Media Asia 寰亞

ANNUAL REPORT
年度報告

Year ended 31 July 2015
二零一五年七月三十一日止

Media Asia Group Holdings Limited
寰亞傳媒集團有限公司
(Stock Code 股份代號：8075)

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

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

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

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

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

*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 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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PLACE OF INCORPORATION

Incorporated in the Cayman Islands and continued in Bermuda

BOARD OF DIRECTORS

Executive Directors

Lam Kin Ngok, Peter *(Chairman)*
Chan Chi Kwong
Lui Siu Tsuen, Richard
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
Lui Siu Tsuen, Richard
Ng Chi Ho, Dennis
Yip Chai Tuck

REMUNERATION COMMITTEE

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

CORPORATE INFORMATION

AUTHORISED REPRESENTATIVES

Lui Siu Tsuen, Richard
Lau Siu Mui

COMPLIANCE OFFICER

Lui Siu Tsuen, Richard

COMPANY SECRETARY

Lau Siu Mui

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL BANKERS

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

LISTING INFORMATION

Place of Listing

The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited

Stock Code

8075

Board Lot

4,000 shares

WEBSITE

www.mediaasia.com

INVESTOR RELATIONS

Tel: (852) 3184 0990
Fax: (852) 3184 9999
E-mail: info@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 have been listed and traded on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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; licensing of media contents; provision of advertising services and consultancy services in planning and management of cultural, entertainment and live performance projects.

THE COMPANY

Movie	Television Drama	Music	Events Management	Artiste Management
Media Asia Film International Limited	Media Asia TV Program Production (HK) Limited	Media Asia Music Limited	Media Asia Entertainment Limited	Media Asia Talent Management Limited
Media Asia Film Production Limited	Media Asia TV Program Distribution Limited	Media Asia Music Publishing Limited	Media Asia Entertainment (Macao) Limited	Lam & Lamb Entertainment Limited
Media Asia Film Distribution (HK) Limited			Media Asia Performance Agency (Macao) Limited	寰亞演藝經紀（上海）有限公司
Media Asia Distribution (Beijing) Co., Limited			寰亞文化傳播（中國）有限公司	

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Company and its subsidiaries (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 2015 HK$'000	Year ended 31 July 2014 HK$'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
Results for the year/period					
Continuing operations					
Turnover	**712,418**	456,950	441,170	117,460	9,760
Profit/(loss) before tax	**29,501**	(147,713)	(84,273)	(272,821)	3,438
Income tax expense	**(4,883)**	(5,510)	(6,748)	(4,766)	—
Profit/(loss) for the year/period from continuing operations	**24,618**	(153,223)	(91,021)	(277,587)	3,438
Discontinued operation					
Loss for the year/period from a discontinued operation	**—**	—	(1,940)	(11,247)	(3,025)
Profit/(loss) for the year/period attributable to owners of the Company and non-controlling interests	**24,618**	(153,223)	(92,961)	(288,834)	413
Assets and liabilities					
Total assets	**1,502,479**	927,662	1,163,257	1,107,368	581,408
Total liabilities	**(607,663)**	(373,159)	(690,650)	(538,447)	(289,566)
Net assets	**894,816**	554,503	472,607	568,921	291,842

CHAIRMAN'S STATEMENT

Dr. LAM Kin Ngok, Peter
Chairman

OVERVIEW OF RESULTS

During the year ended 31 July 2015, the Company and its subsidiaries (the "**Group**") recorded a turnover of approximately HK$712,418,000, representing an increase of 56% from turnover of approximately HK$456,950,000 for the year ended 31 July 2014. For the year ended 31 July 2015, the Group recorded a profit after tax of approximately HK$24,618,000 (2014: a loss of approximately HK$153,223,000). Profit attributable to owners of the Company for the year ended 31 July 2015 was approximately HK$25,850,000 compared to loss of approximately HK$153,154,000 for the previous financial year. The turnaround was mainly due to satisfactory performance of the Group's films released and events held during the year.

As at 31 July 2015, the Group's equity attributable to owners of the Company amounted to approximately HK$898,354,000 (2014: approximately HK$556,551,000) and the net asset value per share attributable to owners of the Company was HK42.9 cents (2014: HK41.5 cents).

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 2015 (2014: Nil).

PROSPECT

With increasing consumption on media entertainment and the PRC government's encouragement on cultural development, the PRC media market continues to grow in rapid pace.

Taking the China film market as an illustration, the 2014 box office exceeded RMB29 billion, a rise of 36.2% annually, while in the first half of 2015, box office already reached RMB20 billion, representing an increase of 48% compared to corresponding period in 2014.

The Group continues to integrate its resources and to explore new business models so as to capitalize the enormous business opportunities.

During the year, we have successfully released titles with satisfactory box office and critical acclaim such as "*Helios*", "*Triumph in the Sky*", "*Don't Go Breaking My Heart 2*" and "*Miss Granny (20, Once Again)*". The Group will continue to dedicate its efforts in strengthening original production of Chinese films to enhance a solid pipeline for distribution. A number of titles are under production or development by famous international producers/directors including *John Wu* and *Johnny To* and a Beijing based joint venture has also been established as a local PRC film sourcing and development platform.

TV drama series "*Don't Go Breaking My Heart*" is in post-production stage and a major satellite TV channel and an internet operator have already committed for related broadcasting rights. While a number of other TV drama series are in script-writing stage, the Group has also been developing a sitcom and a variety/reality show with leading TV stations.

Leveraging on its resources and capabilities, the Group has been exploring new business opportunities to create new sources of revenue or to generate additional revenue from the growing internet market.

The Group has granted an exclusive license to Taobao (China) Software Co. Ltd., amongst other things, to distribute the Group's music recordings and music videos via internet in China. We have also worked with a leading mobile game operator to sponsor and promote our movie via a popular mobile game. The above mentioned sitcom is also a collaboration project with an e-commerce operator and the Group is also developing a mini drama series tailor made for internet broadcasting with a major internet operator.

During the year, we have successfully produced and promoted great shows such as "*Touch Mi - Sammi Cheng*", "*Let's Begin - Miriam*" and "*Super Junior Show-6*". To maintain the Group's market position as one of the leading concert producers/promoters in Hong Kong and China, we will continue to present the audience with super local as well as international stars. Concerts of *Kelly Chen*, *Jolin Tsai*, a new group with *Richie Jen*, *William So*, *Edmond Leung and Steve Wong*, *EXO*, *Infinite and SHINee* are already scheduled.

The Group believes that a strong artiste roster will complement its media and entertainment businesses. In addition to maintaining the current portfolio of famous Hong Kong and PRC artistes and acting as the manager of various artistes of SM Entertainment Group in China, the Group keeps on looking for new talents to provide fresh supply of artistes for its diversified projects.

We are convinced that the Group's integrated media platform comprising movies, TV, music, new media, artiste management and live entertainment presents the most balanced and synergistic approach to establish a Chinese entertainment powerhouse and to maximise value for its shareholders. Besides organic growth of its existing operations, the Group will also explore cooperation and investment opportunities to enrich its business and broaden its income stream.

SHAREHOLDERS AND STAFF

Looking back on this financial year, I would like to thank my Board colleagues, the senior management team, our partners and everyone who worked with us during the year for their loyalty, support and outstanding teamwork. I would also like to thank Mr. Yu Feng and Dr. Choi Chiu Fai, Stanley who left the Board during the year for their contributions to the Company during their tenure.

