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)

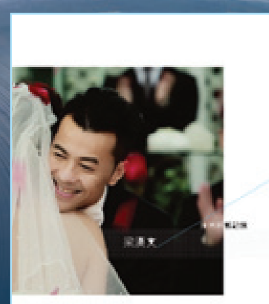
Annual Report

Year ended 31 July 2014

二零一四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。



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Annual Report 2014

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

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

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

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

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CORPORATE INFORMATION

PLACE OF INCORPORATION

Incorporated in the Cayman Islands and continued in Bermuda

BOARD OF DIRECTORS

Executive Directors

Lam Kin Ngok, Peter *(Chairman)*
Yu Feng
Choi Chiu Fai, Stanley
Lui Siu Tsuen, Richard
Chan Chi Kwong
Yip Chai Tuck

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
Lui Siu Tsuen, Richard
Yip Chai Tuck

REMUNERATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Lui Siu Tsuen, Richard
Yip Chai Tuck

COMPLIANCE OFFICER

Lui Siu Tsuen, Richard

COMPANY SECRETARY

Lui Siu Tsuen, Richard

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL OFFICE

11th Floor, Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
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 PRC Law:
Jingtian & Gongcheng

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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited

STOCK CODE/BOARD LOT

8075/4,000 shares

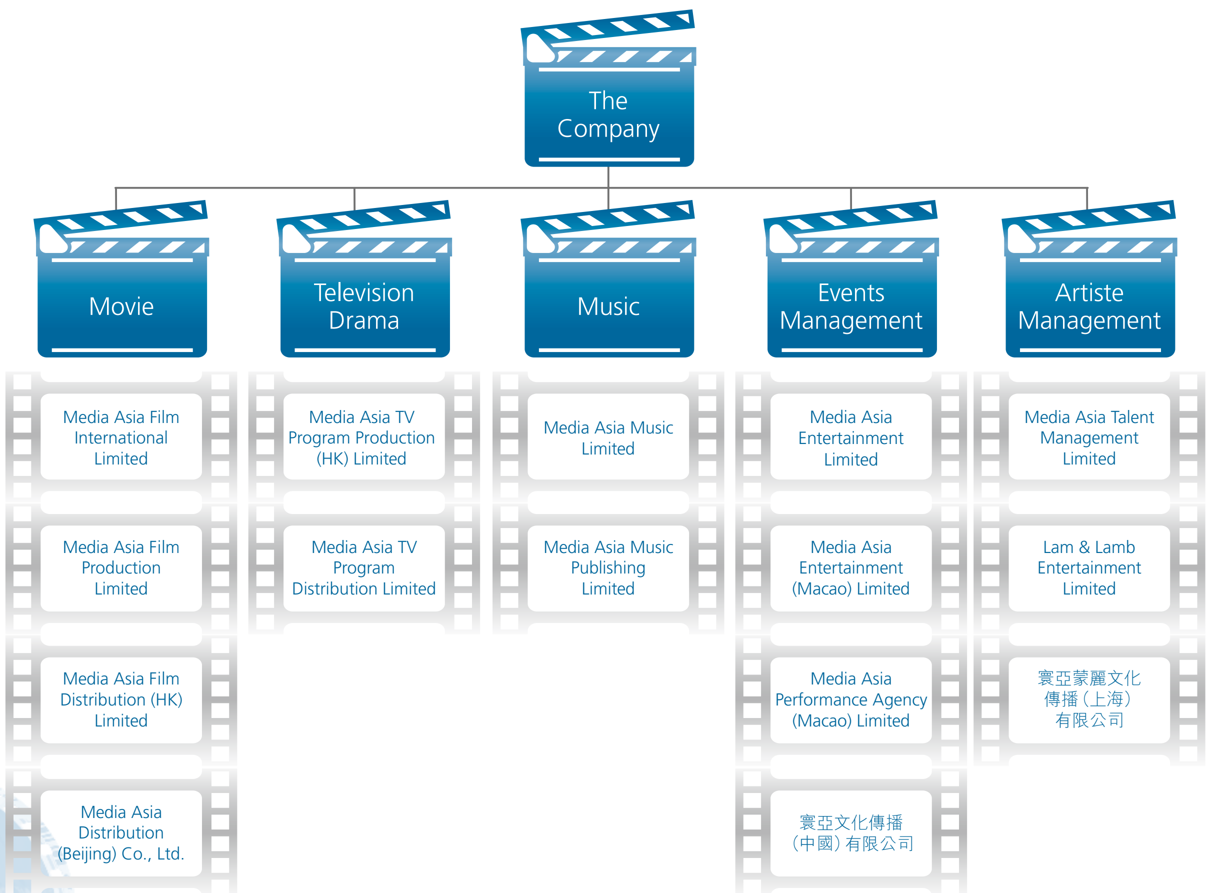
WEBSITE

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 principal 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 programs; 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 2014 HK$'000	Year ended 31 July 2013 HK$'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
Results for the year/period					
Continuing operations					
Turnover	**456,950**	441,170	117,460	9,760	7,624
Profit/(loss) before tax	**(147,713)**	(84,273)	(272,821)	3,438	(36,215)
Income tax expenses	**(5,510)**	(6,748)	(4,766)	—	(150)
Profit/(loss) for the year/period from continuing operations	**(153,223)**	(91,021)	(277,587)	3,438	(36,365)
Discontinued operation					
Loss for the year/period from a discontinued operation	**—**	(1,940)	(11,247)	(3,025)	(9,103)
Profit/(loss) for the year/period attributable to owners of the Company and non-controlling interests	**(153,223)**	(92,961)	(288,834)	413	(45,468)
Assets and liabilities					
Total assets	**927,662**	1,163,257	1,107,368	581,408	47,719
Total liabilities	**(373,159)**	(690,650)	(538,447)	(289,566)	(24,676)
Net assets	**554,503**	472,607	568,921	291,842	23,043

CHAIRMAN'S STATEMENT

OVERVIEW OF RESULTS

During the year ended 31 July 2014, the Group recorded a turnover of approximately HK$456,950,000, representing a slight increase of 4% from turnover of approximately HK$441,170,000 for the year ended 31 July 2013. For the year ended 31 July 2014, the Group recorded a loss after tax from continuing operations of approximately HK$153,223,000 (2013: approximately HK$91,021,000). Loss attributable to owners of the Company for the year ended 31 July 2014 was approximately HK$153,154,000 compared to approximately HK$98,883,000 for the previous financial year. The significant increase in loss attributable to owners of the Company was mainly due to impairment losses of film investments and write-off of property, plant and equipment resulting from office relocation.

As at 31 July 2014, the Group's equity attributable to owners of the Company amounted to approximately HK$556,551,000 (2013: approximately HK$439,056,000) and the net asset value per share was HK41.5 cents (2013: HK66.8 cents per share as restated, after the Capital Reorganisation).

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 2014 (2013: Nil).

PROSPECTS

The China entertainment market continues to grow. With the film market recording US$3.5 billion of box office revenues in 2013 (according to China Film Industry Report issued by EntGroup), China is now the second largest film market globally in terms of box office revenues. It is widely expected that China will eventually surpass the United States not merely in films but to become the world's biggest entertainment market.

The Group has throughout the year, embarked on a number of strategic initiatives to capture market opportunities.

Mr. Gordon Chan has joined the Group as Head of Film Division and is tasked to further develop our Film Division, particularly, in growing our slate of films targeting the mainland China market. Mr. Chan is an acclaimed award-winning director and producer and has directed/produced over 30 popular films during the years. Mr. Chan has also served as senior executive in various film production and distribution companies both in Hong Kong and China, and he is the Chairman of the Hong Kong Film Awards Association.

The Group has re-organised our TV Division and acquired self-production capabilities with Mr. Tommy Leung joining as Head of TV Division. The TV Division will be self-producing TV drama projects in China and aims to grow its pipeline of China TV projects. Prior to joining the Group, Mr. Leung was the Head of Drama Production with TVB, the dominant TV broadcaster in Hong Kong, which he has served for more than 40 years.

In September 2014, we entered into an agreement with SM Entertainment Group ("SM"), the market leader in music and artist management businesses in Korea and the Fubon Group, a leading financial and communications conglomerate in Taiwan, to set up Dragon Tiger Capital Partners L.P. ("DTCP"), which is an investment fund targeting film and TV projects for mainland China and also distribution to the global Chinese language audience. The fund will act as an additional source of funding for the production of relevant projects under development by the Group's Film and TV Divisions.

Whilst DTCP is an investment vehicle, the Group has also extended our alliance with SM in operational level by acting as the exclusive management agent of Zhang Li Yin, f(x) and EXO in China, in addition to Super Junior which we are already managing since 2012. The Group believes that a strong artiste roster will complement our media and entertainment businesses. As we are expanding our Chinese artiste portfolio, the Group will increase co-operation with Asian and international artistes and will keep on producing music products and promoting concerts and lives performances mainly in Greater China.

We are convinced that with our upcoming feature films, quality TV dramas and variety programs and popular music products and live entertainment events, the Group is going to capitalise the growth of China entertainment market with a well-balanced approach and a comprehensive platform.

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. Yip Chai Tuck who joined the Board as an executive director during the year, bringing his experience from corporate advisory and business development. I would also like to thank Mr. Jeffrey Soong who left the Board during the year for his contribution to the Company during his tenure. I firmly believe that the concerted efforts of our staff and stakeholders will continue to propel the growth momentum of our Group going forward.

Lam Kin Ngok, Peter
Chairman

Hong Kong, 16 October 2014

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the year ended 31 July 2014, the Group recorded a turnover of approximately HK$456,950,000, representing a slight increase of 4% from turnover of approximately HK$441,170,000 for the year ended 31 July 2013. The increase in the turnover of the Group was mainly attributable to the increase in the revenue of the Group's entertainment events.

Cost of sales for the year ended 31 July 2014 increased to approximately HK$368,108,000 from approximately HK$304,186,000 for the previous financial year ended 31 July 2013. Marketing expenses for the year ended 31 July 2014 was approximately HK$47,851,000 (2013: approximately HK$70,555,000) and administrative expenses for the year ended 31 July 2014 was approximately HK$117,210,000 (2013: approximately HK$99,686,000). The decrease in the marketing expenses was due to decrease in the number of films released in current year. Whilst management has taken certain cost cutting measures, the Group is repositioning and expanding our China operations resulting in a net increase in administrative expenses. Other operating expenses increased to approximately HK$50,699,000 (2013: approximately HK$24,320,000). Other operating expenses mainly include share of net income to co-investors of entertainment events organised by the Group, impairment loss of other receivables and write-off of property, plant and equipment.

Finance costs decreased to approximately HK$43,254,000 for the year ended 31 July 2014 from approximately HK$47,835,000 for the year ended 31 July 2013. The decrease in finance costs was mainly attributable to the redemption of the First Completion Convertible Notes (defined in the note 30 to the consolidated financial statements) on 8 June 2014.

For the year ended 31 July 2014, the Group recorded a loss after tax from continuing operations of approximately HK$153,223,000 (2013: approximately HK$91,021,000). Loss attributable to owners of the Company for the year ended 31 July 2014 was approximately HK$153,154,000 compared to approximately HK$98,883,000 for the previous financial year. The significant increase in loss attributable to owners of the Company was mainly due to the impairment loss of other receivables related to a film investment of approximately HK$19,593,000 in which the Group failed to receive its investment and return according to the terms of related agreement, impairment loss of a film investment of approximately HK$35,153,000 due to poor performance of its worldwide box office, and write-off of property, plant and equipment of approximately HK$15,775,000 resulting from office relocation.

As at 31 July 2014, the Group's equity attributable to owners of the Company amounted to approximately HK$556,551,000 (2013: approximately HK$439,056,000) and the net asset value per share was HK41.5 cents (2013: HK66.8 cents as restated, after the Capital Reorganisation).

BUSINESS REVIEW

Media and entertainment segment

Events Management

During the year under review, the Group organised and invested in 89 (2013: 107) shows by popular local, Asian and internationally renowned artistes, including Super Junior, EXO, Girls' Generation, Andy Lau, S.H.E., Big Four, Grasshopper, Ekin Cheng, Ivana Wong, Anthony Wong, Denise Ho, Paula Tsui, Tsai Chin, Yoga Lin and Fukuyama Masaharu. The total revenue from these businesses amounted to approximately HK$226,345,000.

In August 2011, the Group entered into an entertainment service agreement with an independent third party, pursuant to which the Group has provided certain entertainment consultancy services including designing and formulating event proposals and management of events in Macau. Events management income included retainer fees recognised of approximately HK$25,848,000 during the year arising from the said entertainment service agreement.

Music

During the year under review, the Group released 23 (2013: 25) albums, including titles by Super Junior, Sammi Cheng, Anthony Wong, Mark Lui, Richie Jen, Ekin Cheng, Justin Lo, Denise Ho, Ellen Loo, C AllStar and RubberBand. Turnover from music publishing and recording was approximately HK$23,198,000.

Artiste Management

During the year under review, the Group recorded a turnover of approximately HK$27,524,000 from artiste management. The Group currently has around 30 artistes under its management.

Advertising and others

During the year under review, the Group recorded a turnover of approximately HK$4,033,000 from advertising business and producer fee income of TV programs of approximately HK$676,000.

Film and TV program segment

Film production and distribution

During the year under review, the Group through its film production and distribution units, completed principal photography of 8 films, with 8 other films in the production pipeline or under development and most of them are expected to be released by 2015. The Group recorded a turnover of approximately HK$140,549,000 from film licence fee and distribution commission.

TV program production and distribution

During the year under review, the Group has recorded a turnover of approximately HK$8,777,000 from TV program licence fee and distribution commission. The Group has also made investments in the production of another 228 episodes of television dramas in the PRC which are expected to generate return to the Group in the coming financial years.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

CAPITAL REORGANISATION AND CHANGE IN BOARD LOT SIZE

On 2 December 2013, the Company announced the proposed capital reorganisation ("Capital Reorganisation") and the proposed change in the board lot size ("Change in Board Lot Size").

The Capital Reorganisation was approved by the shareholders of the Company at the special general meeting on 8 January 2014 and became effective on 9 January 2014.

The board lot size for trading on the Stock Exchange was changed from 2,000 Shares to 4,000 New Shares (as defined in note 32(b) to the consolidated financial statements) from the effective date of the Capital Reorganisation.

The details of the Capital Reorganisation and Change in Board Lot Size are set out in the announcement of the Company dated 2 December 2013, the circular of the Company dated 13 December 2013.

CAPITAL STRUCTURE

As at 31 July 2014, the Group's equity attributable to owners of the Company increased by 27% to approximately HK$556,551,000 (as at 31 July 2013: approximately HK$439,056,000). Total assets amounted to approximately HK$927,662,000 (as at 31 July 2013: approximately HK$1,163,257,000) included current assets amounting to approximately HK$806,895,000 (as at 31 July 2013: approximately HK$944,244,000). Current liabilities were approximately HK$373,159,000 (as at 31 July 2013: approximately HK$485,341,000). Net asset value per share attributable to owners of the Company as at 31 July 2014 was approximately HK41.5 cents (as at 31 July 2013: approximately HK66.8 cents per share as restated, after the Capital Reorganisation). Current ratio was approximately 2.2 (as at 31 July 2013: approximately 1.9).

LIQUIDITY, FINANCIAL RESOURCES AND CHARGE ON ASSETS

The Group financed its operations with internal resources and convertible notes. During the year, First Completion Convertible Notes with principal amount of approximately HK$189,091,000 were redeemed upon maturity on 8 June 2014. As at 31 July 2014, the Group had unsecured and unguaranteed 3-year zero coupon Second Completion Convertible Notes with an outstanding principal amount of approximately HK$182,874,000. For accounting purpose after deducting the equity portion of the convertible notes from the principal amount, the resultant carrying amount of the convertible notes after adjusting for accrued interest was approximately HK$ 168,973,000 (as at 31 July 2013: HK$506,776,000). As at 31 July 2014, the Group had no unutilised letter of credit facility (as at 31 July 2013: Nil).

As at 31 July 2014, the Group's cash and cash equivalents decreased to approximately HK$326,999,000 (as at 31 July 2013: approximately HK$414,384,000). The balances were approximately 36% denominated in Hong Kong dollars, 59% in Renminbi ("RMB") and 5% in United States dollars. The RMB denominated balances were placed with licensed banks in the PRC. The conversion of these RMB balances into foreign currencies and the remittance of such foreign currencies balances, are subject to the rules and regulation of foreign exchange control promulgated by the PRC government. Save for the aforesaid, as at 31 July 2014, the Group did not have any bank loans, overdrafts or any other borrowing. No interests have been capitalised during the year ended 31 July 2014.

As at 31 July 2014, the gearing ratio of the Group, being the total borrowings to shareholders' equity attributable to the owners of the Company, was approximately 30.4% (as at 31 July 2013: 116.8%).

