727**	—
Amortisation of film rights	7	**10,825**	1,114
Amortisation of other intangible assets	7	**9,103**	3,043
Write-off of a deposit	7	**—**	500
Impairment of goodwill	7	**—**	3,477
Impairment of other intangible assets	7, 39	**34**	1,000
Write-off of films under production	7	**672**	840
Impairment of trade receivables	7, 39	**6**	1,019
Impairment of advances and other receivables	7, 39	**—**	9,571
Equity-settled share option expense	7	**334**	5,030
		82,316	(32,516)
Increase in inventories		**(41)**	(121)
Additions of films under production		**(146,781)**	(122,427)
Increase in trade receivables		**(54,259)**	(1,118)
Increase in prepayments, deposits and other receivables		**(222,952)**	(94,268)
Increase/(decrease) in trade payables		**1,524**	(1,539)
Increase in accruals and other payables		**55,290**	3,961
Increase in deposits received		**42,529**	12,127
Cash used in operations		**(242,374)**	(235,901)
Overseas taxes paid		**(2,295)**	—
Net cash flows used in operating activities		**(244,669)**	(235,901)

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

Year ended 31 July 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions of film rights	18	**(17,624)**	(2,250)
Acquisition of subsidiaries	36	**—**	(58,813)
Disposal of subsidiaries	39(b)	**(68)**	—
Interest received		**3,186**	4,272
Purchases of items of property, plant and equipment		**(6,818)**	(23,406)
Proceeds from disposal of items of property, plant and equipment		**—**	97
Capital contribution to joint ventures		**(6,417)**	—
Advances to joint ventures		**(8,930)**	(605)
Advances to an associate		**(11,626)**	(5,862)
Decrease/(increase) in pledged time deposit		**9,740**	(9,740)
Net cash flows used in investing activities		**(38,557)**	(96,307)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of convertible notes	31	**—**	224,874
Proceeds from placing of new shares	33(b)	**—**	293,500
Issue costs for placing of new shares		**—**	(2,663)
Increase in a loan from a non-controlling shareholder		**—**	6,027
Net cash flows from financing activities		**—**	521,738
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(283,226)**	189,530
Cash and cash equivalents at beginning of year		**696,869**	507,315
Effect of foreign exchange rate changes		**741**	24
CASH AND CASH EQUIVALENTS AT END OF YEAR	27	**414,384**	696,869
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents	27	**414,384**	696,869

STATEMENT OF FINANCIAL POSITION

31 July 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	15	808,112	422,182
CURRENT ASSETS			
Prepayments, deposits and other receivables	24	277	484
Pledged time deposit	27	—	9,740
Cash and cash equivalents	27	162,117	618,339
Total current assets		162,394	628,563
CURRENT LIABILITIES			
Due to subsidiaries	16	53,300	30,897
Accruals and other payables	29	987	2,153
Convertible notes	31	317,472	—
Total current liabilities		371,759	33,050
NET CURRENT ASSETS/(LIABILITIES)		(209,365)	595,513
TOTAL ASSETS LESS CURRENT LIABILITIES		598,747	1,017,695
NON-CURRENT LIABILITIES			
Convertible notes	31	189,304	458,941
Net assets		409,443	558,754
EQUITY			
Issued capital	33	131,403	131,403
Reserves	35(b)	278,040	427,351
Total equity		409,443	558,754

Lam Kin Ngok, Peter
Director

Lui Siu Tsuen, Richard
Director

NOTES TO THE FINANCIAL STATEMENTS

31 July 2013

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 15 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. 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.

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 2013. 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 it 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.

2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*

The HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance.

The adoption of Amendments to HKAS 1 has had no significant financial effect on these financial statements. The Group's presentation of other comprehensive income in the financial statements has been modified accordingly.

The Group had early adopted the following new and revised HKFRSs in advance of their respective effective dates for the first time in the last 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*

Except for HKFRS 12 *Disclosure of Interests in Other Entities* of which certain disclosures for subsidiaries in the Group's financial statements were affected, the adoption of the above new and revised HKFRSs had no material impact to the financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

2.2 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* [1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities* [1]
HKFRS 9	*Financial Instruments* [3]
HKFRS 9 and HKFRS 7 Amendments	Amendments to HKFRS 9 and HKFRS 7 — *Mandatory Effective Date of HKFRS 9 and Transition Disclosure* [3]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — *Transition Guidance* [1]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities* [2]
HKFRS 13	*Fair Value Measurement* [1]
HKAS 19 (2011)	*Employee Benefits* [1]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities* [2]
HKAS 36 Amendments	Amendments to HKAS 36 — *Recoverable Amount Disclosures for Non-Financial Assets* [2]
HKAS 39 Amendments	Amendments to HKAS 39 — *Novation of Derivatives and Continuation of Hedge Accounting* [2]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine* [1]
HK(IFRIC)-Int 21	*Levies* [2]
Annual Improvements 2009-2011 Cycle	*Amendments to a number of HKFRSs issued in June 2012* [2]

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 January 2014
3 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.

2.3 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.

Associate

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Associate (Continued)

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.

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-related costs are expensed as incurred.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

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 previously held equity interest is remeasured to fair value as its acquisition date and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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 acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

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 has been allocated to a cash-generating unit (or 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 the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, 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 year 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 year as to whether there is an 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 year in which it arises.

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 year 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%

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

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 including 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.

(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 of the 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

(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, film products 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.

Film products are stated at the lower of cost and net realisable value. Film products pending or under theatrical release are included in current assets whereas film products for markets other than theatrical release are included in non-current assets. Cost of film products, accounted for on a film-by film basis, includes production costs, costs of services, direct labour costs, facilities and raw materials consumed in the creation of a film. Film products, less estimated residual value and accumulated amortisation, are amortised in proportion to the estimated projected revenues over their economic beneficial period.

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.

2.3 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.

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 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 positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

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 the fair values are positive and as a liability when the fair values are negative.

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 and gains 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 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 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other 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 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 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

2.3 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 and, in the case of loans and borrowings, net of 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

The component of convertible notes 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, 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 based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Forward contract

For accounting purpose, the forward contract on the Second Completion Convertible Notes (note 25) is classified as a derivative financial instrument under HKAS 39. The forward contract is recognised at its fair value as an asset 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. The forward contract is carried as an asset when its fair value is positive and as a liability when its fair value is negative.

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 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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) income from films licensed to movie theatres, when the films are exhibited;

(d) 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;

(e) 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;

(f) 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;

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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

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

(k) dividend income, when the shareholder's right to receive payment has been established.

Employee benefits

Share-based payments

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 payments transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees 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 34 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 payments, 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Share-based payments (Continued)

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

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

Government grant

Government grant is recognised at its fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

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 prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlements or translation of monetary items are recognised in the income statement.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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 measured at fair value 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 the 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).

The functional currencies of certain overseas subsidiaries and joint ventures 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 prevailing 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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 joint ventures, 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.

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 joint ventures, 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

3. 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 their accompanying disclosures, and the disclosure of contingent liabilities. 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 and film products

The costs of film rights and film products, 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 products and film rights are disclosed in notes 17 and 18 to the financial statements, respectively.

(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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(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. The carrying amount of other intangible assets is disclosed in note 19 to the financial statements.

(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 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. The fair value of the Group's options is disclosed in note 26 to the financial statements.

4. 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) Continuing operations

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

(ii) 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; and

(iii) the corporate segment comprises corporate income and expense items.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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4. OPERATING SEGMENT INFORMATION (Continued)

(b) Discontinued operation

(i) 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").

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 from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit/(loss) before tax from continuing operations except that finance costs are excluded from such measurement.

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 (2012: Nil).