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

Lam Kin Ngok, Peter
Chairman

Hong Kong, 15 October 2015

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the year ended 31 July 2015, the Company and its subsidiaries (the "**Group**") recorded a turnover of approximately HK$712,418,000, representing an increase of 56% from turnover of approximately HK$456,950,000 for the year ended 31 July 2014. The increase in the turnover of the Group was mainly attributable to the increase in the revenue of the Group's film production and distribution and entertainment events.

Cost of sales for the year ended 31 July 2015 increased to approximately HK$434,634,000 from approximately HK$368,108,000 for the previous financial year ended 31 July 2014. Marketing expenses for the year ended 31 July 2015 was approximately HK$118,935,000 (2014: approximately HK$47,851,000) and administrative expenses for the year ended 31 July 2015 was approximately HK$124,759,000 (2014: approximately HK$117,210,000). The increase in the marketing expenses was due to the increase in the number of large-scale films released in current year. Since management has taken certain cost cutting measures, the Group is able to maintain approximately the same level of administrative expenses as last year. Other operating expenses decreased to approximately HK$8,953,000 (2014: approximately HK$50,699,000). Other operating expenses mainly included share of net income to co-investors of entertainment events organised by the Group and impairment loss of advances and other receivables.

Finance costs decreased to approximately HK$17,040,000 for the year ended 31 July 2015 from approximately HK$43,254,000 for the year ended 31 July 2014. The decrease in finance costs was mainly attributable to the redemption of the First Completion Convertible Notes and the Second Completion Convertible Notes (defined in the note 25 to the consolidated financial statements) on 8 June 2014 and 8 June 2015, respectively.

For the year ended 31 July 2015, the Group recorded a profit after tax of approximately HK$24,618,000 (2014: a loss of approximately HK$153,223,000). Profit attributable to owners of the Company for the year ended 31 July 2015 was approximately HK$25,850,000 compared to loss of approximately HK$153,154,000 for the previous financial year. The turnaround was mainly due to satisfactory performance of the Group's films released and events held during the year.

As at 31 July 2015, the Group's equity attributable to owners of the Company amounted to approximately HK$898,354,000 (2014: approximately HK$556,551,000) and the net asset value per share attributable to owners of the Company was HK42.9 cents (2014: HK41.5 cents).

BUSINESS REVIEW

Media and entertainment segment

Events Management

During the year under review, the Group organised and invested in 60 (2014: 89) shows by popular local, Asian and internationally renowned artistes, including Sammi Cheng, Miriam Yeung, Super Junior, EXO, Donghae & Eunhyuk, William So, a group of Ekin Cheng, Jordan Chan, Michael Tse, Jerry Lamb and Chin Ka Lok, Justin Lo, Poon Yuen Leung, C AllStar and Show Lo. The total revenue from these businesses amounted to approximately HK$323,176,000.

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$2,155,000 during the year arising from the said entertainment service agreement.

Music

During the year under review, the Group released 25 (2014: 23) albums, including titles by Super Junior, Sammi Cheng, Miriam Yeung, Justin Lo, Grasshopper, C AllStar and RubberBand. Turnover from music publishing and recording was approximately HK$39,720,000.

Artiste Management

During the year under review, the Group recorded a turnover of approximately HK$13,029,000 from artiste management. The Group currently has around 24 artistes under its management.

Advertising

During the year under review, the Group recorded a turnover of approximately HK$15,358,000 from advertising business.

Film and TV program segment

Film production and distribution

During the year under review, a total of 7 films produced/invested by the Group were theatrically released, namely "Helios", "Triumph in the Skies", "The Man From Macau II (From Vegas to Macau 2)", "Crazy New Year's Eve", "Don't Go Breaking My Heart 2", "Miss Granny (20, Once Again)" and "Breakup 100". In addition, the Group has completed principal photography of another 4 films, with 6 other films in the production pipeline or under development and most of them are expected to be released by 2016. The Group recorded a turnover of approximately HK$302,440,000 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$16,540,000 from TV program licence fee and distribution commission. The Group has also made investments in the production of 3 television drama series in the PRC which are expected to generate return to the Group in the coming financial years.

TFN CONVERTIBLE NOTES AND SPECIFIC MANDATE CONVERTIBLE NOTES

On 17 April 2015, the Company entered into a subscription agreement with TFN Media Co., Ltd. ("**TFN Media**"), pursuant to which the Company conditionally agreed to issue and TFN Media conditionally agreed to subscribe for 3-year zero coupon convertible notes in an aggregate principal amount of HK$130,000,000 (the "**TFN Convertible Notes**") *(Note)*.

The completion of the subscription of TFN Convertible Notes took place on 13 May 2015. Upon completion, the Company issued to TFN Media the TFN Convertible Notes with an aggregate principal amount of HK$130,000,000.

On 17 April 2015, the Company entered into the subscription agreements on substantially the same terms, with each of Perfect Sky Holdings Limited ("**Perfect Sky**", a wholly-owned subsidiary of eSun Holdings Limited), Fubon Financial Holding Venture Capital Corp., Kbro Media Co., Ltd., and MOMO.COM Inc. (collectively the "**New Subscribers**"), pursuant to which the Company conditionally agreed to issue and the New Subscribers conditionally agreed to subscribe for 3-year zero coupon convertible notes in an aggregate principal amount of HK$186,840,000 (the "**Specific Mandate Convertible Notes**") *(Note)*.

The completion of the subscription of the Specific Mandate Convertible Notes took place on 3 July 2015. Upon completion, the Company issued to the New Subscribers the Specific Mandate Convertible Notes with an aggregate principal amount of HK$186,840,000.

Note: Further details of the TFN Convertible Notes and Specific Mandate Convertible Notes are set out in note 25 to the consolidated financial statements.

OPEN OFFER

On 17 April 2015, the Company proposed an open offer on the basis of one offer share for every two existing shares at the subscription price of HK$0.3 per offer share (the "**Open Offer**"). A total of 669,932,910 shares were issued and the gross proceeds of approximately HK$200,980,000 were raised under the Open Offer on 2 June 2015. Further details of the Open Offer are set out in note 27 to the consolidated financial statements.

CAPITAL STRUCTURE

As at 31 July 2015, the Group's equity attributable to owners of the Company increased by 61% to approximately HK$898,354,000 (as at 31 July 2014: approximately HK$556,551,000). Total assets amounted to approximately HK$1,502,479,000 (as at 31 July 2014: approximately HK$927,662,000) included current assets amounting to approximately HK$1,320,355,000 (as at 31 July 2014: approximately HK$806,895,000). Current liabilities were approximately HK$364,869,000 (as at 31 July 2014: approximately HK$373,159,000). Net asset value per share attributable to owners of the Company as at 31 July 2015 was approximately HK42.9 cents (as at 31 July 2014: approximately HK41.5 cents). Current ratio was approximately 3.6 (as at 31 July 2014: approximately 2.2).

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations with internal resource, convertible notes and Open Offer. During the year, Second Completion Convertible Notes with principal amount of approximately HK$143,065,000 were redeemed upon maturity on 8 June 2015. As at 31 July 2015, the Group had unsecured and unguaranteed 3-year zero coupon convertible notes with an outstanding principal amount of approximately HK$316,840,000. 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$242,794,000 (as at 31 July 2014: HK$168,973,000). As at 31 July 2015, the Group had no unutilised letter of credit facility (as at 31 July 2014: Nil).