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 2014, the Group had no outstanding foreign currency hedge contracts (as at 31 July 2013: Nil).

MATERIAL ACQUISITION/DISPOSAL AND SIGNIFICANT INVESTMENTS

Details of the acquisition of a subsidiary and the disposal of subsidiaries of the Group during the year are set out in note 35 and note 38 to the consolidated financial statements, respectively.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 July 2014 (as at 31 July 2013: Nil).

EMPLOYEE INFORMATION

As at 31 July 2014, the Group had 209 (as at 31 July 2013: 232) employees. Staff costs, including directors' emoluments for the year ended 31 July 2014, amounted to approximately HK$84,256,000 (2013: approximately HK$71,136,000). 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 57, was appointed an executive director and the Chairman of the Company with effect from 16 June 2011. Dr. Lam is also the deputy chairman and executive director of Lai Sun Garment (International) Limited ("LSG"), the chairman and executive director of Lai Sun Development Company Limited ("LSD") and an executive director of Crocodile Garments Limited ("CGL"). Dr. Lam was the chairman and an executive director of Lai Fung Holdings Limited ("Lai Fung") from 25 November 1993 to 31 October 2012 and an executive director of eSun Holdings Limited ("eSun") from 15 October 1996 to 13 February 2014. The issued shares of LSG, LSD, eSun, Lai Fung and CGL are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). LSG is the ultimate holding company of LSD which in turn is the controlling shareholder of eSun, while the Company and Lai Fung are subsidiaries of eSun. 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, a director of Hong Kong-Vietnam Chamber of Commerce Limited, a member of Aviation Development Advisory Committee, a non-official member of the Consultative Committee on Economic and Trade Co-operation between Hong Kong and the Mainland and a non-official member of the Lantau Development Advisory Committee.

Mr. Yu Feng, aged 51, was appointed an executive director of the Company with effect from 16 June 2011. Mr. Yu is the founder and chairman of Yunfeng Fund, L.P. (the "Yunfeng Fund") which was launched by Mr. Yu together with other entrepreneurs in 2010. He has over 13 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 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) and a non-executive director of CITIC 21CN Company Limited (a company whose securities are listed and traded on the Stock Exchange and his appointment was on 30 April 2014). Dr. Choi Chiu Fai, Stanley, an executive director of the Company, is also one of the founders of the Yunfeng Fund.

EXECUTIVE DIRECTORS (continued)

Dr. Choi Chiu Fai, Stanley, aged 45, was appointed an executive director of the Company with effect from 24 October 2011. Dr. Choi possesses about 23 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, Dr. Choi had 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 March 2010) and the chief executive officer and an executive director of Carnival Group International Holdings Limited (formerly known as "Oriental Ginza Holdings Limited", from October 2006 to October 2007). Dr. Choi received a Bachelor of Business Administration degree (Magna Cum Laude) majoring in finance from Wichita State University and a Master of Science degree in International Finance from University of Illinois, both in the United States of America. In June 2006, he was awarded a Master degree in law from the Law School of the Chinese People's University. In November 2013, he was awarded a Doctor of Business Administration degree by the City University of Hong Kong and his research area was financial derivative models and their risk management. Dr. Choi is one of the founders of 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.

The Company and Dr. Choi have entered into a service contract with no fixed tenure, which is determinable by the Company or Dr. Choi by giving the other party not less than three months' prior written notice or payment in lieu thereof. In accordance with the provisions of the Bye-laws of the Company, Dr. Choi will be subject to retirement as a director by rotation once every three years if re-elected at the forthcoming annual general meeting (the "AGM") and will also be eligible for re-election at future AGMs. Dr. Choi is entitled to receive a director's fee of HK$10,000 per month which is determined by the board of directors of the Company (the "Board") from time to time with reference to the performance of the Company, his duties and responsibilities and time allocated to the Company as well as the prevailing market conditions.

Save as disclosed above, Dr. Choi does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company. As at the date of this report, he does not have any other interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO").

For the purpose of Dr. Choi's re-election as a director at the forthcoming AGM, save as disclosed above, there are no other matters which need to be brought to the attention of the shareholders of the Company, and there is no other information that needs to be disclosed pursuant to the requirements of Rule 17.50(2) of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules").

BIOGRAPHICAL DETAILS OF DIRECTORS *(continued)*

EXECUTIVE DIRECTORS (continued)

Mr. Lui Siu Tsuen, Richard, aged 58, was appointed an executive director of the Company with effect from 16 June 2011. He is 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 an executive director and the chief executive officer of eSun and was an executive director of LSG, LSD and Lai Fung respectively from 1 January 2011 to 31 October 2012.

Mr. Lui is an independent non-executive director of Prosperity Investment Holdings Limited (a company listed and traded on the Stock Exchange). He was an independent non-executive director of 21 Holdings Limited (a company listed and traded on the Stock Exchange, from 23 June 2009 to 9 April 2014). Prior to joining the Company, Mr. Lui had held senior executive positions in a few Hong Kong and overseas listed companies.

Mr. Lui has over 28 years of experience in property investment, corporate finance and media and entertainment business. He is a fellow member 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.

Mr. Chan Chi Kwong, aged 54, 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. He is also a director of a number of 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 23 years of experience in various media and entertainment fields in the PRC and Hong Kong. Prior to joining the Company, Mr. Chan 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.

Mr. Yip Chai Tuck, aged 40, was appointed an executive director of the Company on 21 July 2014. He is a member of the Executive Committee, the Remuneration Committee and the Nomination Committee of the Company. He is also an executive director of eSun and the chief executive officer of LSG. He has extensive experience in corporate advisory, business development and investment banking. Prior to joining the Company, Mr. Yip was a managing director of Goldman Sachs and head of mergers and acquisitions for China. He had also worked for PCCW Limited, a Hong Kong listed company, as vice president of ventures and mergers and acquisitions, responsible for strategic investments and mergers and acquisitions transactions.

Mr. Yip graduated from Macquarie University, Australia with a Bachelor of Commerce (Accounting) and obtained a Master Degree in Applied Finance and Investments from the Financial Services Institute of Australia, where he is also a fellow member.

EXECUTIVE DIRECTORS (continued)

The Company and Mr. Yip have entered into a service contract with no fixed term but such contract is determinable by either the Company or Mr. Yip serving the other party not less than 3 months' written notice or payment in lieu thereof. Presently, Mr. Yip receives an annual remuneration of HK$1,000,000 from the Company and such other remuneration and discretionary bonus as may be determined by the Board from time to time with reference to the performance of the Company, his duties and responsibilities and time allocated to the Company as well as the prevailing market conditions.

In accordance with the provisions of the Bye-laws of the Company, Mr. Yip will retire from office as a director at the forthcoming AGM and is eligible for re-election thereat. If elected, he will be subject to retirement by rotation once every three years and will also be eligible for re-election at future AGMs.

Save as disclosed above, Mr. Yip does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company. As at the date of this report, he does not have any other interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

For the purpose of Mr. Yip's re-election as a director at the forthcoming AGM, save as disclosed above, there are no other matters which need to be brought to the attention of the shareholders of the Company, and there is no other information that needs to be disclosed pursuant to the requirements of Rule 17.50(2) of the GEM Listing Rules.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chi Yuen, aged 47, 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 member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants in the United Kingdom and an associate member 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 South East Group Limited and Noble Century Investment 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 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), Superb Summit International Group Limited (from April 2007 to June 2010) and China Sandi Holdings Limited (from 18 September 2009 to 8 July 2014). The issued shares of all the aforesaid companies are listed and traded on the Stock Exchange.

BIOGRAPHICAL DETAILS OF DIRECTORS *(continued)*

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

Mr. Zhang Xi, aged 45, 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 executive director of China Investment Fund Company Limited (appointed on 15 February 2013) and an independent non-executive director of Asia Energy Logistics Group Limited. Mr. Zhang was an executive director of China New Energy Power Group Limited (from December 2006 to May 2012). The issued shares of all the aforesaid companies are listed and traded on the Stock Exchange.

There is a service contract between the Company and Mr. Zhang which is renewed on a yearly basis and is determinable by giving the other party not less than one month's prior written notice. In accordance with the provisions of the Bye-laws of the Company, Mr. Zhang will be subject to retirement as a director by rotation once every three years if re-elected at the forthcoming AGM and will also be eligible for re-election at future AGMs. Mr. Zhang is entitled to receive a director's fee of HK$10,000 per month which is determined by the Board from time to time with reference to the performance of the Company, his duties and responsibilities and time allocated to the Company as well as the prevailing market conditions.

Save as disclosed above, Mr. Zhang does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company. As at the date of this report, he does not have any other interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

For the purpose of Mr. Zhang's re-election as a director at the forthcoming AGM, save as disclosed above, there are no other matters which need to be brought to the attention of the shareholders of the Company, and there is no other information that needs to be disclosed pursuant to the requirements of Rule 17.50(2) of the GEM Listing Rules.

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

Mr. Ng Chi Ho, Dennis, aged 56, was appointed an independent non-executive director of the Company with effect from 3 October 2011. Mr. Ng is a member of the Audit Committee, the Nomination Committee and the Remuneration 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 is currently the chief financial officer and company secretary of Celebrate International Holdings Limited and an independent non-executive director of Sunrise (China) Technology Group Limited (appointed on 26 June 2014). Mr. Ng was the company secretary of Powerleader Science & Technology Group Limited (from July 2007 to April 2010) and Tech Pro Technology Development Limited (from December 2009 to August 2013). The issued shares of all the aforesaid companies are listed and traded on the Stock Exchange.

There is a service contract between the Company and Mr. Ng which is renewed on a yearly basis and is determinable by giving the other party not less than one month's prior written notice. In accordance with the provisions of the Bye-laws of the Company, Mr. Ng will be subject to retirement as a director by rotation once every three years if re-elected at the forthcoming AGM and will also be eligible for re-election at future AGMs. Mr. Ng is entitled to receive a director's fee of HK$10,000 per month which is determined by the Board from time to time with reference to the performance of the Company, his duties and responsibilities and time allocated to the Company as well as the prevailing market conditions.

Save as disclosed above, Mr. Ng does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company. As at the date of this report, he does not have any other interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

For the purpose of Mr. Ng's re-election as a director at the forthcoming AGM, save as disclosed above, there are no other matters which need to be brought to the attention of the shareholders of the Company, and there is no other information that needs to be disclosed pursuant to the requirements of Rule 17.50(2) of the GEM Listing Rules.

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 (the "CG Code") contained in Appendix 15 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange" and the "GEM Listing Rules", respectively) 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 2014 save for the following deviation:

Under code provision E.1.2, the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend.

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 commitment. Other directors of the Company (the "Directors"), including members of the audit, remuneration and nomination committees, attended the annual general meeting of the Company held on 22 November 2013 and were available to answer Shareholders' questions 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 of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of all Directors and they have confirmed in writing their compliance with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules and the Securities Code during the year ended 31 July 2014 or during the period from his appointment to 31 July 2014 (as for the Director appointed during the year).

(3) BOARD OF DIRECTORS

Responsibilities and delegation

The board of Directors (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 performance, position, recent developments and prospect of the Company and its subsidiaries (collectively, the "Group") in sufficient detail.

(3) BOARD OF DIRECTORS (continued)

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, Dr. Choi Chiu Fai, Stanley, Mr. Lui Siu Tsuen, Richard, Mr. Chan Chi Kwong and Mr. Yip Chai Tuck and three independent non-executive Directors (the "INEDs"), namely Messrs. Chan Chi Yuen, Zhang Xi and Ng Chi Ho, Dennis.

INEDs

The Company has complied with the requirements under Rules 5.05(1) and (2) of the GEM Listing Rules during the year that (i) it has three INEDs; and (ii) at least one of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise. All INEDs also meet the guidelines for assessment of their independence set out in Rule 5.09 of the GEM Listing Rules.

Rule 5.05A of the GEM Listing Rules requires a listed issuer to appoint INEDs representing at least one-third of the Board. As the number of the Directors are nine while the number of the INEDs remains three, the Company has complied with the requirement under the 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. The position of chief executive officer of the Company remains vacant since 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.

(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 2014 is set out as follows:

Directors	Legal and Regulatory	Corporate Governance	Finance and Management
Executive Directors			
Dr. Lam Kin Ngok, Peter	✓	✓	✓
Mr. Yu Feng	✓	✓	✓
Dr. Choi Chiu Fai, Stanley	✓	✓	✓
Mr. Lui Siu Tsuen, Richard	✓	✓	✓
Mr. Chan Chi Kwong	✓	✓	✓
Mr. Yip Chai Tuck *(appointed on 21 July 2014)*	—	—	—
INEDs			
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. Lui Siu Tsuen, Richard and Yip Chai Tuck (appointed on 21 July 2014). Mr. Jeffrey Soong resigned as an executive Director on 24 June 2014 and ceased to be a member of the Nomination Committee on the same date. 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 directors and succession planning for directors, in particular the Chairman and the chief executive.

During the year ended 31 July 2014, the Nomination Committee held two meetings to review the structure and composition of the Board, to assess the independence of the INEDs, to recommend the re-election of the retired Directors at the 2013 AGM, to consider and recommend the appointment of a new executive Director and to make 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. Lui Siu Tsuen, Richard and Yip Chai Tuck (appointed on 21 July 2014). Mr. Jeffrey Soong resigned as an executive Director on 24 June 2014 and ceased to be a member of the Remuneration Committee on the same date.

The written terms of reference of the Remuneration Committee 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 adjustment of the remuneration packages of certain executive Directors 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 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 INED who possesses appropriate professional qualifications or accounting or related financial management expertise and the Audit Committee must be chaired by an INED.

(9) AUDIT COMMITTEE (continued)

The Audit Committee held four meetings during the year ended 31 July 2014. It reviewed the unaudited quarterly and interim results and audited annual results of the Group for the year ended 31 July 2014 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. Lui Siu Tsuen, Richard, Chan Chi Kwong and Yip Chai Tuck (appointed on 21 July 2014). Mr. Jeffrey Soong resigned as an executive Director on 24 June 2014 and ceased to be a member of the Executive Committee on the same date.

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 2014 and 2013 respectively is analysed as follows:

	Year ended 31 July	
	2014	2013
	HK$'000	HK$'000
Audit services	**1,980**	1,980
Non-audit services	**480**	557

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 Group, 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.

(14) ATTENDANCE RECORD AT MEETINGS

The attendance record of each Director at Board meetings, Audit Committee meetings, Remuneration Committee meeting, Nomination Committee meetings and general meetings during the year ended 31 July 2014 is set out in the following table:

Meetings held during the year

Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	General Meeting
Number of Meetings held	11	4	1	2	2
	Number of meetings attended/Number of meetings eligible to attend				
Executive Directors					
Dr. Lam Kin Ngok, Peter	11/11	—	—	—	0/2
Mr. Yu Feng	5/11	—	—	—	0/2
Dr. Choi Chiu Fai, Stanley	11/11	—	—	—	0/2
Mr. Jeffrey Soong (Note 1)	8/8	—	—	1/1	2/2
Mr. Lui Siu Tsuen, Richard	10/11	—	1/1	2/2	2/2
Mr. Chan Chi Kwong	10/11	—	—	—	2/2
Mr. Yip Chai Tuck (Note 2)	1/1	—	—	—	—
INEDs					
Mr. Zhang Xi	11/11	4/4	1/1	2/2	2/2
Mr. Chan Chi Yuen	11/11	4/4	1/1	2/2	1/2
Mr. Ng Chi Ho, Dennis	11/11	4/4	1/1	2/2	2/2

Notes:

1. Mr. Jeffrey Soong resigned as an executive Director and ceased to be a member of the Remuneration Committee and the Nomination Committee with effect from 24 June 2014.

2. Mr. Yip Chai Tuck was appointed an executive Director and a member of the Remuneration Committee and the Nomination Committee with effect from 21 July 2014.

(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 laws, rules and regulations, are followed. The Company Secretary has complied with all the required qualifications, experiences and training requirements under the GEM Listing Rules.

(16) INTERNAL CONTROLS

The Board has an 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.

(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 requisitionists 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 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong, 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 2014, there had not been any changes in the Company's constitutional documents.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") present their report together with the audited consolidated financial statements of the Company and its subsidiaries (together, the "Group") for the year ended 31 July 2014.

PRINCIPAL ACTIVITIES

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 consolidated financial statements.

An analysis of the Group's performance for the year ended 31 July 2014 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 2014 and the state of affairs of the Company and of the Group as at 31 July 2014 are set out in the consolidated financial statements on pages 47 to 139.

The board of Directors (the "Board") does not recommend the payment of any dividend for the year ended 31 July 2014 (2013: Nil).

RESERVES

Details of the movements in the reserves of the Group and of the Company during the year are set out in note 34 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 30 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 32 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

At 31 July 2014, 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$343,460,000, may be applied to pay up unissued shares to be issued to members of the Company as fully paid bonus shares.