Segment revenue/results:

	Continuing operations								Discontinued operation			
	Media and entertainment		Film production and distribution		Corporate		Total		Licensing of software		Consolidated	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Revenue to external customers	261,943	114,805	179,227	2,655	–	–	441,170	117,460	–	–	441,170	117,460
Other income	2,492	633	144	35	2,887	4,522	5,523	5,190	7	41	5,530	5,231
Segment profit/(loss)	1,175	11,295	(14,648)	(17,986)	(16,812)	(37,922)	(30,285)	(44,613)	(1,940)	(11,247)	(32,225)	(55,860)
Fair value loss on a forward contract	–	–	–	–	–	(198,636)	–	(198,636)	–	–	–	(198,636)
Fair value gain/(loss) on options	(10,912)	1,080	–	–	–	–	(10,912)	1,080	–	–	(10,912)	1,080
Gain on disposal of subsidiaries	–	–	–	–	5,703	–	5,703	–	–	–	5,703	–
Finance costs											(47,835)	(30,591)
Share of profits and losses of joint ventures	(913)	(54)	–	–	–	–	(913)	(54)	–	–	(913)	(54)
Share of profits and losses of an associate	–	–	(31)	(7)	–	–	(31)	(7)	–	–	(31)	(7)
Loss before tax											(86,213)	(284,068)

4. OPERATING SEGMENT INFORMATION (Continued)

Segment assets/liabilities

	Continuing operations								Discontinued operation			
	Media and entertainment		Film production and distribution		Corporate		Total		Licensing of software		Consolidated	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Segment assets	**458,480**	209,514	**457,771**	204,806	**214,571**	683,996	**1,130,822**	1,098,316	**–**	2,646	**1,130,822**	1,100,962
Investments in joint ventures	**14,895**	551	**–**	–	**–**	–	**14,895**	551	**–**	–	**14,985**	551
Investment in an associate	**–**	–	**17,450**	5,855	**–**	–	**17,450**	5,855	**–**	–	**17,450**	5,855
Total assets											**1,163,257**	1,107,368
Segment liabilities	**102,028**	26,853	**50,976**	6,313	**2,410**	22,831	**155,414**	55,997	**–**	21	**155,414**	56,018
Unallocated liabilities											**535,236**	482,429
Total liabilities											**690,650**	538,447
Other segment information:												
Depreciation	**397**	13	**55**	88	**5,287**	2,077	**5,739**	2,178	**3**	6	**5,742**	2,184
Amortisation of film products	**–**	–	**90,727**	–	**–**	–	**90,727**	–	**–**	–	**90,727**	–
Amortisation of film rights	**–**	–	**10,825**	1,114	**–**	–	**10,825**	1,114	**–**	–	**10,825**	1,114
Amortisation of other intangible assets	**9,103**	3,043	**–**	–	**–**	–	**9,103**	3,043	**–**	–	**9,103**	3,043
Write-off of a deposit	**–**	–	**–**	500	**–**	–	**–**	500	**–**	–	**–**	500
Write-off of films under production	**–**	–	**672**	840	**–**	–	**672**	840	**–**	–	**672**	840
Impairment of other intangible assets	**–**	–	**–**	–	**–**	1,000	**–**	1,000	**34**	–	**34**	1,000
Impairment of trade receivables	**6**	–	**–**	40	**–**	–	**6**	40	**–**	979	**6**	1,019
Impairment of advances and other receivables	**–**	134	**–**	–	**–**	–	**–**	134	**–**	9,437	**–**	9,571
Additions of items of property, plant and equipment	**1,362**	120	**929**	10	**4,527**	23,263	**6,818**	23,393	**–**	13	**6,818**	23,406
Additions of film rights	**–**	–	**17,624**	2,250	**–**	–	**17,264**	2,250	**–**	–	**17,624**	2,250
Additions of films under production	**–**	–	**146,781**	122,427	**–**	–	**146,781**	122,427	**–**	–	**146,781**	122,427
Additions of other intangible assets	**–**	74,825	**–**	–	**–**	–	**–**	74,825	**–**	–	**–**	74,825

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

	Hong Kong		Mainland China		Macau		Others		Consolidated	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Revenue:										
Sales to external customers	133,228	29,180	239,097	22,458	52,499	58,233	16,346	7,589	441,170	117,460
Assets:										
Segment assets										
— non-current assets	147,115	57,458	71,345	71,940	—	—	553	—	219,013	129,398
— current assets	766,307	935,622	145,878	39,112	29,155	3,236	2,904	—	944,244	977,970
Total assets									1,163,257	1,107,368
Other information:										
Additions of items of property, plant and equipment	5,340	23,271	839	135	—	—	639	—	6,818	23,406
Additions of film rights	17,624	2,250	—	—	—	—	—	—	17,624	2,250
Additions of films under production	146,781	122,427	—	—	—	—	—	—	146,781	122,427
Additions of other intangible assets	—	—	—	74,825	—	—	—	—	—	74,825

Revenue information is based on the location of the customers and asset information is based on the location of assets.

Information about major customers

Revenue from two (2012: three) customers, each of whom accounted for revenue exceeding 10% of the Group's total revenues, amounted to approximately HK$150,444,000 (2012: HK$57,121,000).

5. TURNOVER AND OTHER INCOME

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

	Group 2013 HK$'000	Group 2012 HK$'000
Turnover		
Entertainment event income	181,916	93,553
Album sales, licence income and distribution commission income from music publishing and licensing	24,016	9,133
Artiste management fee income	32,173	9,845
Advertising income	18,400	—
Producer fee income and distribution commission income of TV programs	5,438	2,274
Sales of video products, distribution commission income and licence fee income from film products and film rights	179,227	2,655
	441,170	117,460
Other income		
Interest income	2,966	4,479
Others	2,557	711
	5,523	5,190
	446,693	122,650

6. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Group 2013 HK$'000	Group 2012 HK$'000
Interest on:		
— First Completion Convertible Notes wholly repayable within five years (note 31(i))	31,002	28,181
— Second Completion Convertible Notes wholly repayable within five years (note 31(ii))	16,833	2,410
	47,835	30,591

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

7. LOSS BEFORE TAX

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

		Group	
	Notes	**2013 HK$'000**	2012 HK$'000
Cost of film products, film rights and licence rights		**109,954**	1,954
Cost of artiste management services, advertising services and services for entertainment events provided		**194,145**	70,773
Cost of inventories sold		**87**	262
Total cost of sales		**304,186**	72,989
Depreciation		**5,739**	2,178
Amortisation of film products #	17	**90,727**	—
Amortisation of film rights #	18	**10,825**	1,114
Amortisation of other intangible assets #	19	**9,103**	3,043
Minimum lease payments under operating leases in respect of land and buildings incurred for:			
Entertainment events #		**6,813**	1,378
Others		**5,682**	2,301
Contingent rents incurred for entertainment events #		**11,571**	2,912
Total operating lease payments		**24,066**	6,591
Auditors' remuneration		**1,980**	1,530
Employee benefit expense (including directors' and chief executive's emoluments (note 8)):			
Salaries, bonuses and allowances		**67,188**	49,572
Equity-settled share option expense	34	**334**	5,030
Pension scheme contributions		**3,614**	1,307
		71,136	55,909
Less: Capitalised in films under production	22	**(7,219)**	—
		63,917	55,909

7. LOSS BEFORE TAX (Continued)

	Notes	Group 2013 HK$'000	Group 2012 HK$'000
Write-off of a deposit ##		—	500
Impairment of goodwill ##	14	—	3,477
Impairment of other intangible assets ##	19	—	1,000
Write-off of films under production #	22	672	840
Impairment of trade receivables ##	23	6	40
Impairment of advances and other receivables ##	24	—	134
Loss on disposal of items of property, plant and equipment ##		47	28
Fair value loss on options ##	26	10,912	—
Fair value gain on options *	26	—	(1,080)
Gain on disposal of subsidiaries *	39(b)	(5,703)	—
Share of net income from entertainment events organised by the Group to co-investors ##		13,301	1,581
Share of net income from entertainment events organised by co-investors *		(6,347)	(2,350)
Foreign exchange loss/(gain), net *		(1,649)	601

\# 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.