As at 31 July 2015, the Group's cash and cash equivalents increased to approximately HK$722,002,000 (as at 31 July 2014: approximately HK$326,999,000) of which around 60% was denominated in Hong Kong dollar ("**HKD**") and around 40% was denominated in Renminbi ("**RMB**") and United States dollar ("**USD**") currencies. The RMB denominated balances were placed with licensed banks. 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 2015, the Group did not have any bank loans, overdrafts or any other borrowing. No interests have been capitalised during the year ended 31 July 2015.

As at 31 July 2015, the gearing ratio of the Group, being the total borrowings to shareholders' equity attributable to the owners of the Company, was approximately 27.0% (as at 31 July 2014: 30.4%).

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 2015, the Group had no outstanding foreign currency hedge contracts (as at 31 July 2014: Nil).

MATERIAL ACQUISITION/DISPOSAL AND SIGNIFICANT INVESTMENTS

The Group had no material acquisition of subsidiaries during the year.

Details of the disposal of subsidiaries of the Group during the year are set out in note 34 to the consolidated financial statements.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 July 2015 (as at 31 July 2014: Nil).

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 31 July 2015, the Group had 187 (as at 31 July 2014: 209) employees. Staff costs, including directors' emoluments for the year ended 31 July 2015, amounted to approximately HK$89,762,000 (2014: approximately HK$84,256,000). 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.

CORPORATE SOCIAL RESPONSIBILITY REPORT

The Company and its subsidiaries (the "**Group**") believes that maintaining a healthy and harmonious relationship with its stakeholders and fulfilling its social responsibilities to the community is essential for building and preserving the value of the Group.

ENVIRONMENTAL PROTECTION

Adhered to the principle of Reducing, Recycling and Reusing, the Group encourages green office practices such as double-sided printing and copying, setting up recycling bins, promoting using recycled paper and reducing energy consumption by switching off lightings and electrical appliances, and will consider implementing further eco-friendly measures and practices in the operation of the Group's businesses.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. Our Audit Committee is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

In accordance with the requirements of the laws in Hong Kong and PRC, regulations and related policies, the Company provides and maintains statutory benefits for its staff, including but not limited to mandatory provident fund, basic medical insurance, work injury insurance, etc. Staff is entitled to day-off on public holidays, wedding leave, funeral leave and maternity leave.

The Group has registered its media products, domain name and trademarks in Hong Kong, Macau, the PRC and other relevant jurisdictions and takes all appropriate actions to protect and enforce its intellectual property rights.

WORKPLACE QUALITY

The Group is an equal opportunity employer and does not discriminate on the basis of personal characteristics. The Group has employee handbooks outlining terms and conditions of employment, expectations for employees' conduct and behavior, employees' rights and benefits. We establish and implement policies that promote a harmonious and respectful workplace.

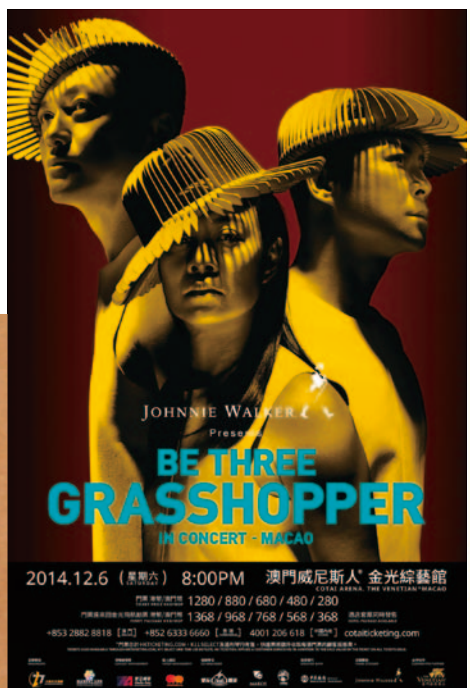
The Group believes that employees are the valuable assets of an enterprise and regards human resources as its corporate wealth. We provide on-the-job training and development opportunities to enhance our employees' career progression. Through different training, staff's professional knowledge in corporate operations, occupational and management skills are enhanced. The Group also organised charitable and staff-friendly activities for employees, such as outings, cookery class and health talks to provide communication opportunities among staff, which are vital to promote staff relationship and physical fitness.

HEALTH AND SAFETY

The Group prides itself on providing a safe, effective and congenial work environment. Adequate arrangements, training and guidelines are implemented to ensure the working environment is healthy and safe. An office memo on occupational health and safety is issued to each staff member as they commence employment. The Group provided health and safety communications for employees to present the relevant information and raise awareness of occupational health and safety issues.

COMMUNITY INVOLVEMENT

The Group is committed to participate in the community events and has worked with a number of charitable organisations with an aim to the improvement of community well-being and social services. The Group believes that by encouraging staff to participate in a wide range of charitable events, concern for the community will be raised and boosted, which would inspire more people to take part in serving the community.



CORPORATE GOVERNANCE REPORT

The Company is committed to achieving and maintaining high standards of corporate governance in compliance with the principles and code provisions 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 (the "**GEM Listing Rules**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") from time to time.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the CG Code throughout the year ended 31 July 2015 (the "**Year**") 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.

Due to other pre-arranged business commitments, Dr. Lam Kin Ngok, Peter, the chairman of the board of directors of the Company (the "**Board**"), had not attended the annual general meeting held on 9 December 2014 (the "**AGM**"). However, Mr. Lui Siu Tsuen, Richard, an executive director of the Company present at the AGM, took the chair of the AGM pursuant to bye-law 63 of the bye-laws of the Company to ensure effective communication with the shareholders of the Company (the "**Shareholders**") thereat.

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 exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has made specific enquiry of all directors of the Company (the "**Directors**") who have confirmed in writing their compliance with the required standard set out in the Securities Code during the Year.

BOARD OF DIRECTORS

(1) *Composition of the Board*

As at the date of this report, the Board comprises four executive Directors, namely Dr. Lam Kin Ngok, Peter (Chairman), Mr. Chan Chi Kwong, Mr. Lui Siu Tsuen, Richard and Mr. Yip Chai Tuck and three independent non-executive Directors (the "**INEDs**"), namely Messrs. Chan Chi Yuen, Ng Chi Ho, Dennis and Zhang Xi. The brief biographical particulars of the Directors are set out in the section headed "Biographical Details of Directors" of this annual report.