SUMMARY OF FINANCIAL INFORMATION

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

DIRECTORS

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

Executive Directors

Dr. Lam Kin Ngok, Peter *(Chairman)*	
Mr. Yu Feng	
Dr. Choi Chiu Fai, Stanley	
Mr. Lui Siu Tsuen, Richard	
Mr. Chan Chi Kwong	
Mr. Yip Chai Tuck	(appointed on 21 July 2014)
Mr. Jeffrey Soong	(resigned on 24 June 2014)

Independent non-executive Directors

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

In accordance with Bye-law 84 of the Bye-laws of the Company, Dr. Choi Chiu Fai, Stanley, Mr. Zhang Xi and Mr. Ng Chi Ho, Dennis will retire by rotation at the forthcoming annual general meeting (the "AGM"). Being eligible, they offer themselves for re-election.

Mr. Yip Chai Tuck was appointed as an executive Director on 21 July 2014. In accordance with Bye-law 83(2) of the Company's Bye-laws, Mr. Yip Chai Tuck will retire at the forthcoming AGM. Being eligible, he offers himself for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical particulars of the Directors are set out on pages 13 to 18 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 AGM 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 37 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 37 to the consolidated financial statements and the section headed "Continuing Connected Transactions", at no time during the year ended 31 July 2014 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

1. Framework Agreements and Licence Agreements

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 Ltd. ("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 of the Company indirectly holding approximately 51.09% of the existing issued share capital of the Company, through one of its wholly-owned subsidiaries (i.e. Perfect Sky Holdings Limited), eSun and its associates were connected persons of the Company under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange" and the "GEM Listing Rules", respectively). Since each of Capital Artists, East Asia, Fortunate Sound, Media Asia Distribution (BVI) and Media Asia Distribution (HK) is 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.

CONTINUING CONNECTED TRANSACTIONS (continued)

1. *Framework Agreements and Licence Agreements* (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 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 ended 31 July 2014 have been approved by the independent shareholders of the Company 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 continued until 31 July 2014. The consideration shall be set out in the relevant individual artiste engagement agreements.

The annual cap under the Artistes Engagement Framework Agreement for the year ended 31 July 2014 was HK$12,350,000. The aggregate amount paid to eSun Associated Group under the Artistes Engagement Framework Agreement for the year ended 31 July 2014 was approximately HK$1,172,000 for the Group's events.

CONTINUING CONNECTED TRANSACTIONS (continued)

1. *Framework Agreements and Licence Agreements* (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 an individual concert co-production agreement. The term of the Concert Co-production Framework Agreement commenced on 23 December 2011 and continued until 31 July 2014. The consideration shall be set out in the relevant individual concert co-production agreements.

The annual cap under the Concert Co-production Framework Agreement for the year ended 31 July 2014 was HK$73,860,000. The aggregate amount settled with the eSun Associated Group under the Concert Co-production Framework Agreement for the year ended 31 July 2014 was approximately HK$3,489,000.

(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 the provision thereof, continued 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$3,000,000, which was determined based on an arm's length negotiation between the Company and the licensors, then eSun shall (i) determine the difference between the amounts actually paid to it and the minimum guarantee, (ii) determine the percentage of such shortfall amounts to be attributable and payable to each licensor by the Company, and (iii) inform the Company to pay such shortfall amounts.

The 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 2014 was HK$6,440,000. The aggregate amount paid to eSun under the Music Catalogue Licence Agreements during the year ended 31 July 2014 was approximately HK$3,447,000.

CONTINUING CONNECTED TRANSACTIONS (continued)

1. *Framework Agreements and Licence Agreements* (continued)

(d) *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 continued 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$9,000,000, 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 2014 was HK$1,955,000. The aggregate amount paid to eSun under the Film Library Licence Agreements for the year ended 31 July 2014 was approximately HK$1,111,000.

2. *Memorandum of Agreement regarding 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. As a result, certain continuing transactions or continuing connected transactions of LSD and/or its subsidiaries ("LSD Group") and Lai Fung and/or its subsidiaries ("Lai Fung Group") have constituted or may constitute continuing connected transactions of LSG and/or its subsidiaries ("LSG Group") and eSun and/or its subsidiaries ("eSun Group") respectively.

It was disclosed in an announcement dated 24 May 2013 issued jointly by LSG, LSD, eSun, Lai Fung and the Company (the "Joint Announcement") that on 24 May 2013, LSG, LSD, eSun, Lai Fung and the Company entered into an agreement to record the basis for governing the pre-existing continuing connected transactions and future continuing connected transactions with regard to the letting and/or licensing of premises (together "Transactions" and "Memorandum of Agreement", respectively).

The Group had adopted an annual cap for such Transactions that might subsist from time to time in respect of the financial year ended 31 July 2014. The Group adopted a cap amount of HK$2,000,000 for the financial year ended 31 July 2014 in respect of the transactions with the LSD Group. Rental and management fee paid or payable to LSD Group for the year ended 31 July 2014 was approximately HK$1,739,000.

CONTINUING CONNECTED TRANSACTIONS (continued)

3. *Film Distribution Agreement and Video Consignment/Distribution License Agreements*

On 20 December 2013, the Company and/or its subsidiaries entered into the following agreements:

(a) the theatrical film distribution agreement with Intercontinental Film Distributors (H.K.) Limited ("IFDL", a non-wholly-owned subsidiary of eSun) and Perfect Advertising & Production Company Limited ("PAPC", a non-wholly-owned subsidiary of eSun) (the "Theatrical Film Distribution Agreement");

(b) the video consignment agreement with Intercontinental Video Limited ("Intercontinental Video") (the "Video Consignment Agreement");

(c) the video distribution license agreement with Intercontinental Video (the "Video Distribution License Agreement");

(d) the cinema framework agreement with Multiplex Cinema Limited ("MCL") (the "Cinema Framework Agreement"); and

(e) the artistes engagement framework agreement with eSun (the "Artistes Engagement Framework Agreement").

As at the date of signing the above agreements, eSun was a controlling shareholder of the Company indirectly holding approximately 51.09% of the existing issued share capital of the Company, eSun and its associates were connected persons of the Company under the GEM Listing Rules. Since each of IFDL, PAPC, Intercontinental Video and MCL was indirectly owned as to 85% by 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.

Each of the continuing connected transactions under (a) to (e) of the above is subject to the reporting, annual review and announcement requirements only and are exempt from approval by the independent shareholders of the Company under the GEM Listing Rules. Details of these continuing connected transactions are set out in the announcement of the Company dated 20 December 2013.

CONTINUING CONNECTED TRANSACTIONS (continued)

3. *Film Distribution Agreement and Video Consignment/Distribution License Agreements* (continued)

Set out below is the summary of each of the continuing connected transactions:

(a) *Theatrical Film Distribution Agreement*

Pursuant to the Theatrical Film Distribution Agreement, Media Asia Film Distribution (HK) Limited ("MAFD", a wholly-owned subsidiary of the Company) shall grant to IFDL an exclusive licence to exploit the pictures (as defined in the said agreement) in cinemas and other places of exhibition including MCL in Hong Kong and Macau; and (ii) IFDL shall use PAPC for promotion and advertising services on terms and conditions in the agreement.

The term of the Theatrical Film Distribution Agreement commenced on 20 December 2013 and shall continue until 31 July 2016. Film rental for each picture will be paid to MAFD after paying (a) IFDL the distribution fee (10% of the film rental); (b) the distribution costs approved by MAFD and actually incurred by IFDL; and (c) paying PAPC an amount equivalent to the promotion and advertising fee (7% of the eventual promotion and advertising costs as approved by MAFD). If the film rental of a picture is insufficient to pay the distribution costs and/or the promotion and advertising fee for that picture, MAFD shall reimburse IFDL of such shortfall.

The annual caps under the Theatrical Film Distribution Agreement for the year ended 31 July 2014 was HK$4,447,000. The aggregate amount paid/payable to eSun Associated Group under the Theatrical Film Distribution Agreement for the year ended 31 July 2014 was approximately HK$255,000.

(b) *Video Consignment Agreement*

Pursuant to the Video Consignment Agreement, MAFD shall grant to Intercontinental Video exclusive video sale and distribution rights in certain film stocks of MAFD in certain digital formats in Hong Kong and Macau on terms and conditions in the Video Consignment Agreement. The term of the Video Consignment Agreement commenced on 20 December 2013 and shall expire on 31 July 2016.

Intercontinental Video shall pay to MAFD (i) 50% of the gross receipts derived from exploitation of the video consignment licensed rights on all video titles without any deduction or set-off; and (ii) a production and package cost of HK$10 per DVD, HK$20 per 25GB Blue-ray Disc and HK$35 per 50GB Blue-ray Disc to be sold in Hong Kong and Macau during the term of the Video Consignment Agreement.

The annual cap under the Video Consignment Agreement for the year ended 31 July 2014 was HK$550,000. The aggregate amount received/receivable from eSun Associated Group under the Video Consignment Agreement for the year ended 31 July 2014 was approximately HK$103,000.

CONTINUING CONNECTED TRANSACTIONS (continued)

3. *Film Distribution Agreement and Video Consignment/Distribution License Agreements* (continued)

(c) *Video Distribution License Agreement*

Pursuant to the Video Distribution License Agreement, MAFD shall grant to Intercontinental Video the exclusive video licensed rights in the pictures (as defined in the agreement) on terms and conditions in the agreement. The term of the Video Distribution License Agreement commenced on 20 December 2013 and shall expire on 31 July 2016. Intercontinental Video shall pay MAFD a royalty equal to 50% of the gross receipts derived from the video licensed rights of each picture during the term of the Video Distribution License Agreement.

The annual caps under the Video Distribution License Agreement for the year ended 31 July 2014 was HK$1,578,000. The aggregate amount received/receivable from eSun Associated Group under the Video Distribution License Agreement for the year ended 31 July 2014 was approximately HK$200,000.

(d) *Cinema Framework Agreement*

Pursuant to the Cinema Framework Agreement, the Company shall and/or shall procure its subsidiaries, affiliates and/or related companies (of which the Company is a majority or controlling shareholder) (as applicable) to grant to MCL an exclusive exhibition right to release the cinema title in the MCL cinemas in Hong Kong or Macau on terms and conditions in separate agreements to be entered into by the Company (or its subsidiaries, affiliates or related companies (of which the Company is a majority or controlling shareholder) (as applicable)) and MCL concerning the theatrical exhibition of each cinema title (the "Cinema Subject Agreements"). The term of the Cinema Framework Agreement commenced on 20 December 2013 and shall continue until 31 July 2016. The term of each of the Cinema Subject Agreements shall not exceed the term of the Cinema Framework Agreement.

After deducting the cinema royalty fee to the cinema licensor (where applicable) from the gross receipt of box office, the Company (or its subsidiaries, affiliates or related companies (of which the Company is a majority or controlling shareholder)) (as applicable) and MCL will be entitled to either: i) a percentage share on the remaining revenue; or ii) a minimum guarantee as agreed in the relevant Cinema Subject Agreements.

The annual caps under the Cinema Framework Agreement for the year ended 31 July 2014 was HK$3,000,000. During the year ended 31 July 2014, no Cinema Subject Agreements was entered into by the Company (or its subsidiaries, affiliates or related companies (of which the Company is a majority or controlling shareholder) (as applicable)), no activity in respect of the Cinema Framework Agreement has taken place during the year ended 31 July 2014.

CONTINUING CONNECTED TRANSACTIONS (continued)

3. *Film Distribution Agreement and Video Consignment/Distribution License Agreements* (continued)

(e) *Artistes Engagement Framework Agreement*

Pursuant to the Artistes Engagement Framework Agreement, whenever any relevant eSun member wishes to engage any artistes who are managed or otherwise represented by any relevant member of the Group for eSun's business projects in the course of the eSun's business, the Company shall procure the relevant member of the Group and eSun shall procure the relevant eSun member (the "eSun Group"), to negotiate in good faith, on an arm's length basis and in accordance with the normal custom and market practice for artiste engagement in Hong Kong the terms and provisions of an individual artiste engagement agreement (the "Artistes Engagement Subject Agreement"). The term of the Artistes Engagement Framework Agreement commenced on 20 December 2013 and shall continue until and including 31 July 2016. The term of each Artistes Engagement Subject Agreement shall not exceed the term of the Artistes Engagement Framework Agreement. The consideration shall be set out in the relevant Artistes Engagement Subject Agreements.

The annual caps under the Artistes Engagement Framework Agreement for the year ended 31 July 2014 was HK$1,000,000. The aggregate amount received/receivable from eSun Group under the Artistes Engagement Framework Agreement for the year ended 31 July 2014 was approximately HK$330,000.

The INEDs have reviewed the continuing connected transactions listed above and confirmed that the above continuing connected transactions have been entered into:

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

(2) on normal commercial terms or better; and

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

CONTINUING CONNECTED TRANSACTIONS (continued)

Ernst & Young, the Company's independent auditors, were engaged to report on the continuing connected transactions listed 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 Board in accordance with the relevant clauses of Rule 20.54 of the GEM Listing Rules confirming that nothing has come to their attention that causes them to believe the continuing connected transactions listed above:

(1) have not been approved by the Board;

(2) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and

(3) have exceeded the caps disclosed in the relevant announcements for the transactions.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and/or up to the date of this report, the following Directors (together, "Interested Directors") are considered to have interests in businesses which compete or may compete with the businesses of the Group pursuant to the GEM Listing Rules.

Executive Directors including Dr. Lam Kin Ngok, Peter, Mr. Lui Siu Tsuen, Richard, Mr. Chan Chi Kwong and Mr. Yip Chai Tuck held shareholding interests and/or other interests and/or directorships in companies/entities in the group of eSun which engage in the businesses of development and operation of and investment in media, entertainment, music production and distribution, the investment in and production and distribution of television programs, film and video format products, cinema operations and the provision of advertising agency services. Mr. Yu Feng, an Executive Director, held shareholding interests and/or directorships in companies engaged in entertainment business in Mainland China.

However, the Board is independent from the boards of directors/governing committees of the aforesaid companies/entities and none of the Interested Directors can personally control the Board. Further, each of the Interested Directors 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 the Shareholders as a whole. Therefore, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies/entities.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

At 31 July 2014, interests or short positions of the Directors, chief executives of the Company or their respective close associates (as defined under the GEM Listing Rules) in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("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 referred to therein, or (iii) pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

(1) Interests in the Company

	Long positions in the Shares and underlying Shares					
Name of Directors	Capacity in which interests are held	Number of Shares	Number of underlying Shares	Deemed interest pursuant to Section 317 of the SFO	Total	Approximate percentage of total issued Shares *(Note 1)*
Dr. Lam Kin Ngok, Peter	Interest of controlled corporations	842,675,225	79,596,050 *(Note 2)*	252,250,000	1,174,521,275	87.66% *(Note 3)*
Mr. Yu Feng	Interest of controlled corporations	28,804,931	96,751,469 *(Note 2)*	—	125,556,400	9.37% *(Note 4)*
Mr. Chan Chi Yuen	Beneficial owner	115,000	—	—	115,000	0.01%

REPORT OF THE DIRECTORS *(continued)*

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

(2) Interests in Associated Corporations

(a) eSun Holdings Limited ("eSun")

Name of Directors	Capacity in which interests are held	Long positions in eSun shares and underlying shares of HK$0.50 each: Number of shares	Share options	Total	Approximate percentage of total issued shares
Dr. Lam Kin Ngok, Peter	Interest of controlled corporations	521,204,186 *(Note 5)*			
	Beneficial owner	2,794,443	1,243,212 *(Note 6)*	525,241,841	42.25%
Mr. Lui Siu Tsuen, Richard	Beneficial owner	—	3,729,636 *(Note 7)*	3,729,636	0.30%
Mr. Chan Chi Kwong	Beneficial owner	—	1,500,000 *(Note 8)*	1,500,000	0.12%

(b) Lai Fung Holdings Limited ("Lai Fung")

Name of Director	Capacity in which interests are held	Long positions in Lai Fung shares and underlying shares of HK$0.10 each: Number of shares	Share options	Total	Approximate percentage of total issued shares
Dr. Lam Kin Ngok, Peter	Interest of controlled corporations and beneficial owner	8,274,270,422 *(Note 9)*	16,095,912 *(Note 10)*	8,290,366,334	51.49%

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

Notes:

(1) The total number of the issued Shares as at 31 July 2014 (that is, 1,339,865,820 Shares) has been used for the calculation of the approximate percentage.

(2) These are underlying Shares comprised in the Second Completion Convertible Notes issued by the Company on 9 June 2012 pursuant to a subscription agreement dated 23 March 2011 and entered into between the Company and other parties for the subscription of certain shares in and convertible notes of the Company.