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments for the year, 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 2013 HK$'000	Group 2012 HK$'000
Fees	1,058	1,034
Other emoluments:		
Salaries and allowances	5,687	10,215
Equity-settled share option expense	334	5,030
Pension scheme contributions	19	39
	6,040	15,284
	7,098	16,318

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

During the year ended 31 July 2012, 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 34 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 is included in the above directors' remuneration disclosures.

	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 2013					
Executive Directors					
Lam Kin Ngok, Peter	120	—	—	—	120
Yu Feng	120	—	—	—	120
Choi Chiu Fai, Stanley (note (i))	120	—	—	—	120
Jeffrey Soong (note (ii))	83	2,908	—	—	2,991
Tang Jun (note (iii))	15	460	334	—	809
Lui Siu Tsuen, Richard	120	—	—	—	120
Chan Chi Kwong	120	1,801	—	8	1,929
Chan Chi Ming, Alvin (note (iv))	—	151	—	5	156
Etsuko Hoshiyama (note (v))	—	367	—	6	373
	698	5,687	334	19	6,738
Independent Non-executive Directors					
Chan Chi Yuen	120	—	—	—	120
Zhang Xi	120	—	—	—	120
Ng Chi Ho, Dennis	120	—	—	—	120
	360	—	—	—	360
	1,058	5,687	334	19	7,098

8. 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	120	—	—	—	120
Yu Feng	120	—	—	—	120
Choi Chiu Fai, Stanley	93	—	—	—	93
Tang Jun (chief executive officer)	108	5,481	5,030	—	10,619
Lui Siu Tsuen, Richard	120	—	—	—	120
Chan Chi Kwong	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 (vi))	—	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 (viii))	—	—	—	—	—
Wong Kam Choi (note (ix))	99	—	—	—	99
	353	—	—	—	353
	1,034	10,215	5,030	39	16,318

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(a) *Directors' emoluments* (Continued)

Notes:

(i) Appointed on 24 October 2011

(ii) Appointed on 22 November 2012

(iii) Appointed on 6 September 2011 and resigned on 15 September 2012

(iv) Retired on 20 November 2012

(v) Resigned on 15 December 2012

(vi) Retired on 20 August 2011

(vii) Appointed on 3 October 2011

(viii) Resigned on 1 August 2011

(ix) Resigned on 12 September 2011

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

(b) *Employees' emoluments*

The five highest paid employees during the year included two (2012: two) directors, details of whose emoluments are set out above. Details of the remuneration of the remaining three (2012: three) non-director, highest paid employees for the year are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Salaries and allowances	**6,822**	5,441
Pension scheme contributions	**45**	31
	6,867	5,472

8. 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	
	2013	2012
HK$1,000,001 to HK$1,500,000	**—**	1
HK$2,000,001 to HK$2,500,000	**3**	2
	3	3

9. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made for the year as there were no assessable profits arising in Hong Kong for the year (2012: Nil). 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	
	2013 HK$'000	2012 HK$'000
Provision for tax for the year		
Current — Hong Kong		
Charge for the year	**—**	—
Current — Elsewhere		
Charge for the year	**9,670**	5,591
Over-provision in prior years	**(617)**	—
	9,053	5,591
Deferred tax credit for the year (note 32)	**(2,305)**	(825)
Total tax expense for the year	**6,748**	4,766

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

9. INCOME TAX EXPENSE (Continued)

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the tax jurisdictions in which the Company and majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Loss before tax from continuing operations	**(84,273)**	(272,821)
Tax at the applicable rates to loss in the tax jurisdictions concerned	**(11,232)**	(45,124)
Adjustments in respect of current tax of previous years	**(617)**	—
Income not subject to tax	**(1,284)**	(833)
Expenses not deductible for tax	**10,862**	43,143
Utilisation of tax losses previously not recognised	**(163)**	—
Estimated tax losses not recognised	**11,487**	8,405
Deferred tax arising from temporary differences	**(2,305)**	(825)
Tax charge at the Group's effective rate	**6,748**	4,766

10. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 July 2013 includes a loss of approximately HK$52,296,000 (2012: HK$243,460,000) which has been dealt with in the financial statements of the Company (note 35(b)).

11. DIVIDEND

The board of directors of the Company does not recommend the payment of any dividend in respect of the year ended 31 July 2013 (2012: Nil).

12. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share amounts is based on the loss attributable to owners of the Company for the year of approximately HK$98,883,000 (2012: approximately HK$290,175,000) and the weighted average number of ordinary shares of approximately 13,140,257,000 (2012: approximately 12,825,667,000) in issue during the year.

The calculation of basic loss per share amounts from continuing operations is based on the loss from continuing operations attributable to owners of the Company for the year of approximately HK$96,943,000 (2012: approximately HK$278,928,000) and the weighted average number of ordinary shares of approximately 13,140,257,000 (2012: approximately 12,825,667,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 July 2013 and 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 years had an anti-dilutive effect on the basic loss per share amounts presented.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Note	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 August 2011		—	233	586	468	1,287
Additions		22,205	503	—	698	23,406
Acquisition of subsidiaries	36	—	115	—	189	304
Disposals		—	(184)	—	(246)	(430)
At 31 July 2012 and 1 August 2012		22,205	667	586	1,109	24,567
Additions		4,365	1,211	514	728	6,818
Disposals		—	(71)	—	(217)	(288)
Exchange realignment		3	4	—	8	15
At 31 July 2013		26,573	1,811	1,100	1,628	31,112
Accumulated depreciation:						
At 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 and 1 August 2012		1,790	54	264	252	2,360
Charge for the year		4,822	250	227	443	5,742
Disposals		—	(37)	—	(182)	(219)
Exchange realignment		1	1	—	2	4
At 31 July 2013		6,613	268	491	515	7,887
Net carrying amount:						
At 31 July 2013		19,960	1,543	609	1,113	23,225
At 31 July 2012		20,415	613	322	857	22,207

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

14. GOODWILL

	Note	Group HK$'000
Cost:		
At 1 August 2011		—
Acquisition of subsidiaries	36	13,704
Exchange realignment		(45)
At 31 July 2012 and 1 August 2012		13,659
Exchange realignment		253
At 31 July 2013		13,912
Accumulated impairment:		
At 1 August 2011		—
Impairment during the year		3,477
At 31 July 2012, 1 August 2012 and 31 July 2013		3,477
Net carrying amount:		
At 31 July 2013		10,435
At 31 July 2012		10,182

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 in PRC (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 30.16% (2012: 30.44%).

14. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Assumptions were used in the value-in-use calculation of the CGU for the year ended 31 July 2013 and 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 had been recognised in the consolidated income statement for the year ended 31 July 2012.

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013	2012
	HK$'000	HK$'000
Unlisted investments, at cost	**2**	81,488
Less: Impairment for investment #	**—**	(81,485)
	2	3
Amounts due from subsidiaries	**914,682**	453,809
Less: Impairment losses ##	**(106,572)**	(31,630)
	808,110	422,179
At end of the reporting period	**808,112**	422,182

As at 31 July 2012, an aggregate impairment of HK$81,485,000 was recognised for investments in certain unlisted investments because the relevant subsidiaries have suffered losses for years. A write-off of impairment provision of HK$81,485,000 has been made during the year ended 31 July 2013 upon disposal of subsidiaries (note 39).