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

(2) *Attendance at Meetings*

The attendance of each Director at Board meetings, Audit Committee meetings, Nomination Committee meeting, Remuneration Committee meeting and general meetings during the Year is set out in the following table:

Directors	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	General Meeting
Number of Meetings held during the Year	9	4	1	1	2
	Number of meetings attended/Number of meetings held				
Executive Directors					
Dr. Lam Kin Ngok, Peter	9/9	–	–	–	0/2
Mr. Chan Chi Kwong	8/9	–	–	–	2/2
Mr. Lui Siu Tsuen, Richard	9/9	–	1/1	1/1	2/2
Mr. Yip Chai Tuck	8/9	–	1/1	1/1	2/2
Mr. Yu Feng *(Note)*	7/9	–	–	–	0/2
Dr. Choi Chiu Fai, Stanley *(Note)*	9/9	–	–	–	0/2
INEDs					
Mr. Chan Chi Yuen	9/9	4/4	1/1	1/1	1/2
Mr. Ng Chi Ho, Dennis	9/9	4/4	1/1	1/1	2/2
Mr. Zhang Xi	9/9	4/4	1/1	1/1	2/2

Note: Mr. Yu Feng and Dr. Choi Chiu Fai, Stanley resigned as the executive Directors with effect from 30 September 2015

BOARD OF DIRECTORS *(continued)*

(3) Responsibilities and Delegation

The Board oversees the overall 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 Audit Committee, the Nomination Committee, the Remuneration Committee and the Executive Committee. The Company has also established a Management Committee comprising of the executive Directors and certain key department heads. Specific responsibilities have been delegated to the above committees.

The day-to-day management of the Company's business has been vested with the management, the Management Committee and the Executive Committee whilst the Board focuses its attention on matters affecting the Company's long-term objectives and plans for achieving these objectives, the overall business and commercial strategy of the Company and its subsidiaries (the "**Group**") as well as overall policies and guidelines.

Decisions relating to any acquisition or disposal of businesses, investments, or transactions or commitments of any kind where the actual or potential liability or value exceeds the threshold for discloseable transactions for the Company (as defined in the GEM Listing Rules from time to time) are reserved for the Board. Decisions regarding matters set out in the terms of reference of the Executive Committee are delegated to the Executive Committee and those not specifically reserved for the Board, including overseeing and monitoring the development and progress of individual projects and reviewing and approving high budget items, are entrusted to the management and the Management Committee.

All Directors have been provided, on a monthly basis, with the Group's management information updates, giving a balanced and understandable assessment of the Group's performance, position, recent developments and prospects in sufficient detail to keep them abreast of the Group's affairs and facilitate them to discharge their duties under the relevant requirements of the GEM Listing Rules.

(4) INEDs

The Company has complied with the requirements under Rules 5.05(1) and (2), and 5.05A of the GEM Listing Rules that (a) the Board must include at least three INEDs; (b) at least one of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise; and (c) the Company must appoint INEDs representing at least one-third of the Board. All INEDs also meet the guidelines for assessing their independence set out in Rule 5.09 of the GEM Listing Rules.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

On appointment to the Board, each Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he is sufficiently aware of his responsibilities under the GEM Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior executives to enroll in a wide range of professional development courses and seminars relating to the GEM Listing Rules, companies ordinance/act and corporate governance practices organised by professional bodies, independent auditors and/or law firms in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

From time to time, Directors are provided with written training materials to develop and refresh their professional skills; the Group's Legal and Company Secretarial Departments also organise and arrange seminars on the latest development of applicable laws, rules and regulations for the Directors to assist them in discharging their duties. During the Year, the Company organised for the Directors and executives an in-house workshop on the update of the rules governing the listing of securities on the Stock Exchange conducted by a leading international solicitors' firm, and arranged for the Directors to attend seminars organised by other organisations and professional bodies and/or the independent auditors of the Company (the "**Independent Auditors**").

According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the CG Code's requirement on continuous professional development during the Year:

Directors	Legal and Regulatory	Corporate Governance	Finance and Management
Executive Directors			
Dr. Lam Kin Ngok, Peter	✓	✓	✓
Mr. Chan Chi Kwong	✓	✓	✓
Mr. Lui Siu Tsuen, Richard	✓	✓	✓
Mr. Yip Chai Tuck	✓	✓	✓
Mr. Yu Feng *(Note)*	✓	✓	✓
Dr. Choi Chiu Fai, Stanley *(Note)*	✓	✓	✓
INEDs			
Mr. Chan Chi Yuen	✓	✓	✓
Mr. Ng Chi Ho, Dennis	✓	✓	✓
Mr. Zhang Xi	✓	✓	✓

Note: Mr. Yu Feng and Dr. Choi Chiu Fai, Stanley resigned as the executive Directors with effect from 30 September 2015

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code provides 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 office 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.

NON-EXECUTIVE DIRECTORS

Each of the non-executive Directors was appointed for a term of two years.

BOARD COMMITTEES

The Executive Committee comprising members appointed by the Board amongst the executive Directors was established on 19 August 2011 with written terms of reference to assist the Board in monitoring the on-going management of the Company's business and in implementing the Company's objectives in accordance with the strategy and policies approved by the Board. The Board has also delegated its authority to the following committees to assist it in the implementation of its functions:

(1) Audit Committee

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

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 with appropriate professional qualifications or accounting or related financial management expertise and the Audit Committee must be chaired by an INED.

The Audit Committee is principally responsible for 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 which include (a) to develop and review the Company's policies and practices on corporate governance; (b) to review and monitor the training and continuous professional development of the Directors and senior management; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual applicable to employees and the Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report. The terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

BOARD COMMITTEES *(continued)*

(1) Audit Committee (continued)

The Audit Committee held four meetings during the Year. It reviewed the audited annual results of the Group for the year ended 31 July 2014, the unaudited quarterly and interim results of the Group for the Year and other matters related to the financial and accounting policies and practice. It also reviewed the internal control review reports on the Company prepared by independent external risk advisory firm and put forward relevant recommendations to the Board.

On 14 October 2015, the Audit Committee reviewed the draft audited consolidated financial statements of the Company as well as the accounting principles and policies for the Year with the Company's management in the presence of the representatives of the Independent Auditors. It also reviewed this corporate governance report and an internal control review report on the Company prepared by the independent advisor.

(2) 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.

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. The terms of reference of the Nomination Committee setting out its authority, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

During the Year, the Nomination Committee held one meeting to review the structure and composition of the Board. All members of the Nomination Committee had also deliberated on matters relating to the assessment of the independence of the INEDs and recommendation of the re-election of the retired Directors at the 2014 AGM by way of circular resolutions.

The Company has adopted a board diversity policy (the "**Policy**") on 27 August 2013 which sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

BOARD COMMITTEES *(continued)*

(2) *Nomination Committee (continued)*

The Company recognises the benefits of Board diversity and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies. The Company seeks to achieve Board diversity through the consideration of a number of factors, including professional qualifications and experience, cultural and educational background, race and ethnicity, gender, age and length of service. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board.

On recommendation from the executive Directors, the Board will set measurable objectives (in terms of gender, skills and experience) to implement the Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The executive Directors will review the Policy, as appropriate, to ensure its continued effectiveness from time to time.

A copy of the Policy has been published on the Company's website for public information.

(3) *Remuneration Committee*

On 23 October 2006, the Board established a Remuneration Committee which currently comprises three INEDs, namely Messrs. Chan Chi Yuen (Chairman), Ng Chi Ho, Dennis and Zhang Xi and two executive Directors, namely Messrs. Lui Siu Tsuen, Richard and Yip Chai Tuck.

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 remuneration of all Directors and senior management, 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 terms of reference of the Remuneration Committee setting out its authority, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee held one meeting during the Year to consider and review the Group's overall remuneration practices and scale and other remuneration-related matters. 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.

INDEPENDENT AUDITORS' REMUNERATION

The remuneration in respect of the audit and non-audit services provided by the Independent Auditors, Messrs. Ernst & Young to the Group for the Year amounted to HK$1,980,000 and HK$1,338,000 respectively.