(3) (a) By virtue of the interest of Dr. Lam in his controlled corporations described in paragraph (b) immediately below, Dr. Lam was deemed to be interested in the Shares and underlying Shares owned indirectly by eSun as shown in the section headed "SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SECURITIES" below pursuant to Part XV of the SFO.

(b) eSun is the Company's ultimate holding company. As at 31 July 2014, eSun was indirectly owned as to approximately 41.92% by Lai Sun Development Company Limited ("LSD"). LSD was approximately 51.97% directly and indirectly owned by Lai Sun Garment (International) Limited ("LSG"). LSG was approximately 12.65% owned by Dr. Lam and approximately 29.99% owned by Wisdoman Limited which was in turn over 99.99% beneficially owned by Dr. Lam.

(4) (a) By virtue of the interest of Mr. Yu Feng ("Mr. Yu") in his controlled corporations described in paragraph (b) immediately below, Mr. Yu was deemed to be interested in the Shares and underlying Shares 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.

(5) By virtue of his deemed controlling shareholding interests in LSD as described in Note (3)(b) above, Dr. Lam (who was an executive director of eSun from 15 October 1996 to 13 February 2014) was deemed to be interested in such eSun shares owned indirectly by LSD.

(6) On 18 January 2013, Dr. Lam was granted an option by eSun to subscribe for 1,243,212 underlying eSun shares at a subscription price of HK$1.612 per share between 18 January 2013 and 17 January 2023.

(7) On 18 January 2013, Mr. Lui Siu Tsuen, Richard was granted an option by eSun to subscribe for 3,729,636 underlying eSun shares at a subscription price of HK$1.612 per share between 18 January 2013 and 17 January 2023.

(8) On 18 January 2013, Mr. Chan Chi Kwong was granted an option by eSun to subscribe for 1,500,000 underlying eSun shares at a subscription price of HK$1.612 per share between 18 January 2013 and 17 January 2023.

(9) By virtue of Dr. Lam's deemed controlling shareholding interests in eSun as described in Note (3)(b) above, he was deemed to be interested in such Lai Fung shares owned indirectly by eSun.

(10) On 18 January 2013, Dr. Lam was granted an option by Lai Fung to subscribe for 16,095,912 underlying Lai Fung shares at a subscription price of HK$0.228 per share between 18 January 2013 and 17 January 2023.

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

Save as disclosed above, as at 31 July 2014, none of the Directors or chief executive of the Company or their respective close associates had, or was deemed to have, any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning 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 referred to therein, or (iii) pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company, to be notified to the Company and the Stock Exchange.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the "Share Option Scheme" section and in note 33 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

So far as was known by or otherwise notified to any Director or chief executive of the Company, as at 31 July 2014, the following corporations or persons had 5% or more interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company 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 Entitlement"):

Long position in the Shares

Name of shareholders	Capacity in which interests are held	Number of Shares	Number of underlying Shares	Deemed interest pursuant to Section 317 of the SFO *(Note 7)*	Total	Approximate percentage of total issued Shares *(Note 8)*
Dr. Lam Kin Ngok, Peter *(Note 1)*	Interest of controlled corporations	842,675,225	79,596,050	252,250,000	1,174,521,275	87.66% *(Note 3)*
Lai Sun Garment (International) Limited *(Note 1)*	Interest of controlled corporations	842,675,225	79,596,050	252,250,000	1,174,521,275	87.66% *(Note 3)*
Lai Sun Development Company Limited *(Note 1)*	Interest of controlled corporations	842,675,225	79,596,050	252,250,000	1,174,521,275	87.66% *(Note 3)*

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

Long position in the Shares (continued)

Name of shareholders	Capacity in which interests are held	Number of Shares	Number of underlying Shares	Deemed interest pursuant to Section 317 of the SFO *(Note 7)*	Total	Approximate percentage of total issued Shares *(Note 8)*
eSun Holdings Limited *(Note 2)*	Interest of controlled corporation	842,675,225	79,596,050	252,250,000	1,174,521,275	87.66% *(Note 3)*
Fubon Financial Holding Co., Ltd.	Interest of controlled corporation	66,125,000	60,000,000	1,048,396,275	1,174,521,275	87.66% *(Note 4)*
Fubon Financial Holding Venture Capital Corp.	Beneficial owner	66,125,000	60,000,000	1,048,396,275	1,174,521,275	87.66% *(Note 4)*
Ming Tone Co., Ltd.	Interest of controlled corporations	66,125,000	60,000,000	1,048,396,275	1,174,521,275	87.66% *(Note 5)*
Wealth Media Co., Ltd.	Interest of controlled corporations	66,125,000	60,000,000	1,048,396,275	1,174,521,275	87.66% *(Note 5)*
Cheng Ting Co., Ltd.	Interest of controlled corporations	66,125,000	60,000,000	1,048,396,275	1,174,521,275	87.66% *(Note 5)*
Cheng Hao Co., Ltd.	Interest of controlled corporations	66,125,000	60,000,000	1,048,396,275	1,174,521,275	87.66% *(Note 5)*
Kbro Co., Ltd.	Interest of controlled corporation	66,125,000	60,000,000	1,048,396,275	1,174,521,275	87.66% *(Note 5)*
Kbro Media Co., Ltd.	Beneficial owner	66,125,000	60,000,000	1,048,396,275	1,174,521,275	87.66% *(Note 5)*
Mr. Yu Feng	Interest of controlled corporations	28,804,931	96,751,469	—	125,556,400	9.37% *(Note 6)*
Yunfeng Fund, L.P.	Interest of controlled corporations	28,804,931	96,751,469	—	125,556,400	9.37% *(Note 6)*
Next Gen Entertainment Limited	Beneficial owner	28,804,931	96,751,469	—	125,556,400	9.37% *(Note 6)*

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

Long position in the Shares (continued)

Notes:

(1) As at 31 July 2014, Dr. Lam, the Chairman and an Executive Director, was also an executive director of each of LSG and LSD.

(2) As at 31 July 2014, Mr. Lui Siu Tsuen, Richard and Mr. Yip Chai Tuck, both Executive Directors, were also executive directors of eSun.

(3) Dr. Lam, LSG, LSD and eSun were deemed to be interested in the same 1,174,521,275 Shares held indirectly by eSun. Please refer to Note (3) as shown in the section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES" above for further details.

(4) Fubon Financial Holding Venture Capital Corp. ("FFHVCC") is a subsidiary of Fubon Financial Holding Co., Ltd. ("FFHCL"). FFHCL was, therefore, deemed to be interested in the same 1,174,521,275 Shares owned by FFHVCC pursuant to Part XV of the SFO.

(5) Kbro Media Co., Ltd. ("Kbro Media") was owned as to approximately 53% by Kbro Co., Ltd. ("Kbro Co"). Kbro Co was wholly-owned by Cheng Hao Co., Ltd. ("Cheng Hao") and Cheng Hao was wholly-owned by Cheng Ting Co., Ltd. ("Cheng Ting"). Cheng Ting was approximately 80% owned by Wealth Media Co., Ltd. ("Wealth Media") which was in turn 35.7% owned by Ming Tone Co., Ltd. ("Ming Tone"). Therefore, Kbro Co, Cheng Hao, Cheng Ting, Wealth Media and Ming Tone were deemed to be interested in the same 1,174,521,275 Shares owned by Kbro Media pursuant to Part XV of the SFO.

(6) Next Gen is wholly and beneficially owned by Yunfeng Fund, L.P. of which Mr. Yu (an Executive Director) is the founder, chairman and the sole director of its general partner. Mr. Yu and the aforesaid fund were, therefore, deemed to be interested in the same 125,556,400 Shares which Next Gen was interested in pursuant to Part XV of the SFO.

(7) Pursuant to Section 317 of the SFO, each of Perfect Sky Holdings Limited (a wholly-owned subsidiary of eSun), FFHVCC and Kbro Media were deemed to be persons acting in concert and were taken to be interested in the Shares and the underlying Shares being held by the other parties under the agreements for the sale and purchase of Convertible Notes dated 5 May 2014.

(8) The total number of the issued Shares as at 31 July 2014 (that is, 1,339,865,820 Shares) has been used for the calculation of the approximate percentage.

Save as disclosed above, at 31 July 2014, there were no other persons who were recorded in the register of the Company as having interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or who had the Voting Entitlement.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's five largest customers accounted for approximately 35.3% of the Group's total revenue, and income from the largest customer included therein amounted to approximately 9.0%.

Purchase from the Group's five largest suppliers accounted for approximately 62.9% of the Group's total purchases for the period, and purchases from the largest supplier included therein amounted to approximately 20.5%.

None of the Directors, their close 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 Bye-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 ("New Share Option Scheme") and terminated the share option scheme adopted by the Company on 19 November 2009. Details of the Old Share Option Scheme and the New Share Option Scheme are set out in note 33 to the consolidated financial statements.

As at 31 July 2014, no share options had been granted under the New Share Option Scheme.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 19 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, 16 October 2014

INDEPENDENT AUDITORS' REPORT

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 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2014, 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

16 October 2014

CONSOLIDATED INCOME STATEMENT

Year ended 31 July 2014

	Notes	2014 HK$'000	2013 HK$'000
CONTINUING OPERATIONS			
TURNOVER	5	**456,950**	441,170
Cost of sales		**(368,108)**	(304,186)
Gross profit		**88,842**	136,984
Other income	5	**9,912**	5,523
Marketing expenses		**(47,851)**	(70,555)
Administrative expenses		**(117,210)**	(99,686)
Other operating gains		**19,730**	16,560
Other operating expenses		**(50,699)**	(24,320)
LOSS FROM OPERATING ACTIVITIES		**(97,276)**	(35,494)
Finance costs	6	**(43,254)**	(47,835)
Share of profits and losses of joint ventures		**(7,176)**	(913)
Share of profit and loss of an associate		**(7)**	(31)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	7	**(147,713)**	(84,273)
Income tax expense	9	**(5,510)**	(6,748)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(153,223)**	(91,021)
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	38(b)	**—**	(1,940)
LOSS FOR THE YEAR		**(153,223)**	(92,961)
Attributable to:			
Owners of the Company		**(153,154)**	(98,883)
Non-controlling interests		**(69)**	5,922
		(153,223)	(92,961)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	12		(Restated)
Basic and diluted (HK cents)			
For loss for the year		**(16.79)**	(15.05)
For loss from continuing operations		**(16.79)**	(14.76)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 July 2014

	Note	2014 HK$'000	2013 HK$'000
LOSS FOR THE YEAR		**(153,223)**	(92,961)
OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS			
Exchange differences on translation of foreign operations		**985**	2,016
Release of foreign currency translation reserve upon disposal of subsidiaries	38	**(1,506)**	(5,703)
OTHER COMPREHENSIVE LOSS TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX		**(521)**	(3,687)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(153,744)**	(96,648)
Attributable to:			
Owners of the Company		**(154,106)**	(103,394)
Non-controlling interests		**362**	6,746
		(153,744)	(96,648)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 July 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	13,278	23,225
Goodwill	14	—	10,435
Film and TV program products	17	31,933	48,777
Film rights	18	2,400	7,935
Other intangible assets	19	—	64,018
Investments in joint ventures	20	20,604	14,985
Investment in an associate	21	19,384	17,450
Prepayments, deposits and other receivables	24	33,168	32,188
Total non-current assets		120,767	219,013
CURRENT ASSETS			
Inventories		100	162
Films and TV programs under production	22	260,162	142,246
Trade receivables	23	84,141	58,109
Prepayments, deposits and other receivables	24	135,493	307,764
Options	25	—	21,579
Cash and cash equivalents	26	326,999	414,384
Total current assets		806,895	944,244
CURRENT LIABILITIES			
Trade payables	27	340	2,177
Accruals and other payables	28	159,092	92,431
Deposits received		37,366	54,656
Loan from a non-controlling shareholder	29	—	6,150
Convertible notes	30	168,973	317,472
Tax payable		7,388	12,455
Total current liabilities		373,159	485,341
NET CURRENT ASSETS		433,736	458,903
TOTAL ASSETS LESS CURRENT LIABILITIES		554,503	677,916
NON-CURRENT LIABILITIES			
Convertible notes	30	—	189,304
Deferred tax liabilities	31	—	16,005
Total non-current liabilities		—	205,309
Net assets		554,503	472,607

	Notes	2014 HK$'000	2013 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	32	**13,399**	131,403
Reserves	34(a)	**543,152**	307,653
		556,551	439,056
Non-controlling interests		**(2,048)**	33,551
Total equity		**554,503**	472,607

Lam Kin Ngok, Peter
Director

Lui Siu Tsuen, Richard
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 July 2014

		Attributable to owners of the Company								
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Capital reserve HK$'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 2013		131,403	395,249	44,475	309,993	950	(443,014)	439,056	33,551	472,607
Loss for the year		—	—	—	—	—	(153,154)	(153,154)	(69)	(153,223)
Other comprehensive income/(loss) for the year:										
Exchange differences on translation of foreign operations		—	—	—	—	554	—	554	431	985
Release of foreign currency translation reserve upon disposal of subsidiaries	38(a)	—	—	—	—	(1,506)	—	(1,506)	—	(1,506)
Total comprehensive income/(loss) for the year		—	—	—	—	(952)	(153,154)	(154,106)	362	(153,744)
Partial conversion of the First Completion Convertible Notes before Capital Reorganisation	32(a)	2,433	3,878	—	(1,321)	—	—	4,990	—	4,990
Capital Reorganisation	32(b)	(127,144)	(395,249)	50,716	—	—	471,677	—	—	—
Placing of shares	32(c)	1,322	78,954	—	—	—	—	80,276	—	80,276
Transaction costs of placing of shares	32(c)	—	(641)	—	—	—	—	(641)	—	(641)
Partial conversion of the First Completion Convertible Notes after Capital Reorganisation	32(d)	4,631	182,326	—	(37,920)	—	—	149,037	—	149,037
Partial conversion of the Second Completion Convertible Notes after Capital Reorganisation	32(e)	754	78,943	—	(41,758)	—	—	37,939	—	37,939
Redemption of the First Completion Convertible Notes	30(i)	—	—	—	(47,173)	—	47,173	—	—	—
Acquisition of a subsidiary	35	—	—	—	—	—	—	—	386	386
Capital contribution from a non-controlling shareholder		—	—	—	—	—	—	—	303	303
Dividend paid to a non-controlling shareholder of a subsidiary		—	—	—	—	—	—	—	(8,967)	(8,967)
Disposal of subsidiaries	38(a)	—	—	—	—	—	—	—	(27,683)	(27,683)
At 31 July 2014		13,399	343,460#	95,191#	181,821#	(2)#	(77,318)#	556,551	(2,048)	554,503

These reserve accounts comprise the consolidated reserves of HK$543,152,000 (2013: HK$307,653,000) in the consolidated statement of financial position.