As at 31 July 2013, an aggregate impairment of HK$106,572,000 (2012: HK$31,630,000) was recognised for amounts due from certain unlisted investments with an aggregate gross carrying amount of HK$106,572,000 (2012: HK$31,630,000) (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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Movements in the provision for impairment of amounts due from subsidiaries are as follows:

	Company	
	2013	2012
	HK$'000	HK$'000
At beginning of the reporting period	**31,630**	—
Impairment losses recognised	**97,349**	31,630
Written-off	**(22,407)**	—
At end of the reporting period	**106,572**	31,630

Particulars of the principal subsidiaries as at 31 July 2013 are as follows:

Name	Place of incorporation/ registration and operation	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Champ Universe Limited	Hong Kong	1 ordinary share of HK$1	100	—	Provision of management services
Premier Gold Investments Limited	Hong Kong	1 ordinary share of HK$1	100	—	Investment holding
Lam & Lamb Entertainment Limited	Hong Kong	1 ordinary share of HK$1	—	100	Provision of artiste management services
Media Asia Entertainment Limited	Hong Kong	100 ordinary shares of HK$1 each	—	100	Entertainment activity production
Media Asia Entertainment (Macao) Limited*	Macau	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 and licensing of films
Media Asia Distribution (Beijing) Co. Limited ("MAD (BJ)")Δ*	PRC/ Mainland China	RMB1,000,000#	—	100	Film distribution
Media Asia Film International Limited	British Virgin Islands	1 ordinary share of US$1	—	100	Film investment and production

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operation	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Media Asia Film Production Limited	Hong Kong	100 ordinary shares of HK$1 each	—	100	Film production and investment holding
Media Asia Music Limited	Hong Kong	1 ordinary share of HK$1	—	100	Music production and distribution
Media Asia Music Publishing Limited	Hong Kong	100 ordinary shares of HK$1 each	—	100	Music publishing
Media Asia Performance Agency (Macao) Limited*	Macau	MOP25,000#	—	100	Entertainment activity production
Media Asia Talent Management Limited	Hong Kong	1 ordinary share of HK$1	—	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 each	—	51	Investment holding
Upper Triumph Limited*	British Virgin Islands	1 ordinary share of US$1	—	100	Entertainment activity production
寰亞文化傳播(中國)有限公司Δ*	PRC/ Mainland China	HK$38,000,000##	—	100	Entertainment activity production

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

\## As at 31 July 2013, the paid up capital of 寰亞文化傳播(中國)有限公司 was HK$11,400,000 (2012: HK$5,700,000). Subsequent to the reporting period, the registered capital of HK$38,000,000 was fully paid.

Δ Registered as a wholly-foreign-owned enterprise under the laws of the PRC.

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

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Media Magic

	2013 HK$'000	2012 HK$'000
Current assets	**40,501**	20,927
Non-current assets	**64,112**	71,529
Current liabilities	**(20,657)**	(15,512)
Non-current liabilities	**(16,005)**	(17,867)
Equity attributable to owners of the Company	**34,655**	30,129
Non-controlling interests	**33,296**	28,948
Revenue	**28,620**	10,843
Expenses	**(21,409)**	(7,635)
Profit for the year and total comprehensive income for the year	**7,211**	3,208
Profit attributable to owners of the Company	**3,678**	1,636
Profit attributable to non-controlling interests	**3,533**	1,572
	7,211	3,208

16. DUE TO SUBSIDIARIES

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

17. FILM PRODUCTS

	Group HK$'000
Cost:	
At 1 August 2011, 31 July 2012 and 1 August 2012	—
Transfer from films under production (note 22)	139,504
At 31 July 2013	139,504
Accumulated amortisation:	
At 1 August 2011, 31 July 2012 and 1 August 2012	—
Provided during the year	90,727
At 31 July 2013	90,727
Net carrying amount:	
At 31 July 2013	48,777
At 31 July 2012	—

18. FILM RIGHTS

	Group HK$'000
Cost:	
At 1 August 2011	—
Additions	2,250
At 31 July 2012 and 1 August 2012	2,250
Additions	17,624
At 31 July 2013	19,874
Accumulated amortisation:	
At 1 August 2011	—
Provided during the year	1,114
At 31 July 2012 and 1 August 2012	1,114
Provided during the year	10,825
At 31 July 2013	11,939
Net carrying amount:	
At 31 July 2013	7,935
At 31 July 2012	1,136

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

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 August 2011	40	1,613	19,637	—	—	21,290
Acquisition of subsidiaries (note 36(a))	—	—	—	50,187	24,638	74,825
Exchange realignment	—	8	252	(219)	(107)	(66)
At 31 July 2012 and 1 August 2012	40	1,621	19,889	49,968	24,531	96,049
Written-off	(40)	(1,621)	(19,889)	—	—	(21,550)
Exchange realignment	—	—	—	1,240	609	1,849
At 31 July 2013	—	—	—	51,208	25,140	76,348
Accumulated amortisation and impairment:						
At 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 and 1 August 2012	5	1,621	19,889	2,472	560	24,547
Amortisation for the year	1	—	—	7,421	1,681	9,103
Written-off	(6)	(1,621)	(19,889)	—	—	(21,516)
Exchange realignment	—	—	—	160	36	196
At 31 July 2013	—	—	—	10,053	2,277	12,330
Net carrying amount:						
At 31 July 2013	—	—	—	41,155	22,863	64,018
At 31 July 2012	35	—	—	47,496	23,971	71,502

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.

19. OTHER INTANGIBLE ASSETS (Continued)

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 a 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 2013 and 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 2013 was 31.16% (2012: 31.44%).

20. INVESTMENTS IN JOINT VENTURES

	Group	
	2013	2012
	HK$'000	HK$'000
Share of net assets/(liabilities)	**5,450**	(54)
Due from joint ventures	**9,535**	605
	14,985	551

The amounts due from joint ventures are unsecured, interest-free and are not repayable in the next twelve months. The carrying amounts of the amounts due from joint ventures approximate their fair values.

As at 31 July 2013, details of the joint ventures are as follows:

Name	**Place of incorporation and operation**	**Class of shares held**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
Much Entertainment (HK) Limited ("Much Entertainment")	Hong Kong	Ordinary	50	Event supervising
SQ Workshop Limited	Hong Kong	Ordinary	50	Artiste management
Super Hero Films Limited	Hong Kong	Ordinary	50	Film investment and artiste management
寰亞通盈信息咨詢(北京)有限公司("寰亞通盈")	PRC/Mainland China	Paid up capital	51	Cinema operation

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

20. INVESTMENTS IN JOINT VENTURES (Continued)

The investments in joint ventures were all 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 ventures' financial statements prepared in accordance with HKFRSs adjusted by the Group for equity accounting purposes. The joint ventures are accounted for using the equity method in these consolidated financial statements.

Much Entertainment

	2013 HK$'000	2012 HK$'000
Current assets (including cash and cash equivalents of HK$1,208,000 (2012: HK$418,000))	**1,441**	506
Non-current assets	**43**	114
Other payables and current liabilities	**(600)**	(123)
Non-current liabilities	**(532)**	(605)

Reconciliation of the above summarised financial information of Much Entertainment to the carrying amount of the investments in joint ventures recognised in the consolidated financial statements:

	2013 HK$'000	2012 HK$'000
Net assets of Much Entertainment	**352**	(108)
The Group's 50% interest in Much Entertainment	**176**	(54)
Amount due from Much Entertainment	**533**	605
Carrying amount of the Group's interest in Much Entertainment	**709**	551

20. INVESTMENTS IN JOINT VENTURES (Continued)

Much Entertainment (Continued)

	2013 HK$'000	2012 HK$'000
Revenue	**3,150**	67
Cost of sales	**(122)**	—
Expenses (including depreciation of HK$75,000 (2012: HK$8,000))	**(2,568)**	(174)
Income tax expense	**—**	—
Profit/(loss) and total comprehensive income/(loss) for the year	**460**	(107)
The Group's share of profit and losses of Much Entertainment	**230**	(54)

寰亞通盈

	2013 HK$'000	2012 HK$'000
Current assets (cash and cash equivalents)	**12,582**	—
Non-current assets	**—**	—
Current liabilities	**—**	—
Non-current liabilities	**—**	—

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

20. INVESTMENTS IN JOINT VENTURES (Continued)

寰亞通盈 (Continued)

Reconciliation of the above summarised financial information of 寰亞通盈 to the carrying amount of the investments in joint ventures recognised in the consolidated financial statements:

	2013 HK$'000	2012 HK$'000
Net assets of 寰亞通盈	**12,582**	—
The Group's 51% interest in 寰亞通盈 and carrying amount of the Group's interest in 寰亞通盈 as recorded in the consolidated financial statements	**6,416**	—
Expenses and total comprehensive loss for the year	**(2)**	—
The Group's share of profit and losses of 寰亞通盈	**(1)**	—

Aggregate information of joint ventures that are not individually material:

	2013 HK$'000	2012 HK$'000
The Group's share of profits and losses and total comprehensive loss for the year	**(1,142)**	—

21. INVESTMENT IN AN ASSOCIATE

	Group	
	2013 HK$'000	2012 HK$'000
Share of net liabilities	**(38)**	(7)
Due from an associate	**17,488**	5,862
	17,450	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.