The non-audit services mainly consisted of tax compliance and advisory, review and other reporting services.

RESPONSIBILITIES ON FINANCIAL REPORTING

The Directors acknowledge that they are responsible for overseeing the preparation of the financial statements which give a true and fair view of the state of affairs and results of the Group. In doing so, the Directors select suitable accounting policies and apply them consistently and make accounting estimates that are appropriate in the circumstances. With the assistance of the accounting and finance staff, the Directors ensure that the financial statements of the Group are prepared in accordance with statutory requirements and appropriate financial reporting standards.

The statement by the Independent Auditors about their reporting responsibilities for the financial statements is set out in the Independent Auditors' report contained in this annual report.

INTERNAL CONTROLS

The Board acknowledges that it is responsible for the internal control system of the Group, and an effective internal control system enhances the Group's ability in achieving business objectives, safeguarding assets, complying with applicable laws and regulations and contributes to the effectiveness and efficiency of its operations. As such, the Group's internal control procedures include a comprehensive budgeting, information reporting and performance monitoring system.

The Board has been engaging an independent advisor to conduct various agreed reviews over the Company's internal control system (normally twice a year) in order to assist the Board in reviewing the effectiveness of the internal control system of the Group. The periodic reviews have covered all material controls, including financial, operational and compliance controls and risk management functions of the Group. Relevant reports from the independent advisor were presented to and reviewed by the Audit Committee and the Board. Appropriate recommendations for further enhancing the internal control system have been adopted.

COMPANY SECRETARY

During the Year, the company secretary of the Company has complied with the relevant professional training requirement under Rule 5.15 of the GEM Listing Rules.

SHAREHOLDERS' RIGHTS

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

Pursuant to the bye-laws of the Company, Shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company may by a written requisition require 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 or the principal place of business in Hong Kong of the Company, and may consist of several documents in like form each signed by one or more requisitionists.

If the Directors do not proceed duly to convene a special general meeting within twenty-one days from the deposit of the requisition, 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. Any reasonable expenses incurred by the requisitionists by reason of the failure of the Directors duly convene a meeting shall be repaid to the requisitionists by the Company.

(2) Procedures for putting enquiries to the Board

Shareholders may at any time send their enquiries to the Board in writing through the company secretary of the Company whose contact details are as follows:

11/F., Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon, Hong Kong

Fax: (852) 2743 8459
E-mail: cosec@mediaasia.com

Shareholders may also make enquiries with the Board at the general meetings of the Company.

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

Pursuant to the Bermuda Companies Act 1981, 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, may submit to the Company a written request (a) to give to the Shareholders entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting 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 requisition signed by the requisitionists together with a sum reasonably sufficient to meet the Company's relevant expenses must be deposited at the registered office or the principal place of business in Hong Kong of the Company 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.

COMMUNICATION WITH SHAREHOLDERS

On 12 June 2012, the Board adopted a Shareholders' Communication Policy reflecting mostly the current practices of the Company for communication with its Shareholders. Such policy aims at providing the Shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. It will be reviewed regularly to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The Company has established a number of channels for maintaining on-going dialogue with the Shareholders as follows:

(a) 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;

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

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

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

(e) the Company's share registrars serve the Shareholders in respect of share registration, dividend payment, change of Shareholders' particulars and related matters.

INVESTOR RELATIONS

During the Year, there had not been any changes in the Company's constitutional documents.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Each of the executive directors of the Company (the "**Directors**") named below holds directorship in a number of subsidiaries of the Company and all or certain of its listed affiliates, namely Lai Sun Garment (International) Limited ("**LSG**"), Lai Sun Development Company Limited ("**LSD**"), eSun Holdings Limited ("**eSun**") and Lai Fung Holdings Limited ("**Lai Fung**"). The issued shares of LSG, LSD, eSun and Lai Fung are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). eSun is the ultimate holding company of the Company and Lai Fung while LSD is the controlling shareholder of eSun and LSG is the ultimate holding company of LSD.

Dr. Lam Kin Ngok, Peter, *GBS*, aged 58, 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 LSG, the chairman and executive director of LSD and an executive director of Crocodile Garments Limited ("**CGL**"). Dr. Lam was the chairman and an executive director of Lai Fung from 25 November 1993 to 31 October 2012 and an executive director of eSun from 15 October 1996 to 13 February 2014. The issued shares of CGL are listed and traded on the Main Board of the Stock Exchange. 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. In July 2015, Dr. Lam was awarded the Gold Bauhinia Star by the Government of Hong Kong Special Administrative Region.

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, 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 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. Dr. Lam was appointed an honorary chairman of Federation of HK Jiangsu Community Organisations on 20 May 2015. On 24 July 2015, Dr. Lam was appointed a non-official member of Aviation Development and Three-runway System Advisory Committee for a term of two years from 1 August 2015 to 31 July 2017.

EXECUTIVE DIRECTORS *(continued)*

Mr. Chan Chi Kwong, aged 55, was appointed an executive Director with effect from 16 June 2011 and is in charge of non-film operations of the Company and its subsidiaries ("**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 24 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.

The Company and Mr. Chan have entered into a service contract with no fixed term but such contract is determinable by either the Company or Mr. Chan serving the other party not less than three months' written notice or payment in lieu thereof. In accordance with the provisions of the bye-laws of the Company, Mr. Chan will be subject to retirement from office 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. Mr. Chan presently receives a director's fee of HK$10,000 per month from the Company, a salary of HK$276,630 per month from the Group and such other remuneration and discretionary bonus as may be determined by the board of Directors (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.

On 18 January 2013, Mr. Chan was granted a share option by eSun to subscribe for 1,500,000 eSun shares at an exercise price of HK$1.612 per share during the period from 18 January 2013 to 17 January 2023. Saved as aforesaid, as at the date of this annual report, Mr. Chan does not have any 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 Mr. Chan'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 59, was appointed an executive Director 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. 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. In addition, Mr. Lui has been appointed the chairman of Audio, Visual & Multi-media Products Committee of The Chinese Manufacturers' Association of Hong Kong for a term of three years from 1 January 2015 to 31 December 2017.

Mr. Lui is currently an independent non-executive director of Prosperity Investment Holdings Limited (the issued shares of which are listed and traded on the Stock Exchange). He was an independent non-executive director of 21 Holdings Limited (the issued shares of which are 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 29 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.

The Company and Mr. Lui have entered into a service contract with no fixed term but such contract is determinable by either the Company or Mr. Lui serving the other party not less than three months' written notice or payment in lieu thereof. In accordance with the provisions of the bye-laws of the Company, Mr. Lui will be subject to retirement from office 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. Lui presently receives a director's fee of HK$10,000 per month from the Company 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.

On 18 January 2013, Mr. Lui was granted a share option by eSun to subscribe for 3,729,636 eSun shares at an exercise price of HK$1.612 per share during the period from 18 January 2013 to 17 January 2023. Saved as aforesaid, as at the date of this annual report, Mr. Lui does not have any 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. Lui'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.