	Notes	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	38(b)	—	—	—	—	—	(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	33	—	—	—	—	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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 July 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax			
From continuing operations		**(147,713)**	(84,273)
From a discontinued operation		**—**	(1,940)
Adjustments for:			
Finance costs	6	**43,254**	47,835
Share of profits and losses of joint ventures		**7,176**	913
Share of profit and loss of an associate		**7**	31
Interest income	5, 38	**(1,784)**	(2,971)
Fair value loss on options	7	**5,172**	10,912
Gain on disposal of subsidiaries	7	**(9,477)**	(5,703)
Gain on disposal of a joint venture	7	**(3,043)**	—
Loss on disposal of items of property, plant and equipment	7, 38	**—**	69
Depreciation	7, 38	**4,551**	5,742
Amortisation of film and TV program products	7	**92,218**	90,727
Amortisation of film rights	7	**12,372**	10,825
Amortisation of other intangible assets	7	**3,693**	9,103
Impairment of film and TV program products	7	**35,153**	—
Impairment of other intangible assets		**—**	34
Write-off of films and TV programs under production	7	**3,083**	672
Write-off of items of property, plant and equipment	7	**15,775**	—
Impairment of trade receivables	7	**—**	6
Impairment of advances and other receivables	7	**24,313**	—
Reversal of impairment of advances and other receivables	7	**(45)**	—
Equity-settled share option expense	7	**—**	334
		84,705	82,316
Decrease/(increase) in inventories		**62**	(41)
Additions of films and TV programs under production		**(231,137)**	(146,781)
Increase in trade receivables		**(24,517)**	(54,259)
Decrease/(increase) in prepayments, deposits and other receivables		**127,293**	(222,952)
Increase/(decrease) in trade payables		**(1,837)**	1,524
Increase in accruals and other payables		**64,625**	55,290
Increase/(decrease) in deposits received		**(17,290)**	42,529
Cash from/(used in) operations		**1,904**	(242,374)
Overseas taxes paid		**(1,983)**	(2,295)
Net cash flows used in operating activities		**(79)**	(244,669)

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions of film and TV program products	17	(386)	—
Additions of film rights	18	(6,837)	(17,624)
Acquisition of a subsidiary	35	589	—
Disposal of subsidiaries	38	63,714	(68)
Disposal of a joint venture	20	4,308	—
Interest received		1,784	3,186
Purchases of items of property, plant and equipment	13	(10,428)	(6,818)
Capital contribution to joint ventures		—	(6,417)
Advances to joint ventures		(14,043)	(8,930)
Advances to an associate		(1,941)	(11,626)
Decrease in pledged time deposits		—	9,740
Net cash flows from/(used in) investing activities		36,760	(38,557)
CASH FLOWS FROM FINANCING ACTIVITIES			
Redemption of the First Completion Convertible Note	30(i)	(189,091)	—
Proceeds from placing of shares	32(c)	80,276	—
Issue costs for placing of shares	32(c)	(641)	—
Capital contribution from a non-controlling shareholder		303	—
Repayment of a loan from a non-controlling shareholder		(6,185)	—
Dividend paid to a non-controlling shareholder		(8,967)	—
Net cash flows used in financing activities		(124,305)	—
NET DECREASE IN CASH AND CASH EQUIVALENTS		(87,624)	(283,226)
Cash and cash equivalents at beginning of year		414,384	696,869
Effect of foreign exchange rate changes		239	741
CASH AND CASH EQUIVALENTS AT END OF YEAR		326,999	414,384
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	232,787	301,775
Time deposits with original maturity of less than three months when acquired	26	94,212	112,609
Cash and cash equivalents	26	326,999	414,384

STATEMENT OF FINANCIAL POSITION

31 July 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	15	**708,938**	808,112
CURRENT ASSETS			
Prepayments, deposits and other receivables	24	**857**	277
Cash and cash equivalents	26	**61,451**	162,117
Total current assets		**62,308**	162,394
CURRENT LIABILITIES			
Due to subsidiaries	16	**110,203**	53,300
Accruals and other payables	28	**1,264**	987
Convertible notes	30	**168,973**	317,472
Total current liabilities		**280,440**	371,759
NET CURRENT LIABILITIES		**(218,132)**	(209,365)
TOTAL ASSETS LESS CURRENT LIABILITIES		**490,806**	598,747
NON-CURRENT LIABILITIES			
Convertible notes	30	**—**	189,304
Net assets		**490,806**	409,443
EQUITY			
Issued capital	32	**13,399**	131,403
Reserves	34(b)	**477,407**	278,040
Total equity		**490,806**	409,443

Lam Kin Ngok, Peter
Director

Lui Siu Tsuen, Richard
Director

1. CORPORATE INFORMATION

Media Asia Group Holdings Limited (the "Company") is an exempted company under the laws of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business is 11th Floor, Lai Sun Commercial Centre, 680 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 ("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 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 2014. 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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if these results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2. BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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 the income statement. The Group's share of components previously recognised in other comprehensive income is reclassified to the income statement or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*
HKFRS 10, HKFPS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — Transition Guidance
HKFRS 13	*Fair Value Measurement*
HKAS 19 (2011)	*Employee Benefits*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009 — 2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 13, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of financial instruments are included in note 40 to the financial statements.

The Group had early adopted the following new and revised HKFRSs in advance of their respective effective dates for the first time in the financial statements for the year ended 31 July 2012.

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.

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 9 (2014)	*Financial Instruments*[1]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities*[2]
HKFRS 11 Amendments	Amendments to HKFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*[3]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[4]
HKAS 16 and HKAS 38 Amendments	Amendments to *Clarification of Acceptable Methods of Depreciation and Amortisation*[3]
HKAS 16 and HKAS 41 Amendments	Amendments to HKAS 16 *Property, Plant and Equipment* and HKAS 41 *Agriculture*[3]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits — Defined Benefit Plans: Employee Contributions*[5]
HKAS 27 (2011) Amendments	Amendments to *Equity Method in Separate Financial Statements*[3]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[2]
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets*[2]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*[2]
HK(IFRIC)-Int 21	*Levies*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[5]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 July 2014

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.

In addition, the new Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 July 2015. The Group is in the process of making an assessment of the impact of these changes.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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 that are not classified as held for sale in accordance with HKFRS are stated at cost less any accumulated impairment losses.

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated income statement and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associates or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised the income statement.

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

When an investment in an associate or 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.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 to measure 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 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.

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 the income statement 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 of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its derivative financial instruments at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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 of disposal, 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting 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 period 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 period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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 either 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) 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.

(ii) 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 and TV program products and films and TV programs 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 and TV program products, less estimated residual value, accumulated amortisation and impairment losses, are amortised in proportion to the estimated projected revenues over their economic beneficial period. Film and TV program products pending or under theatrical release are included in current assets whereas film and TV program products for markets other than theatrical release are included in non-current assets. Cost of film and TV program products, accounted for on a project-by-project basis, includes production costs, costs of services, direct labour costs, facilities and raw materials consumed in the creation of a film or TV program.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Film rights, film and TV program products and films and TV programs under production (continued)

Films and TV programs under production include production costs, costs of services, direct labour costs, facilities and raw materials consumed in the creation of films or TV programs. Upon completion, these films and TV programs under production are reclassified as film and TV program products. Films and TV programs under production are accounted for on a project-by-project 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.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, and loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, 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 and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near team. 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 as 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 as 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 or a reclassification of a financial asset out of the fair value through profit or loss category.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Options

For accounting purposes, options (as defined in note 25) are classified as derivative financial instruments under HKAS 39. The options are subsequently remeasured at fair value with changes in fair value recognised in the income statement. Options are carried as an asset when its fair value is positive and as a liability when the fair value is negative.

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. An impairment exists if 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 whether impairment exists individually 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.

The amount of any impairment loss identified 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).

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the 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 primarily derecognised (ie, removed from the Group's consolidated statement of financial position) 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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or loans and borrowings, as appropriate.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2014

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Inventories

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

Provisions

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

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

Leases

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

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 and TV programs 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;

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(e) licence income from films and TV programs 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 and TV programs 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, film materials or TV programs 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;

(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 payment 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 33 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 in employee benefit expense. 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payments (continued)

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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 difference on the item whose fair value gain or loss is recognised in other comprehensive income or income statement is 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

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

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

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

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries, associates 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, associates 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 and TV program products

The costs of film rights and film and TV program 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 and TV program on the historical performance of similar films and TV programs, incorporating factors such as the past box office record and/or TV ratings of the leading actors and actresses, the genre of the film and TV program, 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 and TV programs, 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 and TV program products and film rights are disclosed in notes 17 and 18 to the financial statements, respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(b) 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.

(c) 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 25 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 and distribution and license of music;

(ii) the film and TV program segment engages in the investment in, production of, sale and distribution of films and TV programs; and

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

4. OPERATING SEGMENT INFORMATION (continued)

(b) *Discontinued operation* (continued)

(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 (2013: Nil).

Segment revenue/results:

	Continuing operations								Discontinued operation			
	Media and entertainment		Film and TV program		Corporate		Total		Licensing of software		Consolidated	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Revenue to external customers	**307,624**	261,943	**149,326**	179,227	**–**	–	**456,950**	441,170	**–**	–	**456,950**	441,170
Other income	**7,018**	2,492	**881**	144	**2,013**	2,887	**9,912**	5,523	**–**	7	**9,912**	5,530
Segment profit/(loss)	**34,361**	1,175	**(101,747)**	(14,648)	**(37,238)**	(16,812)	**(104,624)**	(30,285)	**–**	(1,940)	**(104,624)**	(32,225)
Fair value loss on options	**(5,172)**	(10,912)	**–**	–	**–**	–	**(5,172)**	(10,912)	**–**	–	**(5,172)**	(10,912)
Gain on disposal of subsidiaries	**9,477**	–	**–**	–	**–**	5,703	**9,477**	5,703	**–**	–	**9,477**	5,703
Gain on disposal of a joint venture	**3,043**	–	**–**	–	**–**	–	**3,043**	–	**–**	–	**3,043**	–
Finance costs											**(43,254)**	(47,835)
Share of profits and losses of joint ventures	**(7,176)**	(913)	**–**	–	**–**	–	**(7,176)**	(913)	**–**	–	**(7,176)**	(913)
Share of profits and losses of an associate	**–**	–	**(7)**	(31)	**–**	–	**(7)**	(31)	**–**	–	**(7)**	(31)
Loss before tax											**(147,713)**	(86,213)

Note: The TV program operation of the Group has become a reportable segment during the year.

4. OPERATING SEGMENT INFORMATION (continued)

Segment assets/liabilities:

	Continuing operations								Discontinued operation			
	Media and entertainment		Film and TV program		Corporate		Total		Licensing of software		Consolidated	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Segment assets	210,836	458,480	589,261	457,771	87,577	214,571	887,674	1,130,822	–	–	887,674	1,130,822
Investments in joint ventures	20,604	14,985	–	–	–	–	20,604	14,985	–	–	20,604	14,985
Investment in an associate	–	–	19,384	17,450	–	–	19,384	17,450	–	–	19,384	17,450
Total assets											927,662	1,163,257
Segment liabilities	65,267	102,028	126,971	50,976	4,560	2,410	196,798	155,414	–	–	196,798	155,414
Unallocated liabilities											176,361	535,236
Total liabilities											373,159	690,650
Other segment information:												
Depreciation	449	397	366	55	3,736	5,287	4,551	5,739	–	3	4,551	5,742
Amortisation of film and TV program products	–	–	92,218	90,727	–	–	92,218	90,727	–	–	92,218	90,727
Amortisation of film rights	–	–	12,372	10,825	–	–	12,372	10,825	–	–	12,372	10,825
Amortisation of other intangible assets	3,693	9,103	–	–	–	–	3,693	9,103	–	–	3,693	9,103
Write-off of films and TV programs under production	–	–	3,083	672	–	–	3,083	672	–	–	3,083	672
Write-off of items of property, plant and equipment	–	–	–	–	15,775	–	15,775	–	–	–	15,775	–
Impairment of film and TV program products	–	–	35,153	–	–	–	35,153	–	–	–	35,153	–
Impairment of other intangible assets	–	–	–	–	–	–	–	–	–	34	–	34
Impairment of trade receivables	–	6	–	–	–	–	–	6	–	–	–	6
Impairment of advances and other receivables	4,719	–	19,594	–	–	–	24,313	–	–	–	24,313	–
Reversal of impairment of advances and other receivables	(45)	–	–	–	–	–	(45)	–	–	–	(45)	–
Additions of items of property, plant and equipment	308	1,362	1,111	929	9,009	4,527	10,428	6,818	–	–	10,428	6,818
Additions of film and TV program products	–	–	386	–	–	–	386	–	–	–	386	–
Additions of film rights	–	–	6,837	17,624	–	–	6,837	17,624	–	–	6,837	17,624
Additions of films and TV programs under production	–	–	231,137	146,781	–	–	231,137	146,781	–	–	231,137	146,781

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2014

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

	Hong Kong		Mainland China		Macau		Others		Consolidated	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Revenue:										
Sales to external customers	196,460	133,228	161,337	239,097	63,520	52,499	35,633	16,346	456,950	441,170
Assets:										
Segment assets										
— non-current assets	92,705	147,115	27,636	71,345	—	—	426	553	120,767	219,013
— current assets	558,409	766,307	242,324	145,878	3,008	29,155	3,154	2,904	806,895	944,244
Total assets									927,662	1,163,257
Other information:										
Additions of property, plant and equipment	10,107	5,340	321	839	—	—	—	639	10,428	6,818
Additions of film rights	6,837	17,624	—	—	—	—	—	—	6,837	17,624
Additions of film and TV program products	386	—	—	—	—	—	—	—	386	—
Additions of films and TV programs under production	179,557	146,781	51,580	—	—	—	—	—	231,137	146,781

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

Information about major customers

There is no single customers which contributed to 10% or more at the Group's total revenues for the year ended 31 July 2014. During the year ended 31 July 2013, revenue from two customers, each of whom accounted for revenue exceeding 10% of the Group's total revenues amounted to approximately HK$150,444,000.

5. TURNOVER AND OTHER INCOME

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

	Group	
	2014	2013
	HK$'000	HK$'000
Turnover		
Entertainment event income	**252,193**	181,916
Album sales, licence income and distribution commission income from music publishing and licensing	**23,198**	24,016
Artiste management fee income	**27,524**	32,173
Advertising income	**4,709**	23,256
Distribution commission income and licence fee income from film and TV program products and film rights	**149,326**	179,809
	456,950	441,170
Other income		
Interest income	**1,784**	2,966
Government grants*	**1,667**	1,258
Commission and handling fee income of entertainment events	**6,461**	1,299
	9,912	5,523
	466,862	446,693

* There are no unfulfilled conditions or contingences related to this income.

6. FINANCE COSTS

An analysis of the Group's finance costs from continuing operations is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Interest on:		
— First Completion Convertible Notes wholly repayable within five years (note 30(i))	**25,646**	31,002
— Second Completion Convertible Notes wholly repayable within five years (note 30(ii))	**17,608**	16,833
	43,254	47,835

7. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

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

		Group	
	Notes	**2014 HK$'000**	2013 HK$'000
Cost of film and TV program products, film rights and licence rights		**154,699**	109,954
Cost of artiste management services and services for entertainment events provided		**213,242**	194,145
Cost of inventories sold		**167**	87
Total cost of sales		**368,108**	304,186
Depreciation	13	**4,551**	5,739
Amortisation of film and TV program products #	17	**92,218**	90,727
Amortisation of film rights #	18	**12,372**	10,825
Amortisation of other intangible assets #	19	**3,693**	9,103
Minimum lease payments under operating leases in respect of land and buildings incurred for:			
Entertainment events #		**8,704**	6,813
Others		**8,369**	5,682
Contingent rents incurred for entertainment events #		**17,396**	11,571
Total operating lease payments		**34,469**	24,066
Auditors' remuneration		**1,980**	1,980
Employee benefit expense (including directors' and chief executive's emoluments (note 8)):			
Salaries, bonuses and allowances		**78,857**	67,188
Equity-settled share option expense		**—**	334
Pension scheme contributions		**5,399**	3,614
		84,256	71,136
Less: Capitalised in films and TV programs under production	22	**(6,535)**	(7,219)
		77,721	63,917

7. LOSS BEFORE TAX FROM CONTINUING OPERATIONS (continued)

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

		Group	
	Notes	**2014 HK$'000**	2013 HK$'000
Write-off of items of property, plant and equipment ##	13	**15,775**	—
Impairment of film and TV program products #	17	**35,153**	—
Impairment of trade receivables ##	23	**—**	6
Impairment of advances and other receivables ##	24	**24,313**	—
Reversal of impairment of advances and other receivables *	24	**(45)**	—
Write-off of films and TV programs under production #	22	**3,083**	672
Loss on disposal of items of property, plant and equipment ##		**—**	47
Fair value loss on options ##	25	**5,172**	10,912
Gain on disposal of subsidiaries *	38	**(9,477)**	(5,703)
Gain on disposal of a joint venture *		**(3,043)**	—
Share of net income from entertainment events organised by the Group to co-investors ##		**4,175**	13,301
Share of net income from entertainment events organised by co-investors *		**(6,219)**	(6,347)
Foreign exchange loss, net ##		**820**	—
Foreign exchange gain, net*		**—**	(1,649)

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 78 of Schedule 11 of the Hong Kong Companies Ordinance (Cap. 622), are as follows:

	Group	
	2014 HK$'000	2013 HK$'000
Fees	**1,068**	1,058
Other emoluments:		
Salaries and allowances	**6,704**	5,687
Equity-settled share option expense	**—**	334
Pension scheme contributions	**9**	19
	6,713	6,040
	7,781	7,098

	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 2014					
Executive Directors					
Lam Kin Ngok, Peter	120	—	—	—	120
Yu Feng	120	—	—	—	120
Choi Chiu Fai, Stanley	120	—	—	—	120
Jeffrey Soong (note (i))	108	4,629	—	—	4,737
Lui Siu Tsuen, Richard	120	—	—	—	120
Chan Chi Kwong	120	2,075	—	9	2,204
Yip Chai Tuck (note (ii))	—	—	—	—	—
	708	6,704	—	9	7,421
Independent Non-executive Directors					
Chan Chi Yuen	120	—	—	—	120
Zhang Xi	120	—	—	—	120
Ng Chi Ho, Dennis	120	—	—	—	120
	360	—	—	—	360
	1,068	6,704	—	9	7,781

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 2013					
Executive Directors					
Lam Kin Ngok, Peter	120	—	—	—	120
Yu Feng	120	—	—	—	120
Choi Chiu Fai, Stanley	120	—	—	—	120
Jeffrey Soong (note (i))	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

Notes:

(i) Appointed on 22 November 2012 and resigned on 24 June 2014
(ii) Appointed on 21 July 2014
(iii) Resigned on 15 September 2012
(iv) Retired on 20 November 2012
(v) Resigned on 15 December 2012

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

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) *Employees' emoluments*

The five highest paid employees during the year included two (2013: two) directors, details of whose emoluments are set out above. Details of the remuneration of the remaining three (2013: three) non-director, highest paid employees for the year are as follows:

	Group	
	2014 **HK$'000**	2013 HK$'000
Salaries and allowances	**6,753**	6,822
Pension scheme contributions	**46**	45
	6,799	6,867

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

	Group Number of employees	
	2014	2013
HK$2,000,001 to HK$2,500,000	**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 (2013: 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	
	2014	2013
	HK$'000	HK$'000
Provision for tax for the year		
Current — Hong Kong		
Charge for the year	**—**	—
Current — Elsewhere		
Charge for the year	**6,483**	9,670
Over-provision in prior years	**(50)**	(617)
	6,433	9,053
Deferred tax credit for the year (note 31)	**(923)**	(2,305)
Total tax expense for the year	**5,510**	6,748

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	
	2014	2013
	HK$'000	HK$'000
Loss before tax from continuing operations	**(147,713)**	(84,273)
Tax at the applicable rates to loss in the tax jurisdictions concerned	**(20,956)**	(11,232)
Adjustments in respect of current tax of previous years	**(50)**	(617)
Income not subject to tax	**(4,938)**	(1,284)
Expenses not deductible for tax	**13,863**	10,862
Utilisation of tax losses previously not recognised	**(2,938)**	(163)
Estimated tax losses not recognised	**21,452**	11,487
Deferred tax arising from temporary differences	**(923)**	(2,305)
Tax charge at the Group's effective rate	**5,510**	6,748

10. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 July 2014 includes a loss of approximately HK$45,929,000 (2013: HK$52,296,000) which has been dealt with in the financial statements of the Company (note 34(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 2014 (2013: 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$153,154,000 (2013: HK$98,883,000) and the weighted average number of ordinary shares of approximately 912,210,000 (2013: approximately 657,013,000 (restated)) 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$153,154,000 (2013: HK$96,943,000) and the weighted average number of ordinary shares of approximately 912,210,000 (2013: approximately 657,013,000 (restated)) in issue during the year.