21. INVESTMENT IN AN ASSOCIATE (Continued)

Details of the associate as at 31 July 2013 are as follows:

Name	Place of incorporation and operation	Class of shares held	Percentage of ownership interest attributable to the Group	Principal activity
ProM Rococo Limited	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.

ProM Rococo Limited

	2013 HK$'000	2012 HK$'000
Current assets (including cash and cash equivalents of HK$2,092,000 (2012: HK$3,010,000))	**69,730**	23,367
Current liabilities	**—**	(25)
Non-current liabilities	**(69,885)**	(23,370)
Revenue	**—**	—
Loss for the year and total comprehensive loss for the year	**(125)**	(28)
The Group's share of profits and losses and total comprehensive loss for the year	**(31)**	(7)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

22. FILMS UNDER PRODUCTION

	Group	
	2013	2012
	HK$'000	HK$'000
At beginning of the reporting period	**135,641**	14,054
Additions (including capitalisation of employee benefit expense of HK$7,219,000 (2012: Nil))	**146,781**	122,427
Transfer to film products (note 17)	**(139,504)**	—
Written-off	**(672)**	(840)
At end of the reporting period	**142,246**	135,641

23. TRADE RECEIVABLES

	Group	
	2013	2012
	HK$'000	HK$'000
Trade receivables	**58,154**	8,911
Impairment	**(45)**	(5,055)
	58,109	3,856

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	
	2013	2012
	HK$'000	HK$'000
Neither past due nor impaired	**28,149**	624
1 to 90 days past due	**27,314**	2,944
Over 90 days past due	**2,646**	288
	58,109	3,856

23. TRADE RECEIVABLES (Continued)

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

	Group	
	2013	2012
	HK$'000	HK$'000
At beginning of the reporting period	**5,055**	3,918
Impairment losses recognised from continuing operations	**6**	40
Impairment losses recognised from the discontinued operation	**—**	979
Written-off	**(5,016)**	—
Exchange realignment	**—**	118
At end of the reporting period	**45**	5,055

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade debtors of HK$45,000 (2012: HK$5,055,000) with a gross carrying amount before provision of HK$45,000 (2012: HK$5,055,000). 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments, deposits and advances for artiste management, music production and film production	**298,684**	90,679	**—**	—
Prepayments, deposits and other receivables	**41,402**	47,986	**277**	484
	340,086	138,665	**277**	484
Impairment	**(134)**	(21,448)	**—**	—
	339,952	117,217	**277**	484
Portion classified as current portion	**(307,764)**	(99,252)	**(277)**	(484)
Non-current portion	**32,188**	17,965	**—**	—

Included in prepayments, deposits and other receivables as at 31 July 2013 are advances of HK$25,870,000 (2012: HK$40,242,000) due from film owners for the Group's investment in film projects. The advances are unsecured, repayable within the next 12 months and with a fixed guarantee return of 15% (2012: ranging from 8% to 15%).

As at 31 July 2013, included in the Group's prepayments, deposits and other receivables is a deposit paid of HK$6,024,000 (2012: HK$5,879,000) to a shareholder of the Group's joint venture to secure a tenancy agreement.

As at 31 July 2012, included in the Group's prepayments, deposits and other receivables were amounts due from fellow subsidiaries of HK$291,000 which were 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.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

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

	Group	
	2013	2012
	HK$'000	HK$'000
At beginning of the reporting period	**21,448**	11,741
Impairment loss recognised from the discontinued operation	**—**	9,437
Impairment loss recognised from continuing operations	**—**	134
Written-off	**(21,314)**	—
Exchange realignment	**—**	136
At end of the reporting period	**134**	21,448

Included in the above provision for advances and other receivables is a provision for individually impaired receivables of HK$134,000 (2012: HK$21,448,000) with a gross carrying amount of HK$134,000 (2012: HK$21,448,000). The individually impaired advances and receivables related to the portions of advances and receivables that were not expected to be recovered.

25. FORWARD CONTRACT

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 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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25. FORWARD CONTRACT (Continued)

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 issue date, the fair value of the forward contract was HK$5,493,000. 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 statement of financial position.

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 recognised a fair value loss in respect of the forward contract of approximately HK$198,636,000 to the consolidated income statement for the year ended 31 July 2012. 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 and the issue date of 9 June 2011 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	
	2013	2012
	HK$'000	HK$'000
Options, at fair value	**21,579**	32,491

Pursuant to the share transfer agreement entered into between the Group and Ally Capital Limited (the "Vendor"), an independent third party, on the acquisition of Media Magic as detailed in note 36(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.

26. OPTIONS (Continued)

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 36(a)) in respect of the Options in the consolidated statement of financial position. As at 31 July 2013, the fair value of the financial asset in respect of the Options amounted to HK$21,579,000 (2012: HK$32,491,000) with a fair value loss of HK$10,912,000 (2012: gain of HK$1,080,000) (note 7) being recognised in the consolidated income statement for the year ended 31 July 2013.

The fair value of the options as at 30 March 2012, 31 July 2012 and 31 July 2013 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 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	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Cash and bank balances	**301,775**	96,635	**49,508**	18,105
Time deposits	**112,609**	609,974	**112,609**	609,974
	414,384	706,609	**162,117**	628,079
Less: Pledged time deposit	**—**	(9,740)	**—**	(9,740)
Cash and cash equivalents	**414,384**	696,869	**162,117**	618,339

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$72,268,000 (2012: HK$22,300,000). 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. The pledged time deposit was released during the year ended 31 July 2013 upon expiry of the credit facility.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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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	
	2013	2012
	HK$'000	HK$'000
Less than 30 days	**2,121**	487
31 to 60 days	**—**	95
61 to 90 days	**56**	71
	2,177	653

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

The carrying amounts of trade payables approximate their fair values.

29. ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accruals and other payables	**92,431**	37,211	**987**	2,153

As at 31 July 2013, included in accruals and other payables were amounts due to fellow subsidiaries and related companies of HK$2,830,000 (2012: Nil) and HK$404,000 (2012: Nil), respectively. As at 31 July 2012, included in accruals and other payables was a payable of HK$14,052,000 to the Vendor (note 36(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	
	Notes	**2013** **HK$'000**	2012 HK$'000
First Completion Convertible Notes	(i)	**317,472**	286,470
Second Completion Convertible Notes	(ii)	**189,304**	172,471
		506,776	458,941
Portion classified as current liabilities		**(317,472)**	—
Non-current portion		**189,304**	458,941

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.

(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 years ended 31 July 2013 and 2012.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

31. CONVERTIBLE NOTES (Continued)

(i) First Completion Convertible Notes (Continued)

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

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 33(a))	(18,864)	(6,237)	(25,101)
At 31 July 2012 and 1 August 2012	286,470	86,414	372,884
Interest charged during the year	31,002	—	31,002
At 31 July 2013	317,472	86,414	403,886

31. CONVERTIBLE NOTES (Continued)

(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 years ended 31 July 2013 and 2012.