EXECUTIVE DIRECTORS *(continued)*

Mr. Yip Chai Tuck, aged 41, was appointed an executive Director 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 Economics and obtained a Master Degree in Applied Finance and Investments from the Financial Services Institute of Australia, where he is also a fellow member.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chi Yuen, aged 48, was appointed an independent non-executive Director 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 Co-Prosperity Holdings Limited, e-Kong Group Limited and Noble Century Investment Holdings Limited, an independent non-executive director of Asia Energy Logistics Group Limited, Jun Yang Solar Power Investments Limited, Leyou Technologies Holdings Limited, New Times Energy Corporation Limited, REX Global Entertainment Holdings Limited and U-RIGHT International Holdings Limited. Mr. Chan was an executive director of Kong Sun Holdings Limited (from December 2011 to September 2013) and South East Group Limited (from December 2013 to July 2015) and an independent non-executive director of China Sandi Holdings Limited (from September 2009 to July 2014). The issued shares of all the aforesaid companies are listed and traded on the Stock Exchange. Save as disclosed above, Mr. Chan has not held any other directorships in listed public companies in the last three years.

There is a service contract between the Company and Mr. Chan which is renewed on a biennial basis and is determinable by either the Company or Mr. Chan serving the other party not less than one month's written notice. In accordance with the provisions of the bye-laws of the Company, Mr. Chan will be subject to retirement from office 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. Chan 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(continued)*

As at the date of this annual report, Mr. Chan owns 172,500 shares of the Company. Save as disclosed above, Mr. Chan 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. Chan'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.

Mr. Ng Chi Ho, Dennis, aged 57, was appointed an independent non-executive Director 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 Chartered Accountants Australia and New Zealand 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 Creative Energy Solutions Holdings Limited. Mr. Ng was an independent non-executive director of Sunrise (China) Technology Group Limited (from June 2014 to May 2015). The issued shares of all the aforesaid companies are listed and traded on the Stock Exchange.

Mr. Zhang Xi, aged 46, was appointed an independent non-executive Director 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 13 years of experience in the financial sector.

Mr. Zhang is currently an executive director of China Investment Fund Company Limited and an independent non-executive director of Asia Energy Logistics Group Limited. The issued shares of both the aforesaid companies are listed and traded on the Stock Exchange.

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 (the "**Group**") for the year ended 31 July 2015 (the "**Year**").

PRINCIPAL ACTIVITIES

During the Year, the Company acted as an investment holding company. The principal activities of its subsidiaries 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; licensing of media contents; provision of advertising services and consultancy services in planning and management of cultural, entertainment and live performance projects.

Particulars of the Company's principal subsidiaries as at 31 July 2015 are set out in note 39 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the Year and the financial position of the Group as at 31 July 2015 are set out in the consolidated financial statements on pages 47 to 142.

The board of Directors (the "**Board**") does not recommend the payment of any dividend for the Year (2014: Nil).

DIRECTORS

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

Executive Directors

Dr. Lam Kin Ngok, Peter *(Chairman)*	
Mr. Chan Chi Kwong	
Mr. Lui Siu Tsuen, Richard	
Mr. Yip Chai Tuck	
Mr. Yu Feng	(resigned on 30 September 2015)
Dr. Choi Chiu Fai, Stanley	(resigned on 30 September 2015)

*Independent non-executive Directors ("**INEDs**")*

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

In accordance with Bye-law 84 of the bye-laws of the Company (the "**Bye-laws**"), Messrs. Chan Chi Kwong, Lui Siu Tsuen, Richard and Chan Chi Yuen will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting (the "**AGM**").

Details of the retiring Directors proposed for re-election at the AGM required under Rule 17.50(2) of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "**GEM Listing Rules**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") are set out in the sections headed "Biographical Details of Directors" of this annual report and "Directors' Interests in Securities" in this report.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical particulars of the Directors are set out on pages 26 to 30 of this annual report. Directors' other particulars are contained elsewhere in this report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming AGM has a 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.

Each of the INEDs is appointed for a period of two years.

PERMITTED INDEMNITY PROVISION

During the Year and up to the date of this report, pursuant to the Bye-laws, the Directors were indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they might incur in connection with the execution of their duty. The Company has arranged Directors' and officers' liability insurance policy of the Company during the Year.

DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed in note 33 to the consolidated financial statements, during the Year, no Director nor an entity connected with a Director had a material interest, whether directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, its holding company, or any of the Company's subsidiaries or fellow subsidiaries was a party.

INTERESTS IN COMPETING BUSINESSES

During the Year and up to the date of this report, eSun Holdings Limited ("**eSun**") and 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.

Four executive Directors, namely Dr. Lam Kin Ngok, Peter, Mr. Chan Chi Kwong, Mr. Lui Siu Tsuen, Richard 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 including development, 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, a former executive Director who resigned on 30 September 2015, held shareholding interests and/or directorships in companies engaged in entertainment business in Mainland China.

INTERESTS IN COMPETING BUSINESSES *(continued)*

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 of the Company (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.

Saved as disclosed above, none of the Directors, the controlling Shareholder and their respective close associates competes or may compete with the business of the Group and has or may have any other conflict of interest with the Group.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Share Option Scheme" and "Directors' Interests in Securities" in this report and in note 28 to the consolidated financial statements, at no time during the Year was the Company, its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares (the "**Shares**") in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 July 2015, the interests and short positions of the Directors 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 (the "**SFO**")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

(1) Interests in the Company

	Long positions in the Shares and underlying Shares				
	Number of Shares		Number of underlying Shares		Approximate percentage
Name of Directors	Corporate interests	Personal interests	Corporate interests	Total	of issued Shares *(Note 1)*
Dr. Lam Kin Ngok, Peter	1,264,012,837	–	218,340,611 *(Note 2(a))*	1,482,353,448 *(Note 2(b))*	70.85%
Mr. Yu Feng	79,238,549	–	–	79,238,549 *(Note 3)*	3.79%
Mr. Chan Chi Yuen	–	172,500	–	172,500	0.01%

DIRECTORS' INTERESTS IN SECURITIES *(continued)*

(2) Interests in Associated Corporations

(a) eSun

	Long positions in shares and underlying shares of eSun				
	Number of shares		Share options		Approximate percentage
Name of Directors	Corporate interests	Personal interests	Personal interests	Total	of issued shares
Dr. Lam Kin Ngok, Peter	521,204,186 *(Note 4)*	2,794,443	1,243,212 *(Note 5)*	525,241,841	42.25%
Mr. Chan Chi Kwong	—	—	1,500,000 *(Note 6)*	1,500,000	0.12%
Mr. Lui Siu Tsuen, Richard	—	—	3,729,636 *(Note 7)*	3,729,636	0.30%

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

	Long positions in shares and underlying shares of Lai Fung				
	Number of shares		Share options		Approximate percentage
Name of Director	Corporate interests	Personal interests	Personal interests	Total	of issued shares
Dr. Lam Kin Ngok, Peter	8,274,270,422 *(Note 8)*	—	16,095,912 *(Note 9)*	8,290,366,334	51.40%

Notes:

(1) The number of issued Shares as at 31 July 2015 (that is, 2,092,388,703 Shares) has been used for the calculation of the approximate percentage.