The weighted average number of ordinary shares in issue used in the basic and diluted loss per share calculation for the year ended 31 July 2013 has been adjusted for the Capital Reorganisation during the year as set out in note 32(b).

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 July 2014 and 2013 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.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Notes	Leasehold improvements HK$'000	Office equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Total HK$'000
Cost:						
At 1 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 and 1 August 2013		26,573	1,811	1,100	1,628	31,112
Additions		9,790	382	—	256	10,428
Acquisition of a subsidiary	35	—	9	—	20	29
Write-off		(24,269)	(1)	—	—	(24,270)
Disposal of subsidiaries	38(a)	—	—	—	(134)	(134)
Exchange realignment		(1)	(2)	—	1	(2)
At 31 July 2014		12,093	2,199	1,100	1,771	17,163
Accumulated depreciation						
At 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 and 1 August 2013		6,613	268	491	515	7,887
Charge for the year		3,319	420	301	511	4,551
Write-off		(8,494)	(1)	—	—	(8,495)
Disposal of subsidiaries	38(a)	—	—	—	(56)	(56)
Exchange realignment		(1)	(1)	—	—	(2)
At 31 July 2014		1,437	686	792	970	3,885
Net carrying amount:						
At 31 July 2014		10,656	1,513	308	801	13,278
At 31 July 2013		19,960	1,543	609	1,113	23,225

In light of relocation of one of the Group's office premises as a result of early termination of the tenancy agreement, the carrying value of leasehold improvements has been written-off during the year ended 31 July 2014.

14. GOODWILL

	Group HK$'000
Cost:	
At 1 August 2012	13,659
Exchange realignment	253
At 31 July 2013 and 1 August 2013	13,912
Disposal of subsidiaries (note 38(a))	(10,574)
Exchange realignment	139
At 31 July 2014	3,477
Accumulated impairment:	
At 1 August 2012, 31 July 2013, 1 August 2013 and 31 July 2014	3,477
Net carrying amount:	
At 31 July 2014	—
At 31 July 2013	10,435

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 the PRC (the "CGU"), which was 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 recoverable amount of the CGU as at 31 July 2013 was HK$182,294,000. The discount rate applied to the cash flow projections for the year ended 31 July 2013 was 30.16%.

Assumptions were used in the value-in-use calculation of the CGU for the year ended 31 July 2013. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted 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 2014, the Group disposed of the Galary Soar Group with details set out in note 38(a) to the financial statements. The Group has derecognised the goodwill upon completion of the disposal.

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014	2013
	HK$'000	HK$'000
Unlisted investments, at cost	**2**	2
Amounts due from subsidiaries	**959,817**	914,682
Less: Impairment losses #	**(250,881)**	(106,572)
	708,936	808,110
At end of the reporting period	**708,938**	808,112

\# As at 31 July 2014, an aggregate impairment of HK$250,881,000 (2013: HK$106,572,000) was recognised for amounts due from certain unlisted investments with an aggregate gross carrying amount of HK$250,881,000 (2013: HK$106,572,000) (before deducting the impairment loss) because the relevant subsidiaries have suffered losses for years.

The amounts due from subsidiaries are unsecured, interest-free and have no fixed term of repayment but are not expected to be repayable within the next 12 months from the end of the reporting period.

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

	Company	
	2014	2013
	HK$'000	HK$'000
At beginning of the reporting period	**106,572**	31,630
Impairment losses recognised	**144,309**	97,349
Written-off	**—**	(22,407)
At end of the reporting period	**250,881**	106,572

15. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries 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 2014	2013	Principal activities
Champ Universe Limited	Hong Kong	1 ordinary share of HK$1	**100**	100	Provision of management services
China Film Media Asia Audio Video Distribution Co., Ltd ("CFMA")* (note 1)	PRC/ Mainland China	RMB5,000,000#	**70**	—	Film distribution
Premier Gold Investments Limited	Hong Kong	1 ordinary share of HK$1	**100**	100	Investment holding
Lam & Lamb Entertainment Limited	Hong Kong	1 ordinary share of HK$1	**100**	100	Provision of artiste management services
Media Asia Entertainment Limited	Hong Kong	100 ordinary shares of HK$1 each	**100**	100	Entertainment activity production
Media Asia Entertainment (Macao) Limited*	Macau	MOP25,000	**100**	100	Provision of events management and consultancy services
Media Asia Film Distribution (HK) Limited	Hong Kong	1 ordinary share of HK$1	**100**	100	Film distribution and licensing of films
Media Asia Distribution (Beijing) Co. Limited ("MAD (BJ)") Δ*	PRC/ Mainland China	RMB1,000,000#	**100**	100	Film distribution
Media Asia Film International Limited	British Virgin Islands	1 ordinary share of US$1	**100**	100	Film investment and production
Media Asia Film Production Limited	Hong Kong	100 ordinary shares of HK$1 each	**100**	100	Film production and investment holding

15. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operation	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company 2014	Percentage of equity attributable to the Company 2013	Principal activities
Media Asia Music Limited	Hong Kong	1 ordinary share of HK$1	**100**	100	Music production and distribution
Media Asia Music Publishing Limited	Hong Kong	100 ordinary shares of HK$1 each	**100**	100	Music publishing
Media Asia Performance Agency (Macao) Limited*	Macau	MOP25,000	**100**	100	Entertainment activity production
Media Asia Talent Management Limited	Hong Kong	1 ordinary share of HK$1	**100**	100	Provision of artiste management service
Media Asia TV Program Distribution Limited	Hong Kong	1 ordinary share of HK$1	**100**	100	Licensing of television drama
Media Asia Video Distribution (HK) Limited	Hong Kong	1 ordinary share of HK$1	**100**	100	Licensing of film rights and sale of video products
Galaxy Soar Investments Limited ("Galaxy Soar") (note 2)	British Virgin Islands	1 ordinaryshares of US$1	**—**	100	Investment holding
Media Magic Holdings Limited ("Media Magic") (note 2)	British Virgin Islands	1,000 ordinary shares of US$1 each	**—**	51	Investment holding
Upper Triumph Limited*	British Virgin Islands	1 ordinary share of US$1	**100**	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**	100	Entertainment activity production
寰亞蒙麗文化傳播(上海)有限公司Δ*	PRC/ Mainland China	RMB7,000,000#	**100**	100	Provision of artiste management services

The amounts stated represent the paid-up capital.

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

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

15. INVESTMENTS IN SUBSIDIARIES (continued)

Notes:

1. During the year ended 31 July 2014, the Group acquired CFMA from a fellow subsidiary. Further details of this acquisition are included in notes 35 and 37 to the financial statements.

2. During the year ended 31 July 2014, the Group disposed of Media Magic and its holding company, Galaxy Soar (collectively, the "Galaxy Soar Group"). Further details are included in note 38(a) to the financial statements.

Except for Champ Universe Limited, Premier Gold Investments Limited and Galaxy Soar, all of the above subsidiaries are indirectly held by the Company.

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

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

Media Magic

	2014	2013
Percentage of equity interest held by non-controlling interests:	**—**	49%

	2014 **HK$'000**	2013 HK$'000
Profit for the year allocated to non-controlling interests:	**2,929**	3,533
Dividends paid to non-controlling interests	**8,967**	—
Accumulated balances of non-controlling interests at the reporting dates:	**—**	33,296

15. INVESTMENTS IN SUBSIDIARIES (continued)

Media Magic (continued)

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

	2014 HK$'000	2013 HK$'000
Current assets	—	40,501
Non-current assets	—	64,112
Current liabilities	—	(20,657)
Non-current liabilities	—	(16,005)
Equity attributable to owners of the Company	—	34,655
Non-controlling interests	—	33,296
Revenue	16,485	28,620
Expenses	(10,508)	(21,409)
Profit for the year and total comprehensive income for the year	5,977	7,211

	HK$'000	HK$'000
Net cash flows from operating activities	12,012	5,161
Net cash flows from/(used in) investing activities	6	(65)
Net cash flows used in financing activities	(30,922)	—
Net increase/(decrease) in cash and cash equivalents	(18,904)	5,096

16. DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

17. FILM AND TV PROGRAM PRODUCTS

	Group HK$'000
Cost:	
At 1 August 2012	—
Transfer from films and TV programs under production (note 22)	139,504
At 31 July 2013	139,504
Additions	386
Transfer from films and TV programs under production (note 22)	110,130
Exchange realignment	(13)
At 31 July 2014	250,007
Accumulated amortisation and impairment:	
At 1 August 2012	—
Provided during the year	90,727
At 31 July 2013	90,727
Provided during the year	92,218
Impairment	35,153
Exchange realignment	(24)
At 31 July 2014	218,074
Net carrying amount:	
At 31 July 2014	31,933
At 31 July 2013	48,777

In light of the circumstances of film industry, the Group regularly reviewed its film and TV program products to assess marketability of film and TV program products and the corresponding recoverable amounts. The estimated recoverable amount as at 31 July 2014 was determined based on the present value of expected future revenue arising from the distribution and sublicensing of the film and TV program products and their residual values, which was derived from discounting the projected cash flows by a discount rate of 13.34%, based on which an impairment loss of HK$35,153,000 (2013: Nil) was recognised in the consolidated income statement for the year ended 31 July 2014.

18. FILM RIGHTS

	Group HK$'000
Cost:	
At 1 August 2012	2,250
Additions	17,624
At 31 July 2013 and 1 August 2013	19,874
Additions	6,837
At 31 July 2014	26,711
Accumulated amortisation:	
At 1 August 2012	1,114
Provided during the year	10,825
At 31 July 2013 and 1 August 2013	11,939
Provided during the year	12,372
At 31 July 2014	24,311
Net carrying amount:	
At 31 July 2014	2,400
At 31 July 2013	7,935

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 2012	40	1,621	19,889	49,968	24,531	96,049
Write-off	(40)	(1,621)	(19,889)	—	—	(21,550)
Exchange realignment	—	—	—	1,240	609	1,849
At 31 July 2013 and 1 August 2013	—	—	—	51,208	25,140	76,348
Disposal of subsidiaries (note 38(a))	—	—	—	(51,890)	(25,474)	(77,364)
Exchange realignment	—	—	—	682	334	1,016
At 31 July 2014	—	—	—	—	—	—
Accumulated amortisation and impairment:						
At 1 August 2012	5	1,621	19,889	2,472	560	24,547
Amortisation for the year	1	—	—	7,421	1,681	9,103
Write-off	(6)	(1,621)	(19,889)	—	—	(21,516)
Exchange realignment	—	—	—	160	36	196
At 31 July 2013 and 1 August 2013	—	—	—	10,053	2,277	12,330
Amortisation for the year	—	—	—	3,011	682	3,693
Disposal of subsidiaries (note 38(a))	—	—	—	(13,218)	(2,993)	(16,211)
Exchange realignment	—	—	—	154	34	188
At 31 July 2014	—	—	—	—	—	—
Net carrying amount:						
At 31 July 2014	—	—	—	—	—	—
At 31 July 2013	—	—	—	41,155	22,863	64,018

Artiste management contracts

Artiste management contracts represented contracts with various artistes which the Group had the exclusive right for the provision of artiste management services to these artistes.

19. OTHER INTANGIBLE ASSETS (continued)

Services contract

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

The Group carried out review of the recoverable amount of the artiste management contracts and services contract at the end of the reporting period. The recoverable amount of the contracts as at 31 July 2013 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%.

During the year ended 31 July 2014, the Group disposed of the Galaxy Soar Group (note 38(a)). The Group has derecognised the artiste management contracts and services contract upon completion of the disposal.

20. INVESTMENTS IN JOINT VENTURES

	Group	
	2014	2013
	HK$'000	HK$'000
Share of net assets	**4,526**	5,450
Due from joint ventures	**16,078**	9,535
	20,604	14,985

The amounts due from joint ventures are unsecured, interest-free and have no fixed term of repayment but are not expected to be repayable in the next twelve months from the end of the reporting period.

During the year ended 31 July 2014, the Group disposed of a joint venture at a cash consideration of approximately HK$4,308,000.

As at 31 July 2014, details of the joint ventures are as follows:

Name	Place of incorporation and operation	Class of shares held	Percentage of ownership interest, voting power and profit sharing 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
Playerone Entertainment Limited	Hong Kong	Ordinary	50	Event 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

Subsequent to 31 July 2014, 寰亞通盈 was in the process of dissolution. The entity is considered as a joint venture as the joint venture partners have joint control over 寰亞通盈.

20. INVESTMENTS IN JOINT VENTURES (continued)

The investments in joint ventures were all indirectly held by the Company.

Much Entertainment

Much Entertainment, which is considered a material joint venture of the Group, acts as the Group's key joint venture in entertainment events and is accounted for using the equity method.

The following table illustrates the summarised financial information of Much Entertainment and reconciled to the carrying amount in the financial statements:

	2014 HK$'000	2013 HK$'000
Cash and cash equivalents	3,169	1,208
Other current assets	127	233
Current assets	3,296	1,441
Non-current assets	24	43
Current liabilities	(1,816)	(600)
Non-current liabilities	(603)	(532)
Net assets	901	352
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	50%	50%
The Group's share of net assets of Much Entertainment	450	176
Amount due from Much Entertainment	603	533
The carrying amount of the Group's investment in joint venture	1,053	709
Revenue	5,776	3,150
Cost of sales	(2,234)	(122)
Expense (including depreciation of HK$16,000 (2013:HK$75,000))	(2,993)	(2,568)
Profit and total comprehensive income for the year	549	460
The Group's share of profit and total comprehensive income for the year	274	230

20. INVESTMENTS IN JOINT VENTURES (continued)

寰亞通盈

寰亞通盈, which is considered as a material joint venture of the Group, acts as the Group's key joint venture in cinema operation in the PRC and is accounted for using the equity method.

The following table illustrates the summarised financial information of 寰亞通盈 and reconciled to the carrying amount in the financial statements:

	2014 HK$'000	2013 HK$'000
Cash and cash equivalents and current assets	12,524	12,582
Current liabilities	(35)	—
Non-current liabilities	(3,474)	—
Net assets	9,015	12,582
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	51%	51%
The Group's share of net assets of 寰亞通盈	4,598	6,416
Amount due from 寰亞通盈	3,474	—
The carrying amounts of the Group's investments in joint venture	8,072	6,416
Other revenue	27	—
Expense	(3,625)	(2)
Loss and total comprehensive loss for the year	(3,598)	(2)
The Group's share of loss and total comprehensive loss for the year	(1,835)	(1)

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2014 HK$'000	2013 HK$'000
The Group's share of losses and total comprehensive loss for the year	(5,615)	(1,142)
The Group's share of net liabilities of joint ventures	(522)	(1,142)
Amounts due from joint ventures	12,001	9,002
The carrying amounts of the Group's investments in the joint ventures	11,479	7,860

21. INVESTMENT IN AN ASSOCIATE

	Group	
	2014 **HK$'000**	2013 HK$'000
Share of net liabilities	**(45)**	(38)
Due from an associate	**19,429**	17,488
	19,384	17,450

The amount due from an associate is unsecured, interest-free and has no fixed term of repayment but is not expected to be repayable in the next twelve months from the end of the reporting period.