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

31. CONVERTIBLE NOTES (Continued)

(ii) Second Completion Convertible Notes (Continued)

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

	Liability component HK$'000	**Equity component** HK$'000	**Total** HK$'000
At 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 and 1 August 2012	172,471	223,579	396,050
Interest charged during the year	16,833	—	16,833
At 31 July 2013	189,304	223,579	412,883

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, respectively, 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 2013 were approximately HK$321,384,000 (2012: HK$294,416,000) and HK$191,135,000 (2012: HK$175,096,000), respectively. The fair values as at 31 July 2013 and 31 July 2012 were calculated by discounting the future cash flows at the prevailing market interest rate as at 31 July 2013 and 31 July 2012, respectively.

32. DEFERRED TAX LIABILITIES

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

Group

	Accelerated tax depreciation HK$'000	Other intangible assets HK$'000	Total HK$'000
At 1 August 2011	95	—	95
Acquisition of subsidiaries (note 36(a))	—	18,706	18,706
Deferred tax credited to the income statement during the year (note 9)	(65)	(760)	(825)
Exchange realignment	—	(79)	(79)
At 31 July 2012 and 1 August 2012	30	17,867	17,897
Deferred tax credited to the income statement during the year (note 9)	(30)	(2,275)	(2,305)
Exchange realignment	—	413	413
At 31 July 2013	—	16,005	16,005

The Group has tax losses arising in Hong Kong of approximately HK$106,137,000 (2012: HK$113,237,000) 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$6,991,000 (2012: HK$7,544,000) 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.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applied to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is either 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries and joint ventures established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 July 2013, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of certain subsidiaries and joint ventures established in the Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and joint ventures will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures in the Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$22,708,000 at 31 July 2013 (2012: HK$6,057,000).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

33. SHARE CAPITAL

	2013 Number of shares '000	2013 Nominal value HK$'000	2012 Number of shares '000	2012 Nominal value HK$'000
Authorised:				
Ordinary shares of HK$0.01 each (Note)	**60,000,000**	**600,000**	60,000,000	600,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each	**13,140,257**	**131,403**	13,140,257	131,403

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 years are as follows:

	Notes	2013 Number of shares '000	2013 Nominal value HK$'000	2012 Number of shares '000	2012 Nominal value HK$'000
Balance at the beginning of the year		**13,140,257**	**131,403**	10,110,257	101,103
Partial conversion of First Completion Convertible Notes	(a)	—	—	1,562,500	15,625
Placing of new shares	(b)	—	—	1,467,500	14,675
Balance at the end of the year		13,140,257	131,403	13,140,257	131,403

Notes:

(a) 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.

(b) 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.

33. SHARE CAPITAL (Continued)

Notes: (Continued)

(c) Upon receipt of a notice from one of the convertible note holders, on 9 September 2013, the Company issued a total of 35,906,642 ordinary shares of HK$0.01 each at a conversion price of HK$0.02785 for partial conversion of the First Completion Convertible Notes with a principal amount of HK$1,000,000.

At the date of the approval of these financial statements, the Company had 13,176,164,254 issued ordinary shares.

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 34 to the financial statements.

34. SHARE OPTION SCHEMES

(A) Old Share Option Scheme

The Old 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 Old Share Option Scheme was terminated pursuant to a resolution passed at the special general meeting on 18 December 2012. The Company operated the Old 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-calibre employees and attract human resources that are valuable to the Group and any Invested Entity (as defined in the Old Share Option Scheme). Eligible participants include full-time and part-time employees, executive directors, non-executive directors, suppliers, customers, advisors, consultants, agents, contractors, and shareholders of any member of the Group or any Invested Entity.

The principal terms of the Old 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 Old 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 Old 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 Old 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 Old 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

34. SHARE OPTION SCHEMES (Continued)

(A) Old Share Option Scheme (Continued)

(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.

(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 Old 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.

34. SHARE OPTION SCHEMES (Continued)

(A) Old Share Option Scheme (Continued)

Details of the movements of share options outstanding under the Old Share Option Scheme during the years are as follows:

	2013 Number of share options	2013 Weighted average exercise price* per share HK$	2012 Number of share options	2012 Weighted average exercise price* per share HK$
Outstanding at the beginning of the year	**101,102,576**	**0.233**	—	—
Granted during the year	**—**	**—**	101,102,576	0.233
Lapsed during the year	**(101,102,576)**	**0.233**	—	—
Outstanding at the end of the year	**—**	**—**	101,102,576	0.233

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

34. SHARE OPTION SCHEMES (Continued)

(A) *Old Share Option Scheme* (Continued)

The fair value of the share options granted during the year ended 31 July 2012 was HK$8,580,000 of which the Group recognised a share option expense of HK$334,000 during the year ended 31 July 2013 (2012: HK$5,030,000).

The fair value of equity-settled share options granted during the year ended 31 July 2012 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 options (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.

At 31 July 2013, the Company had no share options outstanding under the Old Share Option Scheme.

34. SHARE OPTION SCHEMES (Continued)

(B) New Share Option Scheme

On 18 December 2012, the Company adopted a new share option scheme (the "New Share Option Scheme") and terminated the Old Share Option Scheme as (i) the Company has become a subsidiary of eSun in June 2011 and Rule 23.01 (4) of the GEM Listing Rules requires the relevant provisions of the Old Share Option Scheme which are required to be approved by the shareholders/independent non-executive directors of the Company to be simultaneously approved by the shareholders/independent non-executive directors of eSun; and (ii) eSun would like to have an unified set of share option scheme rules for its all subsidiaries. The purpose of the New Share Option Scheme is to recognise the contribution or future contribution of the eligible participants for their contribution to the Group by granting share options to them as incentives or rewards and to attract, retain and motivate high-calibre eligible participants in line with the performance goals of the Group or the affiliated companies. Eligible participants include any employee, director, officer or consultant of the Group and the affiliated companies, and any other group or classes of participants which the board of the directors of the Company, in its absolute discretion, considers to have contributed or will contribute, whether by way of business alliance or other business arrangements to the development and growth of the Group.

The principal terms of the New Share Option Scheme are:

(a) The total number of shares which may be issued upon exercise of all share options to be granted under the New Share Option Scheme and all options to be granted under any other share option schemes of any member of the Group (the "Other Schemes") must not in aggregate exceed 10% of the total number of shares in issue as at 18 December 2012 (the "Scheme Limit").

(b) Subject to (a) above and the approval of the shareholders of the Company and eSun (so long as the Company is a subsidiary of eSun under the GEM Listing Rules) at the respective general meetings, the Company may refresh the Scheme Limit at any time, provided that such limit as refreshed must not exceed 10% of the total number of shares in issue as at the date of approval of such refreshed limit.

(c) Subject to (a) above and the approval of the shareholders of the Company and eSun (so long as the Company is a subsidiary of eSun under the GEM Listing Rules) at the respective general meetings, the Company may grant the options beyond the 10% limit, provided that the options in excess of such limit are granted only to the eligible participants specifically identified by the Company before such shareholders' approval is sought.

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

34. SHARE OPTION SCHEMES (Continued)

(B) New Share Option Scheme (Continued)

(e) The maximum number of shares issued and to be issued upon exercise of the share options granted to each eligible participant under the New Share Option Scheme and the Other Schemes (including both exercised and outstanding share options) in any 12-month period up to and including the date of grant must not exceed 1% of the total number of shares of the Company in issue at anytime. Any further grant of share options in excess of this limit must be separately approved by the shareholders of the Company and eSun (so long as the Company is a subsidiary of eSun under the GEM Listing Rules) at the respective general meetings with such eligible participant and his associates abstaining from voting.

(f) Any grant of share options to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, is subject to approval in advance by the independent non-executive directors of the Company and eSun (so long as the Company is a subsidiary of eSun under the GEM Listing Rules).