*(2) (a) The underlying Shares comprised the conversion shares to be allotted and issued upon conversion of the convertible notes issued by the Company to Perfect Sky Holdings Limited ("**Perfect Sky**"), a wholly-owned subsidiary of eSun, pursuant to a subscription agreement dated 17 April 2015.*

*(b) eSun was the Company's ultimate holding company. As at 31 July 2015, eSun was indirectly owned as to approximately 41.92% by Lai Sun Development Company Limited ("**LSD**"). LSD was approximately 51.88% directly and indirectly owned by Lai Sun Garment (International) Limited ("**LSG**"). LSG was approximately 12.55% (excluding share option) owned by Dr. Lam Kin Ngok, Peter ("**Dr. Lam**") and approximately 29.74% owned by Wisdoman Limited which was in turn 100% beneficially owned by Dr. Lam. Therefore, 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' Interests in Securities" below pursuant to Part XV of the SFO.*

DIRECTORS' INTERESTS IN SECURITIES *(continued)*

Notes: (continued)

*(3) These Shares were owned by Next Gen Entertainment Limited ("**Next Gen**"), a company wholly-owned by Yunfeng Fund, L.P. of which Mr. Yu Feng ("**Mr. Yu**") was the founder and chairman. Mr. Yu was also the sole director of the general partner of Yunfeng Fund, L.P. Therefore, Mr. Yu was deemed to be interested in such Shares owned by Next Gen pursuant to Part XV of the SFO.*

(4) By virtue of his deemed controlling shareholding interests in LSD as described in Note (2)(b) above, Dr. Lam was deemed to be interested in such eSun shares owned indirectly by LSD.

(5) On 18 January 2013, Dr. Lam was granted an option by eSun to subscribe for 1,243,212 eSun shares at a subscription price of HK$1.612 per share during the period from 18 January 2013 to 17 January 2023.

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

(8) By virtue of Dr. Lam's deemed controlling shareholding interests in eSun as described in Note (2)(b) above, he was deemed to be interested in such Lai Fung shares owned indirectly by eSun.

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

Save as disclosed above, as at 31 July 2015, none of the Directors had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

SHARE OPTION SCHEME

On 18 December 2012, the Company adopted a share option scheme, details of which are set out in note 28 to the consolidated financial statements.

As at 31 July 2015, no share options had been granted under the share option scheme.

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed in note 33 to the consolidated financial statements and the sections headed "Connected Transaction" and "Continuing Connected Transactions" of this report, at no time during the Year 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 July 2015, the interests and short positions of the persons, other than Directors, in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long Position in the Shares

Name of Shareholders	Capacity in which interests are held	Number of Shares	Number of underlying Shares	Total	Approximate percentage of issued Shares *(Note 1)*
Lai Sun Garment (International) Limited	Interest of controlled corporations	1,264,012,837	218,340,611	1,482,353,448 *(Note 2)*	70.85%
Lai Sun Development Company Limited	Interest of controlled corporations	1,264,012,837	218,340,611	1,482,353,448 *(Note 2)*	70.85%
eSun Holdings Limited	Interest of controlled corporation	1,264,012,837	218,340,611	1,482,353,448 *(Note 2)*	70.85%
Taiwan Mobile Co., Ltd.	Interest of controlled corporations	–	311,641,286 *(Note 3(a))*	311,641,286 *(Note 3(c))*	14.89%
Wealth Media Technology Co., Ltd.	Interest of controlled corporations	–	311,641,286 *(Note 3(a))*	311,641,286 *(Note 3(c))*	14.89%
TFN Media Co., Ltd.	Beneficial owner	–	267,973,164 *(Note 3(b))*	267,973,164	12.81%
Fubon Financial Holding Co., Ltd.	Interest of controlled corporation	99,187,500	72,969,432 *(Note 4(a))*	172,156,932 *(Note 4(b))*	8.23%
Fubon Financial Holding Venture Capital Corp.	Beneficial owner	99,187,500	72,969,432 *(Note 4(a))*	172,156,932	8.23%
Ming Tone Co., Ltd.	Interest of controlled corporations	99,187,500	72,969,432 *(Note 5(a))*	172,156,932 *(Note 5(b))*	8.23%
Wealth Media Co., Ltd.	Interest of controlled corporations	99,187,500	72,969,432 *(Note 5(a))*	172,156,932 *(Note 5(b))*	8.23%

SUBSTANTIAL SHAREHOLDERS' 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	Total	Approximate percentage of issued Shares *(Note 1)*
Cheng Ting Co., Ltd.	Interest of controlled corporations	99,187,500	72,969,432 *(Note 5(a))*	172,156,932 *(Note 5(b))*	8.23%
Cheng Hao Co., Ltd.	Interest of controlled corporations	99,187,500	72,969,432 *(Note 5(a))*	172,156,932 *(Note 5(b))*	8.23%
Kbro Co., Ltd.	Interest of controlled corporation	99,187,500	72,969,432 *(Note 5(a))*	172,156,932 *(Note 5(b))*	8.23%
Kbro Media Co., Ltd.	Beneficial owner	99,187,500	72,969,432 *(Note 5(a))*	172,156,932	8.23%

Notes:

(1) The number of issued Shares as at 31 July 2015 (that is, 2,092,388,703 Shares) has been used for the calculation of the approximate percentage.

(2) LSG, LSD and eSun were deemed to be interested in the same 1,482,353,448 Shares and underlying Shares held by Perfect Sky. Please refer to Note (2) as shown in the section headed "Directors' Interests in Securities" above for further details.

*(3) (a) The underlying Shares comprised the conversion shares to be allotted and issued upon conversion of the convertible notes issued by the Company to TFN Media Co., Ltd. ("**TFN Media**") and the convertible notes issued by the Company to MOMO.COM Inc. ("**MOMO.COM**") pursuant to the subscription agreements dated 17 April 2015.*

(b) The underlying Shares comprised the conversion shares to be allotted and issued upon conversion of the convertible notes issued by the Company to TFN Media pursuant to a subscription agreement dated 17 April 2015.

*(c) TFN Media and MOMO.COM (interested in 43,668,122 underlying Shares as at 31 July 2015) were owned as to 100% and approximately 44.38% by Wealth Media Technology Co., Ltd. ("**WMT**"). WMT was wholly-owned by Taiwan Mobile Co., Ltd. ("**TMC**"). Therefore, WMT and TMC were deemed to be interested in 311,641,286 underlying Shares owned by TFN Media and MOMO.COM pursuant to Part XV of the SFO.*

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES *(continued)*

Long Position in the Shares (continued)

Notes: (continued)

(4) (a) *The underlying Shares comprised the conversion shares to be allotted and issued upon conversion of the convertible notes issued by the Company to Fubon Financial Holding Venture Capital Corp. ("**Fubon Financial**") pursuant to a subscription agreement dated 17 April 2015.*

(b) *Fubon Financial was a subsidiary of Fubon Financial Holding Co., Ltd. which was, therefore, deemed to be interested in the same 172,156,932 Shares and underlying Shares owned by Fubon Financial pursuant to Part XV of the SFO.*

(5) (a) *The underlying Shares comprised the conversion shares to be allotted and issued upon conversion of the convertible notes issued by the Company to Kbro Media Co., Ltd. ("**Kbro Media**") pursuant to a subscription agreement dated 17 April 2015.*

(b) *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 approximately 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 172,156,932 Shares and underlying Shares owned by Kbro Media pursuant to Part XV of the SFO.*

Save as disclosed above, as at 31 July 2015, no other persons (other than the Directors) had any interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTION

On 17 April 2015, the Company entered into a subscription agreement with Perfect Sky in respect of subscription for the three-year zero coupon convertible notes in the principal amount of HK$100,000,000 issued by the Company (the "**Convertible Notes**").