Details of the associate as at 31 July 2014 are as follows:

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

ProM Rococo Limited is engaged in the film production and is accounted for using equity method.

The following table illustrates the summarised financial information of ProM Rococo Limited and reconciled to the carrying amount in the consolidated financial statements:

	2014 **HK$'000**	2013 HK$'000
Current assets (including cash and cash equivalents of HK$2,642,000 (2013: HK$2,092,000))	**77,480**	69,730
Current liabilities	**(18)**	—
Non-current financial liabilities	**(77,642)**	(69,885)
Net liabilities	**(180)**	(155)
Reconciliation to the Group's investment in the associate:		
Proportion of the Group's ownership	**25%**	25%
The Group's share of net liabilities of the associate	**(45)**	(38)
Amount due from the associate	**19,429**	17,488
The carrying amounts of the Group's investments in an associate	**19,384**	17,450
Revenues	**—**	—
Loss and total comprehensive income for the year	**(29)**	(125)
The Group's share of loss and total comprehensive loss for the year	**(7)**	(31)

22. FILMS AND TV PROGRAMS UNDER PRODUCTION

	Group	
	2014	2013
	HK$'000	HK$'000
At beginning of the reporting period	**142,246**	135,641
Additions (including capitalisation of employee benefit expense of HK$6,535,000) (2013: HK$7,219,000)	**231,137**	146,781
Transfer to film and TV program products (note 17)	**(110,130)**	(139,504)
Write-off	**(3,083)**	(672)
Exchange realignment	**(8)**	—
At 31 July 2014	**260,162**	142,246

23. TRADE RECEIVABLES

	Group	
	2014	2013
	HK$'000	HK$'000
Trade receivables	**84,186**	58,154
Impairment	**(45)**	(45)
	84,141	58,109

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.

23. TRADE RECEIVABLES (continued)

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

	Group	
	2014	2013
	HK$'000	HK$'000
Neither past due nor impaired	**30,227**	28,149
1 to 90 days past due	**44,271**	27,314
Over 90 days past due	**9,643**	2,646
	84,141	58,109

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

	Group	
	2014	2013
	HK$'000	HK$'000
At beginning of the reporting period	**45**	5,055
Impairment losses recognised from continuing operations	**—**	6
Write-off	**—**	(5,016)
At end of the reporting period	**45**	45

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade debtors of HK$45,000 (2013: HK$45,000) with a gross carrying amount before provision of HK$45,000 (2013: HK$45,000). The individually impaired trade receivables relate to customers that were in default in settlements and no portion of the receivables is expected to be recovered.

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

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

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Prepayments, deposits and advances for artiste management, music production and film production	**165,530**	298,684	**—**	—
Prepayments, deposits and other receivables	**27,533**	41,402	**857**	277
	193,063	340,086	**857**	277
Impairment	**(24,402)**	(134)	**—**	—
	168,661	339,952	**857**	277
Portion classified as current portion	**(135,493)**	(307,764)	**(857)**	(277)
Non-current portion	**33,168**	32,188	**—**	—

Included in prepayments, deposits and other receivables as at 31 July 2014 are advances of HK$12,408,000 (2013: HK$25,870,000) due from film owners for the Group's investment in film projects. The advances are unsecured, repayable within next 12 months and with a fixed guarantee return of 15% (2013: 15%).

As at 31 July 2013, included in the Group's prepayments, deposits and the receivables was deposit paid of HK$6,024,000 to a shareholder of the Group's joint venture to secure a tenancy agreement. The balance has been settled during the year ended 31 July 2014.

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

	Group	
	2014 HK$'000	2013 HK$'000
At beginning of the reporting period	**134**	21,448
Impairment loss reversed	**(45)**	—
Impairment loss recognised	**24,313**	—
Write-off	**—**	(21,314)
At end of the reporting period	**24,402**	134

Included in the above provision for advances and other receivables is a provision for individually impaired receivables of HK$24,402,000 (31 July 2013: HK$134,000) with a gross carrying amount of HK$24,864,000 (31 July 2013: HK$134,000). The individually impaired advances and receivables related to the portions of advances and receivables that were not expected to be recovered.

25. OPTIONS

	Group	
	2014	2013
	HK$'000	HK$'000
Options, at fair value	**—**	21,579

Pursuant to the share transfer agreement entered into between Galaxy Soar and an independent third party (the "Vendor") regarding the acquisition of Media Magic on 30 March 2012, the Group is granted 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 value 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.

During the year ended 31 July 2014, the Group disposed of the Galaxy Soar Group (note 38(a)). The Group has derecognised the Options upon completion of the disposal.

The fair value of the financial asset in respect of the Options amounted to HK$16,407,000 as at 24 December 2013 (31 July 2013: HK$21,579,000) with a fair value loss in respect of the Options of approximately of HK$5,172,000 (2013: HK$10,912,000) (note 7) being recognised in the consolidated income statement for the year ended 31 July 2014.

The fair values of the options as at 24 December 2013 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 the trinomial lattice model, which have taken into account factors including related profit projections, exercise prices of options, volatilities, risk-free rate and time to maturity.

26. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**232,787**	301,775	**51,424**	49,508
Time deposits	**94,212**	112,609	**10,027**	112,609
Cash and cash equivalents	**326,999**	414,384	**61,451**	162,117

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$192,773,000 (2013: HK$72,268,000). 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 earns 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.

27. 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	
	2014	2013
	HK$'000	HK$'000
Less than 30 days	**338**	2,121
61 to 90 days	**2**	56
	340	2,177

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

28. ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accruals and other payables	**159,092**	92,431	**1,264**	987

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 and HK$404,000, respectively.

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

29. LOAN FROM A NON-CONTROLLING SHAREHOLDER

The balance was unsecured, interest-free and had no fixed terms of repayment.

30. CONVERTIBLE NOTES

		Group and Company	
		2014	2013
	Notes	**HK$'000**	HK$'000
First Completion Convertible Notes	(i)	**—**	317,472
Second Completion Convertible Notes	(ii)	**168,973**	189,304
		168,973	506,776
Portion classified as current liabilities		**(168,973)**	(317,472)
Non-current portion		**—**	189,304

30. CONVERTIBLE NOTES (continued)

Pursuant to a 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 HK$224,873,937 (the "Second Completion Convertible Notes"), which are 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.

Pursuant to the terms and conditions of the First Completion Convertible Notes, as a result of the Share Consolidation (as defined in note 32(b)), the conversion prices of the outstanding First Completion Convertible Notes set out above were adjusted from HK$0.016 per share to HK$0.32 per New Share (as defined in note 32(b)) and from HK$0.02785 per share to HK$0.557 per New Share, respectively. Accordingly, the number of shares upon conversion would be adjusted in proportion to the adjusted conversion prices. No adjustment was made to the conversion price during the year ended 31 July 2013.

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

30. CONVERTIBLE NOTES (continued)

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

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.

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

30. CONVERTIBLE NOTES (continued)

(i) First Completion Convertible Notes (continued)

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

	Liability component HK$'000	Equity component HK$'000	Total HK$'000
At 1 April 2011	—	—	—
Issued 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	(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 and 1 August 2013	317,472	86,414	403,886
Interest charged during the year	25,646	—	25,646
Partial conversion of convertible notes before the Capital Reorganisation (note 32(a))	(4,990)	(1,321)	(6,311)
Partial conversion of convertible notes after the Capital Reorganisation (note 32(d))	(149,037)	(37,920)	(186,957)
Redemption of convertible notes (note 34(b))	(189,091)	(47,173)	(236,264)
At 31 July 2014	—	—	—

30. 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.

Pursuant to the terms and conditions of the Second Completion Convertible Notes, as a result of the Share Consolidation (as defined in note 32(b)), the conversion price of the Second Completion Convertible Notes set out above was adjusted from HK$0.02785 per share to HK$0.557 per New Share. Accordingly, the number of shares upon conversion would be adjusted in proportion to the adjusted conversion price. No adjustment was made to the conversion price during the year ended 31 July 2013.

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.

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

	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	172,488
Equity component	(224,439)
Liability component at date of issue	172,923

30. 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 and 1 August 2013	189,304	223,579	412,883
Interest charged during the year	17,608	—	17,608
Partial conversion of convertible notes after the Capital Reorganisation (note 32 (e))	(37,939)	(41,758)	(79,697)
At 31 July 2014	168,973	181,821	350,794

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

31. 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 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 and 1 August 2013	—	16,005	16,005
Deferred tax credited to the income statement during the year (note 9)	—	(923)	(923)
Disposal of subsidiaries (note 38(a))	—	(15,288)	(15,288)
Exchange realignment	—	206	206
At 31 July 2014	—	—	—

The Group has tax losses arising in Hong Kong of approximately HK$200,776,000 (2013: HK$106,137,000) 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$13,815,000 (2013: HK$6,991,000) 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 2014, 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 PRC. 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$4,828,000 at 31 July 2014 (2013: HK$22,708,000).

32. SHARE CAPITAL

	2014 Number of shares '000	2014 Nominal value HK$'000	2013 Number of shares '000	2013 Nominal value HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**60,000,000**	**600,000**	60,000,000	600,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each	**1,339,865**	**13,399**	13,140,257	131,403

Movements in the issued share capital of the Company during the years are as follows:

	Notes	2014 Number of shares '000	2014 Nominal value HK$'000	2013 Number of shares '000	2013 Nominal value HK$'000
Balance at the beginning of the year		**13,140,257**	**131,403**	13,140,257	131,403
Partial conversion of the First Completion Convertible Notes before the Capital Reorganisation	(a)	**243,320**	**2,433**	—	—
Capital Reorganisation	(b)	**(12,714,399)**	**(127,144)**	—	—
Placing of shares	(c)	**132,250**	**1,322**	—	—
Partial conversion of the First Completion Convertible Notes after the Capital Reorganisation	(d)	**463,033**	**4,631**	—	—
Partial conversion of the Second Completion Convertible Notes after the Capital Reorganisation	(e)	**75,404**	**754**	—	—
Balance at the end of the year		**1,339,865**	**13,399**	13,140,257	131,403

32. SHARE CAPITAL (continued)

Notes:

(a) On 9 September and 29 November 2013, the Company issued 35,906,642 and 82,413,393 shares to a First Completion Convertible Note holder at a conversion price of HK$0.02785 per share for partial conversion of the First Completion Convertible Notes with a principal amount of HK$1,000,000 and HK$2,295,213, respectively.

On 18 October and 29 November 2013, the Company issued 62,500,000 and 62,500,000 shares to Perfect Sky, respectively, at a conversion price of HK$0.016 per share for partial conversion of the First Completion Convertible Notes with a principal amount of HK$1,000,000 and HK$1,000,000 respectively.

Upon the above conversions, the liability component of HK$4,990,289 and the equity component of HK$1,321,017 of the First Completion Convertible Notes (note 30(i)) were transferred and recognised as share capital of HK$2,433,200 and share premium of HK$3,878,106.

(b) Pursuant to a special resolution passed at a special general meeting held on 8 January 2014, the capital reorganisation (the "Capital Reorganisation") became effective on 9 January 2014. The Capital Reorganisation involved:

(i) the consolidation of every twenty issued shares into one consolidated share ("Consolidated Share(s)") of a par value of HK$0.20 (the "Share Consolidation");

(ii) the reduction of issued share capital of the Company of HK$127,143,987 whereby the par value of each Consolidated Share was reduced from HK$0.20 to HK$0.01 by cancelling HK$0.19 of the paid-up capital on each Consolidated Share and any fraction of a Consolidated Share in the issued share capital of the Company arising from the Share Consolidation was eliminated in order to round down the total number of Consolidated Shares to a whole number ("Capital Reduction");

(iii) the cancellation of HK$395,248,558 standing to the credit of the share premium account of the Company ("Share Premium Reduction"); and

(iv) the transfer of the entire amount of the credit arising from the Capital Reduction and Share Premium Reduction to the contributed surplus account of the Company and the application of part of the amount standing to the contributed surplus account to set off against the accumulated losses of the Company as at 31 July 2013 of HK$471,676,874.

Upon the Capital Reorganisation became effective on 9 January 2014, the issued share capital of the Company became HK$6,691,789 divided into 669,178,882 ordinary shares ("New Shares") of HK$0.01 each. Further details of the Capital Reorganisation are set out in the Company's circular dated 13 December 2013.

(c) Pursuant to a placing agreement entered into between the Company and Celestial Capital Limited, an independent third party, on 10 January 2014, the Company issued, on 21 January 2014, an aggregate of 132,250,000 New Shares at a price of HK$0.607 per share to two placees who were independent of, and not connected with the Group. The gross proceeds from the said placement amounted to approximately HK$80,276,000 and the related issue expense was approximately HK$641,000.

32. SHARE CAPITAL (continued)

Notes: (continued)

(d) During the period from 21 January 2014 to 5 May 2014, the Company issued 425,375,000 shares to Perfect Sky at a conversion price of HK$0.32 per New Share (adjusted as a result of the Share Consolidation) for partial conversion of the First Completion Convertible Notes with a principal amount of HK$136,120,000.

On 24 April, 2014, the Company issued 21,500,000 shares to a First Completion Convertible Note holder at a conversion price of HK$0.32 per New Share (adjusted as a result of the Share Consolidation) for partial conversion of the First Completion Convertible Notes with a principal amount of HK$6,880,000.

During the period from 21 January 2014 to 17 March 2014, the Company issued 16,157,988 shares to a First Completion Convertible Note holder at a conversion price of HK$0.557 per New Share (adjusted as a result of the Share Consolidation) for partial conversion of the First Completion Convertible Notes with a principal amount of HK$9,000,000.

Upon the above conversions, the liability component of approximately HK$149,037,000 and equity component of approximately HK$37,920,000 of the First Completion Convertible Notes (note 30(i)) were transferred and recognised as share capital of approximately HK$4,631,000 and share premium of approximately HK$182,326,000.

(e) On 5 May 2014, the Company issued 75,403,950 New Shares to Perfect Sky at a conversion price of HK$0.557 per New Share (adjusted as a result of the Share Consolidation) for partial conversion of the Second Completion Convertible Notes with a principal amount of HK$42,000,000.

Upon the above conversion, the liability component of approximately HK$37,939,000 and equity component of approximately HK$41,758,000 of the Second Completion Convertible Notes (note 30(ii)) were transferred and recognised as share capital of approximately HK$754,000 and share premium of approximately HK$78,943,000.

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 33 to the financial statements.

33. 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-caliber 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.

33. SHARE OPTION SCHEMES (continued)

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

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.

(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.

33. SHARE OPTION SCHEMES (continued)

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

(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.

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

	2014		2013	
	Number of share options	**Weighted average exercise price* per share HK$**	Number of share options	Weighted average exercise price* per share HK$
Outstanding at the beginning of the year	—	—	101,102,576	0.233
Granted during the year	—	—	—	—
Lapsed during the year	—	—	(101,102,576)	0.233
Outstanding at the end of the year	—	—	—	—

* 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.

(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 arrangement, to the development and growth of the Group.

33. SHARE OPTION SCHEMES (continued)

(B) *New Share Option Scheme* (continued)

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.

(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).

33. SHARE OPTION SCHEMES (continued)

(B) New Share Option Scheme (continued)

(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 at any 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 had been granted by the Company under the New Share Option Scheme during the years ended 31 July 2014 and at 31 July 2013.

34. 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.

34. RESERVES (continued)

(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 2012	395,249	44,475	309,993	5,030	(327,396)	427,351
Total comprehensive loss for the year	—	—	—	—	(149,645)	(149,645)
Equity-settled share option arrangement	—	—	—	334	—	334
Transfer of share-based payment reserve upon lapse of share options	—	—	—	(5,364)	5,364	—
At 31 July 2013 and 1 August 2013	395,249	44,475	309,993	—	(471,677)	278,040
Loss for the year and total comprehensive loss for the year	—	—	—	—	(190,238)	(190,238)
Partial conversion of the First Completion Convertible Notes before Capital Reorganisation (note 32(a))	3,878	—	(1,321)	—	—	2,557
Capital Reorganisation (note 32(b)	(395,249)	50,716	—	—	471,677	127,144
Placing of shares (note 32 (c))	78,954	—	—	—	—	78,954
Transaction costs of placing of shares (note 32 (c))	(641)	—	—	—	—	(641)
Partial conversion of the First Completion Convertible Notes after Capital Reorganisation (note 32(d))	182,326	—	(37,920)	—	—	144,406
Partial conversion the Second Completion Convertible Notes after Capital Reorganisation (note 32(e))	78,943	—	(41,758)	—	—	37,185
Redemption of the First Completion Convertible Notes (note 30(i))	—	—	(47,173)	—	47,173	—
At 31 July 2014	343,460	95,191	181,821	—	(143,065)	477,407

The loss of HK$190,238,000 for the year ended 31 July 2014 (2013: HK$149,645,000) included impairment of amount due from subsidiaries of the Company of HK$144,309,000 (2013: HK$97,349,000).