(g) Any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue from time to time or with an aggregate value (based on the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant) in excess of HK$5 million, within any 12-month period up to and including the date of grant, must be approved by the shareholders of the Company and eSun (so long as the Company is a subsidiary of eSun under the GEM Listing Rules) in advance at the respective general meetings.

(h) The offer of a grant of share options may be accepted within 30 days from the date of offer, together with payment of a nominal consideration of HK$1 for the grant by the grantee.

(i) The exercise period of the share options granted is determined by the directors provided that such period must not be longer than ten years from the date upon which any share option is granted in accordance with the New Share Option Scheme.

(j) 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.

No share options have been granted by the Company under the New Share Option Scheme during the year ended 31 July 2013 and at 31 July 2013.

35. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current year and the prior year 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$'000 (note ii)	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 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 33(a))	9,476	—	(6,237)	—	—	3,239
Placing of new shares (note 33(b))	278,825	—	—	—	—	278,825
Transaction costs of placing new shares (note 33(b))	(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 34)	—	—	—	5,030	—	5,030
At 31 July 2012 and 1 August 2012	395,249	44,475	309,993	5,030	(327,396)	427,351
Loss for the year and total comprehensive loss for the year	—	—	—	—	(149,645)	(149,645)
Equity-settled share option arrangements (note 34)	—	—	—	334	—	334
Transfer of share-based payment reserve upon lapse of share options	—	—	—	(5,364)	5,364	—
At 31 July 2013	395,249	44,475	309,993	—	(471,677)	278,040

The loss of HK$149,645,000 for the year ended 31 July 2013 (2012: HK$275,090,000) included impairment of amounts due from subsidiaries of the Company of HK$97,349,000 (2012: HK$31,630,000).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

35. 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 issued by the Company recognised in accordance with the accounting policies adopted for the convertible notes as disclosed in note 31 to the financial statements.

36. BUSINESS COMBINATION

(a) On 30 March 2012, the Group acquired a 51% interest in Media Magic from 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 ended 31 July 2012 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. During the year ended 31 July 2013, the Group 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 a 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.

36. BUSINESS COMBINATION (Continued)

(a) (Continued)

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
Cash and bank balances		8
Deferred tax liabilities	32	(18,706)
		56,127
Non-controlling interests		(27,502)
Total identifiable net assets at fair value		28,625
Options	26	31,411
Goodwill on acquisition	14	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.

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)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

36. BUSINESS COMBINATION (Continued)

(a) (Continued)

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 period ended 31 July 2013 since the acquisition date, 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 financial period ended 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 31 July 2012 were determined as insignificant by the directors with reference to the valuation performed by Greater China Appraisal Limited, an independent firm of professional valuers. In the opinion of the directors of the Company, the fair value of contingent consideration was insignificant as at 31 July 2013.

(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 a 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.

36. BUSINESS COMBINATION (Continued)

(b) (Continued)

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	13	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	14	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)

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

37. COMMITMENTS

(a) *Capital commitments*

As 31 July 2013, the Group had the following capital commitments, contracted but not provided for, as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Capital contribution to joint ventures	**11,401**	12,492
Capital contribution to an associate	**2,011**	13,561
Acquisition of items of property, plant and equipment	**2,479**	3,144
	15,891	29,197

At the end of the reporting period, the Company did not have any significant capital commitment (2012: Nil).

(b) *Operating lease commitments*

At 31 July 2013, the Group leased certain of its office premises under operating lease arrangements. Leases for properties are negotiated for terms ranging from one year to five years (2012: from three months to two years).

At 31 July 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Within one year	**3,400**	2,184
Within two to five years	**2,170**	3,261
	5,570	5,445

At the end of the reporting period, the Company had no significant operating lease commitments (2012: Nil).

38. 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:

		Group	
	Notes	**2013 HK$'000**	2012 HK$'000
Fellow subsidiaries:			
Rental expenses and building management fee@	(i)	**642**	210
Royalty income@	(ii)	**837**	—
Sponsorship income@	(ii)	**929**	—
Artiste fee@	(iii)	**268**	1,355
Performance fee@	(iii)	**—**	175
Music royalty commission income@	(iv)	**455**	—
Film distribution commission income@	(v)	**1,392**	—
Share of net income by the Group on concerts organised by fellow subsidiaries@	(vi)	**4,984**	65
Share of net income by a fellow subsidiary on concerts organised by the Group@	(vii)	**—**	95
Related companies:			
Rental expenses and building management fee@*	(i)	**936**	471
Production fee@#	(ii)	**—**	400
Production fee##	(ii)	**2,040**	—
Artiste fee@#	(iii)	**167**	600

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

* The company is a major shareholder of eSun.

These companies are joint ventures of eSun.

The company is a joint venture of the Group.

Notes:

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

(ii) The royalty income, sponsorship income and production fee were charged in accordance with contractual terms with the respective parties.

(iii) During the year ended 31 July 2013, the Group paid artiste fee and performance fee of HK$435,000 (2012: HK$2,130,000) to fellow subsidiaries or related companies for engaging artistes in the Group's events. The artiste fee and performance fee were charged in accordance with contractual terms.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

38. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes (Continued)

(iv) During the year ended 31 July 2013, the Group received contract sum of HK$1,517,000 (2012: Nil), net of direct expenses, from licensing certain music catalogues owned by fellow subsidiaries. The Group was entitled to music royalty commission income of HK$455,000 (2012: Nil) in the current year. The balance of HK$1,062,000 (2012: Nil) was paid to eSun which was designated as the representative of fellow subsidiaries. The music royalty commission income was charged in accordance with contractual terms.

(v) During the year ended 31 July 2013, the Group received contract sum of HK$9,281,000 (2012: Nil), net of direct expenses, from licensing certain film rights and film products owned by fellow subsidiaries. The Group was entitled to film distribution commission income of HK$1,392,000 (2012: Nil) in the current year. The balance of HK$7,889,000 (2012: Nil) was paid to eSun which was designated as the representative of fellow subsidiaries. The film distribution commission income was charged in accordance with contractual terms.

(vi) During the year ended 31 July 2013, the Group invested in concerts organised by fellow subsidiaries and paid HK$17,507,000 (2012: HK$976,000) to fellow subsidiaries. During the year ended 31 July 2013, the Group shared net income of HK$4,984,000 (2012: HK$65,000) from these concerts. The investment costs in concerts and sharing of concerts results were conducted in accordance with contractual terms.

(vii) During the year ended 31 July 2012, a fellow subsidiary invested in a concert organised by the Group and paid HK$800,000 to the Group. The fellow subsidiary shared net income of HK$95,000 from this concert during the year ended 31 July 2012. The investment costs in the concert and sharing of concert results were conducted in accordance with contractual terms.

(b) Commitments with related parties:

(i) During the year ended 31 July 2012, a subsidiary of the Group, as the lessee, entered into a tenancy agreement with a major shareholder of eSun for leasing office premise for a term of two years. The total operating lease commitment due within one year as at 31 July 2013 was approximately HK$499,000 (2012: HK$704,000). As at 31 July 2012, the total operating lease commitment due within two to five years was approximately HK$449,000.

(ii) During the years ended 31 July 2013 and 2012, certain subsidiaries of the Group, as the lessees, entered into an agreement with fellow subsidiaries, for leasing office premises for terms of one to two years. The total operating lease commitment due within one year, and two to five years as at 31 July 2013 were HK$529,000 (2012: HK$420,000) and HK$240,000 (2012: HK$630,000), respectively.

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

	Group	
	2013	2012
	HK$'000	HK$'000
Short term employee benefits	**6,745**	11,249
Equity-settled share option expense	**334**	5,030
Post-employment benefits	**19**	39
	7,098	16,318

Further details of directors' emoluments are included in note 8 to the financial statements.

39. DISCONTINUED OPERATION AND DISPOSAL OF SUBSIDIARIES

(a) *Discontinued operation*

In June 2013, the Company entered into an agreement with an independent third party to sell the entire equity interest in Rojam Entertainment Limited and its subsidiaries (collectively, the "Disposal Group"), wholly-owned subsidiaries of the Company, at a cash consideration of approximately HK$669,000. The Disposal Group were principally engaged in licensing of software business. The Group considered the cessation of licensing of software business enabled it to focus the resources on the entertainment and film businesses. The disposal was completed in June 2013, and accordingly, the Group's licensing of software operation was discontinued.

The results of the discontinued operation in respect of licensing of software for the year are presented below:

	2013 HK$'000	2012 HK$'000
Interest income	**5**	28
Other income	**2**	13
Administrative expenses	**(1,888)**	(821)
Depreciation	**(3)**	(6)
Other operating expenses		
Impairment of other intangible assets	**(34)**	—
Impairment of trade receivables	**—**	(979)
Impairment of advances and other receivables	**—**	(9,437)
Loss on disposal of items of property, plant and equipment	**(22)**	(45)
Loss before tax	**(1,940)**	(11,247)
Income tax	**—**	—
Loss for the year from the discontinued operation	**(1,940)**	(11,247)

The net cash flows incurred by the discontinued operation are as follows:

	2013 HK$'000	2012 HK$'000
Operating activities	**(1,945)**	(584)
Investing activities	**5**	28
Net cash outflow	**(1,940)**	(556)
Loss per share:		
Basic and diluted, from the discontinued operation (HK cents)	**(0.015)**	(0.088)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

39. DISCONTINUED OPERATION AND DISPOSAL OF SUBSIDIARIES (Continued)

(a) *Discontinued operation* (Continued)

The calculation of basic loss per share from the discontinued operation is based on the loss from the discontinued operation for the year of approximately HK$1,940,000 (2012: HK$11,247,000) and the weighted average number of ordinary shares of approximately of 13,140,257,000 (2012: 12,825,667,000) in issue during the year attributable to owners of the Company.

No adjustment has been made to the basic loss per share from the discontinued operation amounts presented for the years ended 31 July 2013 and 2012 in respect of a dilution as the impact of the share options, the First Completion Convertible Notes and the Second Completion Convertible Notes outstanding during the years had an anti-dilutive effect on the basic loss per share amounts presented.

(b) *Disposal of subsidiaries*

The net assets of the Disposal Group at the date of disposal were as follows:

	HK$'000
Cash and bank balances	737
Prepayments, deposits and other receivables	2
Accruals and other payables	(70)
Net assets disposed of	669
Release of foreign currency translation reserve	(5,703)
Gain on disposal of subsidiaries	5,703
Cash consideration	669

An analysis of the cash flows in respect of the Disposal Group is as follows:

	HK$'000
Cash consideration	669
Cash and bank balances disposed of	(737)
Net cash outflow in respect of the disposal of subsidiaries during the year ended 31 July 2013	(68)

40. 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 2013

	Loans and receivables HK$'000	Financial assets at fair value through profit or loss HK$'000	Total HK$'000
Trade receivables	58,109	—	58,109
Financial assets included in prepayments, deposits and other receivables	234,845	—	234,845
Options	—	21,579	21,579
Cash and cash equivalents	414,384	—	414,384
Due from joint ventures	9,535	—	9,535
Due from an associate	17,488	—	17,488
	734,361	21,579	755,940

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 joint ventures	605	—	605
Due from an associate	5,862	—	5,862
	813,810	32,491	846,301

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

40. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Group

Financial liabilities

	31 July 2013 Financial liabilities at amortised cost HK$'000	31 July 2012 Financial liabilities at amortised cost HK$'000
Trade payables	2,177	653
Financial liabilities included in accruals and other payables	92,431	37,211
Loan from a non-controlling shareholder	6,150	6,027
Convertible notes	506,776	458,941
	607,534	502,832

Company

Financial assets

	31 July 2013 Loans and receivables HK$'000	31 July 2012 Loans and receivables HK$'000
Due from subsidiaries	808,110	422,179
Financial assets included in prepayments, deposits and other receivables	41	265
Pledged time deposit	—	9,740
Cash and cash equivalents	162,117	618,339
	970,268	1,050,523

40. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Company (Continued)

Financial liabilities

	31 July 2013 Financial liabilities at amortised cost HK$'000	31 July 2012 Financial liabilities at amortised cost HK$'000
Due to a subsidiary	**53,300**	30,897
Financial liabilities included in accruals and other payables	**987**	2,153
Convertible notes	**506,776**	458,941
	561,063	491,991

41. 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 2013, the options amounting to HK$21,579,000 (31 July 2012: HK$32,491,000) were measured at fair value in Level 3.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

41. FAIR VALUE HIERARCHY (Continued)

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

	Group	Group and Company
	Options	**Forward contract**
	HK$'000	HK$'000
At 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 and 1 August 2012	32,491	—
Fair value loss recognised in consolidated income statement	(10,912)	—
At 31 July 2013	21,579	—

During the year, there were no transfers into or out of Level 3 fair value measurements (2012: Nil).

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise convertible notes, 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:

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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 2013		
If Hong Kong dollar weakens against RMB	5	2,621
31 July 2012		
If Hong Kong dollar weakens against RMB	5	1,335

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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 2013					
Time deposits	0.5	563	563	0.5	563
31 July 2012					
Time deposits	0.5	3,050	3,050	0.5	3,050

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

42. 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 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
31 July 2013					
Trade payables	—	2,177	—	—	2,177
Financial liabilities included in accruals and other payables	—	92,431	—	—	92,431
Loan from a non-controlling shareholder	6,150	—	—	—	6,150
Convertible notes	—	346,387	224,874	—	571,261
Total	6,150	440,995	224,874	—	672,019

	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
31 July 2012					
Trade payables	—	653	—	—	653
Financial liabilities included in accruals and other payables	—	37,211	—	—	37,211
Loan from a non-controlling shareholder	6,027	—	—	—	6,027
Convertible notes	—	—	346,387	224,874	571,261
Total	6,027	37,864	346,387	224,874	615,152

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2013

42. 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 2013					
Due to a subsidiary	53,300	—	—	—	53,300
Financial liabilities included in accruals and other payables	—	987	—	—	987
Convertible notes	—	346,387	224,874	—	571,261
Total	53,300	347,374	224,874	—	625,548

	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

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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.

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 registrar 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. As at 31 July 2013, 37.32% (2012: 35.69%) of the shares were in public hands.

43. COMPARATIVE FIGURES

The comparative income statement has been represented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period.

Certain comparative amounts in the consolidated statement of financial position have been reclassified to conform with the current year's presentation. In the opinion of the directors of the Company, this presentation would better reflect the financial position of the Group.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 9 October 2013.

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 Gloucester Room II, 3rd Floor, The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong on Friday, 22 November 2013 at 2:30 p.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 of the Company for the year ended 31 July 2013;

(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 re-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

NOTICE OF ANNUAL GENERAL MEETING *(continued)*

(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 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, 24 October 2013

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

NOTICE OF ANNUAL GENERAL MEETING *(continued)*

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 19 November 2013 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, Dr. Lam Kin Ngok, Peter, Mr. Yu Feng and Mr. Lui Siu Tsuen, Richard will retire by rotation at the AGM and, being eligible, offer themselves for re-election;

   (ii) in accordance with Bye-law 83(2) of the Company's Bye-laws, Mr. Jeffrey Soong who was appointed an executive Director with effect from 22 November 2012 will retire at the AGM and, being eligible, offer himself for re-election; and

   (iii) 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 2013.

   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 (6) of this notice will be sent to Members together with the Annual Report of the Company for the year ended 31 July 2013.

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 and distribution, concert and live performance, artiste management, television dramas production and distribution, and advertising 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與發行、演唱會與現場表演、藝人管理、電視劇製作與發行及廣告業務。

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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