34. 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 based on the results of the capital reorganisation of the Company effected in 2009 and 2014.

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 as disclosed in note 30 to the financial statements.

35. BUSINESS COMBINATION

On 31 October 2013, the Group acquired a 70% interest in China Film Media Asia Video Distribution Co., Ltd. ("CFMA") from eSun. CFMA is engaged in film distribution in the PRC.

The Group considers that the acquisition of CFMA represents a good opportunity for the Group to leverage the Group's established networks in the media and entertainment sectors into Mainland China.

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

35. BUSINESS COMBINATION (continued)

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

	Note	HK$'000
Property, plant and equipment	13	29
Trade receivables		1,515
Prepayments, deposits and other receivables		8,742
Cash and bank balances		1,489
Accruals and other payables		(10,489)
		1,286
Non-controlling interests		(386)
Total identifiable net assets at fair value		900
Satisfied by cash		900

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

	HK$'000
Cash consideration paid	(900)
Cash and bank balances acquired	1,489
	589

The gross contractual amounts of the trade receivable and other receivables as at the date of acquisition amounted to HK$1,515,000 and HK$186,000, respectively, which approximated their fair value.

Since the acquisition, CFMA contributed a loss of HK$1,960,000 included in the consolidated income statement for the year ended 31 July 2014. 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 2014 would have been HK$456,950,000 and HK$153,869,000, respectively.

36. COMMITMENTS

(a) Capital commitments

As 31 July 2014, the Group had the following capital commitments, contracted but not provided for, as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Capital contribution to joint ventures	**—**	11,401
Capital contribution to an associate	**—**	2,011
Acquisition of property, plant and equipment	**—**	2,479
	—	15,891

At the end of the reporting period, the Company did not have any significant capital commitment (2013: Nil).

(b) Operating lease commitments

At 31 July 2014, 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 (2013: from one year to five years).

At 31 July 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**5,627**	3,400
Within two to five years	**4,334**	2,170
	9,961	5,570

At the end of the reporting period, the Company had no significant operating lease commitments (2013: Nil).

37. 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	**2014 HK$'000**	2013 HK$'000
Fellow subsidiaries:			
Rental expenses and building management fee	(i)	**930**	642
Royalty income	(ii)	**—**	837
Sponsorship income	(ii)	**—**	929
Artiste fee	(iii)	**731**	268
Artiste fee commission income	(iii)	**57**	—
Music royalty commission income	(iv)	**1,477**	455
Film distribution commission income	(v)	**138**	1,392
Film distribution fee	(vi)	**54**	—
Share of net income by the Group on concerts organised by fellow subsidiaries	(vii)	**1,117**	4,984
Sharing of corporate salaries on a cost basis allocated from		**6,624**	6,184
Sharing of administrative expenses on a cost basis allocated from		**3,704**	6,231
Sharing of corporate salaries on a cost basis allocated to		**17,627**	23,688
Sharing of administrative expenses on a cost basis allocated to		**3,056**	4,574
Video consignment commission expense	(viii)	**75**	—
Video distribution commission expense	(ix)	**200**	—
Acquisition of a subsidiary	(x)	**900**	—
Related companies:			
Rental expenses and building management fee*	(i)	**1,877**	936
Production fee#	(ii)	**2,890**	2,040
Advisory income#	(ii)	**1,760**	—
Artiste fee##	(iii)	**441**	167

* The company is a major shareholder of eSun.

\# The company is a joint venture of the Group.

\## The company is a joint venture of eSun.

37. RELATED PARTY TRANSACTIONS (continued)

(a) (Continued)

Notes:

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

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

(iii) During the year ended 31 July 2014, the Group paid artiste fee of HK$1,172,000 (2013: HK$435,000) to fellow subsidiaries or related companies for engaging artistes in the Group's events.

During the year ended 31 July 2014, the Group received artiste fee of HK$330,000 (2013: HK$Nil) from fellow subsidiaries for engaging artistes in their events in which the Group was entitled to artiste fee commission income of HK$57,000 (2013: HK$Nil). The artsite fee and artistee fee commission income were charged in accordance with contractual terms.

(iv) During the year ended 31 July 2014, the Group received contract sum of HK$4,924,000 (2013: HK$1,517,000) net of direct expensed, by licensing music catalogs of fellow subsidiaries. The Group was entitled to music royalty commission income of HK$1,477,000 (2013: HK$455,000). The balance of HK$3,447,000 (2013:HK$1,062,000) 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 2014, the Group received a contract sum of HK$922,000 (2013: HK$9,281,000), net of direct expenses from licensing certain films rights and film products owned by fellow subsidiaries. The Group was entitled to film distribution commission income of HK$138,000 (2013: HK$1,392,000). The balance of HK$784,000 (2013: HK$7,889,000) and minimum guarantee shortfall of HK$327,000 was paid to eSun which was designated as the representative of fellow subsidiaries. The film distribution commission is charged in accordance with contractual terms.

(vi) During the year ended 31 July 2014, the Group paid film distribution fee of HK$54,000 (2013:HK$Nil) to a fellow subsidiary for theatrical distribution of the Group's films. The fellow subsidiary further sublicensed to its fellow subsidiary for theatrical exhibition which was entitled to the sharing of theatrical box office and the amount was HK$201,000 (2013: Nil). The aggregate amount paid to these fellow subsidiaries for theatrical distribution was HK$255,000 (2013:HK$Nil).

(vii) During the year ended 31 July 2014, the Group invested in concerts organised by its fellow subsidiaries and paid HK$3,489,000 (2013: HK$17,507,000) to these fellow subsidiaries. The Group shared net income of HK$1,117,000 (2013: HK$4,984,000). The investment costs in concerts and sharing of concerts results are made in accordance with contractual terms.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 July 2014

37. RELATED PARTY TRANSACTIONS (continued)

(a) (Continued)

Notes: (continued)

(viii) During the year ended 31 July 2014, the Group recognised video sales of HK$150,000 (2013:HK$Nil) through the distribution by a fellow subsidiary pursuant to a video consignment agreement. The fellow subsidiary was entitled to video consignment commission of HK$75,000 (2013: HK$Nil) and was obligated to pay to the Group a production and package cost. The balance of video sales of HK$75,000 (2013:HK$Nil) and the production and package cost of HK$28,000 (2013: HK$Nil) were received/ receivable by the Group. The video consignment commission expense and production and package cost were charged in accordance with contractual terms.

(ix) During the year ended 31 July 2014, the Group recognised licence fee income from sale of video products of HK$400,000 (2013:HK$Nil) through the distribution by a fellow subsidiary pursuant to a video distribution license agreement. The fellow subsidiary was entitled to video distribution commission of HK$200,000 (2013:HK$Nil). The balance of HK$200,000 was received/ receivable by the Group. The video distribution commission expense was charged in accordance with contractual terms.

(x) The consideration was determined after arm's length negotiation between the parties with reference to the net asset value of the subsidiary as at the date of acquisition.

Certain of the above related party transactions also constitute continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules and their details are disclosed in the Report of the Directors.

(b) Commitments with related parties:

(i) During the year ended 31 July 2014, a subsidiary of the Group, as the lessee, entered into a tenancy agreement with a major shareholder of eSun for leasing an office premise for terms of two to three years. The total operating lease commitment due within one year as at 31 July 2014 was approximately HK$2,801,000 (2013: HK$499,000). As at 31 July 2014, the total operating lease commitment due within two to five years was approximately HK$2,685,000 (2013: Nil).

(ii) 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.

(iii) During the years ended 31 July 2014 and 2013, certain subsidiaries of the Group, as the lessees, entered into agreements 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 2014 were HK$462,000 (2013: HK$529,000) and HK$113,000 (2013: HK$240,000), respectively.

37. RELATED PARTY TRANSACTIONS (continued)

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

	Group	
	2014	2013
	HK$'000	HK$'000
Short term employee benefits	**7,772**	6,745
Equity-settled share option expense	**—**	334
Post-employment benefits	**9**	19
	7,781	7,098

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

38. DISPOSAL OF SUBSIDIARIES AND DISCONTINUED OPERATION

(a) Disposal of Galaxy Soar Group

On 17 December 2013, the Company entered into a sale and purchase agreement with an independent third party (the "Purchaser") to sell the entire equity interest in Galaxy Soar Group at a consideration of approximately HK$63,764,000. The disposal was completed on 24 December 2013.

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

	HK$'000
Property, plant and equipment	78
Goodwill	10,574
Other intangible assets	61,153
Prepayments, deposits and other receivables	28,472
Options	16,407
Cash and cash equivalents	50
Accruals and other payables	(8,453)
Tax payable	(9,517)
Deferred tax liabilities	(15,288)
Net assets disposed of	83,476
Non-controlling interests	(27,683)
Release of foreign currency translation reserve	(1,506)
Gain on disposal of subsidiaries	9,477
Cash consideration	63,764

38. DISPOSAL OF SUBSIDIARIES AND DISCONTINUED OPERATION

(a) *Disposal of Galaxy Soar Group* (continued)

An analysis of the cash flows in respect of the disposal of the Galaxy Soar Group is as follows:

	HK$'000
Cash consideration	63,764
Cash and cash equivalents disposed of	(50)
Net cash inflow in respect of the disposal of subsidiaries during the year ended 31 July 2014	63,714

(b) *Disposal of the Rojam Group*

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 "Rojam Group"), wholly-owned subsidiaries of the Company, at a cash consideration of approximately HK$669,000. The Rojam Group was principally engaged in the licensing of software business. The Group considered the cessation of the 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 net assets of the Rojam 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 Rojam 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)

38. DISPOSAL OF SUBSIDIARIES AND DISCONTINUED OPERATION (continued)

(b) *Disposal of the Rojam Group* (continued)

The results of the discontinued operation in respect of the licensing of software for the year ended 31 July 2013 are presented below:

	2013 HK$'000
Interest income	5
Other income	2
Administrative expenses	(1,888)
Depreciation	(3)
Other operating expenses	
Impairment of other intangible assets	(34)
Loss on disposal of items of property, plant and equipment	(22)
Loss before tax	(1,940)
Income tax	—
Loss for the year from the discontinued operation	(1,940)

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

	2013 HK$'000
Operating activities	(1,945)
Investing activities	5
Net cash outflow	(1,940)
	(Restated)
Loss per share:	
Basic and diluted, from the discontinued operation (HK cents)	(0.30)

The calculation of basic loss per share from the discontinued operation is based on the loss from the discontinued operation for the year ended 31 July 2013 of HK$1,940,000 and the weighted average number of ordinary shares of approximately of 657,013,000 (restated) in issue during the year ended 31 July 2013 attributable to owners of the Company.

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

39. 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 2014

	Loans and receivables HK$'000	Financial assets at fair value through profit or loss HK$'000	Total HK$'000
Trade receivables	**84,141**	**—**	**84,141**
Financial assets included in prepayments, deposits and other receivables	**98,004**	**—**	**98,004**
Cash and cash equivalents	**326,999**	**—**	**326,999**
Due from joint ventures	**16,078**	**—**	**16,078**
Due from an associate	**19,429**	**—**	**19,429**
	544,651	**—**	**544,651**

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

39. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group (continued)

Financial liabilities

	2014 Financial liabilities at amortised cost HK$'000	2013 Financial liabilities at amortised cost HK$'000
Trade payables	340	2,177
Financial liabilities included in accruals and other payables	141,858	92,431
Loan from a non-controlling shareholder	—	6,150
Convertible notes	168,973	506,776
	311,171	607,534

Company

Financial assets

	2014 Loans and receivables HK$'000	2013 Loans and receivables HK$'000
Due from subsidiaries	708,936	808,110
Financial assets included in prepayments, deposits and other receivables	1	41
Cash and cash equivalents	61,451	162,117
	770,388	970,268

Financial liabilities

	2014 Financial liabilities at amortised cost HK$'000	2013 Financial liabilities at amortised cost HK$'000
Due to subsidiaries	110,203	53,300
Financial liabilities included in accruals and other payables	1,264	987
Convertible notes	168,973	506,776
	280,440	561,063

40. FAIR VALUE HIERARCHY

Assets measured at fair values:

Group

	Carrying amounts		Fair values	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Financial assets				
Options	**—**	21,579	**—**	21,579
	—	21,579	**—**	21,579

Liabilities for which fair values are disclosed:

Group and Company

	Carrying amounts		Fair values	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Financial liabilities				
Convertible notes	**168,973**	506,776	**169,674**	512,519
	168,973	506,776	**169,674**	512,519

The fair value of the liability portion of the convertible notes is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar instrument with consideration of the Group's own non-performance risk. The interest rate used to discount the future cash flows as at 31 July 2014 was 9.16% (2013: 9.16%).

Other than the above financial assets and liabilities, the carrying amounts of the Group's and the Company's financial instruments carried at amortised cost are not materially different from their fair values as at 31 July 2014 and 2013.

40. FAIR VALUE HIERARCHY (continued)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

Group

As at 31 July 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Options	—	—	21,579	21,579
	—	—	21,579	21,579

The Company did not have any financial assets measured at fair value as at 31 July 2014 and 2013.

The Group and the Company did not have any financial liabilities measured at fair value as at 31 July 2014 and 2013.

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

	Group
	Options HK$'000
At 1 August 2012	32,491
Fair value loss recognised in consolidated income statement	(10,912)
At 31 July 2013 and 1 August 2013	21,579
Fair value loss recognised in consolidated income statement	(5,172)
Disposal of subsidiaries	(16,407)
At 31 July 2014	—

During the year, there were no transfers into or out of Level 3 fair value measurements (2013: Nil).

40. FAIR VALUE HIERARCHY (continued)

Liabilities for which fair values are disclosed:

Group and Company

As at 31 July 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Convertible notes	**—**	**—**	**169,674**	**169,674**

As at 31 July 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Convertible notes	—	—	512,519	512,519

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

41. 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 2014		
If Hong Kong dollar weakens against RMB	5	2,295
31 July 2013		
If Hong Kong dollar weakens against RMB	5	2,621

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.

41. 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 loss before tax and the Group's and the Company's equity.

	Group			Company	
	Increase in interest rate (in percentage)	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 2014					
Time deposits	**0.5**	471	471	0.5	50
31 July 2013					
Time deposits	**0.5**	563	563	0.5	563

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

41. 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

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Total HK$'000
31 July 2014			
Trade payables	**340**	**—**	**340**
Financial liabilities included in accruals and other payables	**141,858**	**—**	**141,858**
Convertible notes	**182,874**	**—**	**182,874**
Total	**325,072**	**—**	**325,072**
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	447,145	224,874	672,019

41. 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

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Total HK$'000
At 31 July 2014			
Due to subsidiaries	**110,203**	**—**	**110,203**
Financial liabilities included in accruals and other payables	**1,264**	**—**	**1,264**
Convertible notes	**182,874**	**—**	**182,874**
Total	**294,341**	**—**	**294,341**
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	400,674	224,874	625,548

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. As at 31 July 2014, the consolidated cash and cash equivalents amounted to HK$326,999,000 (2013: HK$414,384,000)

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 2014, 34.95% (2013: 37.32%) of the shares were in public hands.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 16 October 2014.

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 Tuesday, 9 December 2014 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 2014;

(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 for the ensuing year 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

NOTICE OF ANNUAL GENERAL MEETING *(continued)*

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

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

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

shall not exceed the aggregate of:

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

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

the said approval shall be limited accordingly; and

(d) for the purpose of this Resolution:

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

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

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

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

"Rights Issue" means an offer for Shares 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 Buy-backs 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."

NOTICE OF ANNUAL GENERAL MEETING *(continued)*

(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
Lui Siu Tsuen, Richard
Executive Director

Hong Kong, 31 October 2014

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head office and principal place of business in Hong Kong:
11th Floor
Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon, Hong Kong

Notes:

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

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

3. To ascertain the entitlements to attend and vote at the AGM, Members must lodge the relevant transfer document(s) and share certificate(s) at the Registrar's above office not later than 4:30 p.m. on 4 December 2014 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. Choi Chiu Fai, Stanley, Mr. Zhang Xi and Mr. Ng Chi Ho, Dennis 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. Yip Chai Tuck who was appointed an executive Director with effect from 21 July 2014 will retire at the AGM and, being eligible, offer himself for re-election; and

   (iii) in accordance with Rule 17.46(A) of the Rules Governing the Listing of Securities on the GEM (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 2014.

   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 2014.

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 寰亞

Media Asia Group Holdings Limited

Annual Report 2014

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）

11/F., Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong
香港九龍長沙灣道680號麗新商業中心十一樓

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