Perfect Sky was the controlling Shareholder and was therefore a connected person of the Company pursuant to the GEM Listing Rules. Accordingly, the subscription agreement and the transactions contemplated thereunder constituted a non-exempt connected transaction of the Company under the GEM Listing Rules and were subject to the reporting, announcement and independent Shareholders' approval requirements.

The transactions were approved by the independent Shareholders at the special general meeting held on 26 June 2015 and completion took place on 3 July 2015, whereupon the Company issued to Perfect Sky the Convertible Notes which carrying rights to convert into new Shares at a conversion price of HK$0.458 per Share.

CONTINUING CONNECTED TRANSACTIONS

During the Year, the Group entered into the following transactions which constituted continuing connected transactions of the Company ("**CCTs**") under Chapter 20 of the GEM Listing Rules. Brief particulars of each of the CCTs are set out as follows:

(1) *Film Library Licence Agreements*

On 31 July 2014, the Company entered into 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**").

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 worldwide (except Hong Kong for some 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 1 August 2014 and continued until 31 July 2017.

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.

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 was HK$15,000,000. The aggregate amount paid to eSun under the Film Library Licence Agreements for the Year was approximately HK$12,946,000.

As at the date of signing the above agreements, eSun was a controlling Shareholder indirectly holding approximately 62.89% of the issued share capital of the Company through one of its wholly-owned subsidiaries (i.e., Perfect Sky), eSun and its associates were connected persons of the Company under the GEM Listing Rules. Since each of 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 CCTs of the Company under the GEM Listing Rules.

(2) *Memorandum of Agreement regarding Letting and/or Licensing of Premises*

On 30 October 2012, LSD became a subsidiary of LSG and 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 have constituted or may constitute continuing connected transactions of LSG and/or its subsidiaries ("**LSG Group**") and eSun and/or its subsidiaries, respectively, (collectively the "**Lai Sun Group**").

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(2) Memorandum of Agreement regarding Letting and/or Licensing of Premises (continued)

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

On 14 February 2014, each listed member of the Lai Sun Group has entered into the memorandum of agreement (the "**Renewed Agreement**") to renew the Original Agreement upon the expiration of the Original Agreement to renew the term of the Original Agreement for a period of three years commencing on 1 August 2014 and expiring on 31 July 2017.

The Company has adopted an annual cap of HK$4,000,000 under the Renewed Agreement for each of the financial years ending 31 July 2015, 2016 and 2017 in respect of the Transactions with the LSG Group and the LSD Group. Rental and management fee paid or payable to the LSG Group and the LSD Group for the Year was approximately HK$2,888,000.

(3) Theatrical Film Distribution Agreement

On 20 December 2013, the Company and/or its subsidiaries entered into 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**").

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 Multiplex Cinema Limited ("**MCL**") in Hong Kong and Macau; and 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 (a) paying IFDL 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 cap under the Theatrical Film Distribution Agreement for the Year was HK$5,781,000. The aggregate amount paid/payable to IFDL and PAPC under the Theatrical Film Distribution Agreement for the Year was approximately HK$5,304,000.

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(3) Theatrical Film Distribution Agreement (continued)

As at the date of signing the above agreement, eSun was a controlling Shareholder indirectly holding approximately 51.09% of the 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 and PAPC 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 agreement constitute CCTs of the Company under the GEM Listing Rules.

(4) Cinema Framework Agreement

On 20 December 2013, the Company entered into the cinema framework agreement (the "**Cinema Framework Agreement**") with MCL whereby 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 cinema title in the cinemas owned and operated by MCL in Hong Kong or Macau on terms and conditions in separate agreements to be entered into 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 a percentage share on the remaining revenue or a minimum guarantee as agreed in the relevant Cinema Subject Agreements.

MCL was indirectly owned as to 85% by eSun, a controlling Shareholder, and therefore was a connected person of the Company under the GEM Listing Rules. As such, the transactions contemplated under the Cinema Framework Agreement constitute CCTs of the Company under the GEM Listing Rules.

The annual cap under the Cinema Framework Agreement for the Year was HK$3,900,000. No Cinema Subject Agreements was entered into and no activity in respect of the Cinema Framework Agreement has taken place during the Year.

The INEDs have reviewed the CCTs listed (1) to (3) above and confirmed that they have been entered into:

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

(b) on normal commercial terms or better; and

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

CONTINUING CONNECTED TRANSACTIONS *(continued)*

Messrs. Ernst & Young, the Company's independent auditors, were engaged to report on the CCTs 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 Rule 20.54 of the GEM Listing Rules confirming that nothing has come to their attention that causes them to believe the CCTs listed (1) to (3) above:

(a) have not been approved by the Board;

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

(c) have exceeded the caps.

A copy of the letter issued by Messrs. Ernst & Young has been provided by the Company to the Stock Exchange.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Year are set out in note 27 to the consolidated financial statements.

CONVERTIBLE NOTES

Details of the convertible notes issued by the Company are set out in note 25 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 12 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the Year are set out in note 38 to the consolidated financial statements and consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 July 2015, the Company's reserves available for distribution amounted to HK$86,020,000, being contributed surplus of HK$95,191,000 net off with accumulated losses of HK$9,171,000, calculated in accordance with the Companies Act 1981 of Bermuda (as amended) (the "**Companies Act**").

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

(a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the Company's assets would thereby be less than the aggregate amount of its liabilities and its issued Shares and share premium account.

In addition, the Company's share premium account, in the amount of HK$614,032,000, may be applied to pay up unissued shares to be issued to the Shareholders as fully paid bonus shares.

DONATIONS

During the Year, the Group made donations for charitable or other purposes totalling HK$100,000.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the 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.

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.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the Group's five largest customers accounted for approximately 36.3% of the Group's total revenue and revenue from the largest customer included therein amounted to approximately 10.8%.

Purchase from the Group's five largest suppliers accounted for approximately 50.2% of the Group's total purchases for the Year and purchases from the largest supplier included therein amounted to approximately 15.4%.

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.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Company has maintained the prescribed public float under the GEM Listing Rules at any time during the Year.

BUSINESS REVIEW

A fair review of the business of the Company as well as a discussion and analysis of the Group's performance during the Year and the material factors underlying its results and financial position can be found in the Chairman's Statement and Management Discussion and Analysis set out on pages 6 and 7 and pages 8 to 13 of this annual report respectively. These discussions form part of this report.

CORPORATE SOCIAL RESPONSIBILITY REPORT

Other than financial performance, the Group believes that a high standard of corporate social responsibility is essential for building up a good corporate and social relationship, motivating staff and creating a sustainable return to the Group. Discussion on the Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Corporate Social Responsibility Report on pages 14 and 15 of this annual report.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 16 to 25 of this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

The consolidated financial statements of the Company for the Year have been audited by Messrs. Ernst & Young which will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. Having approved by the Board upon the recommendation of the Audit Committee of the Company, a resolution for the re-appointment of Messrs. Ernst & Young as independent auditors of the Company for the ensuing year will be proposed at the forthcoming AGM for Shareholders' approval.

On behalf of the Board

Lam Kin Ngok, Peter
Chairman
Hong Kong, 15 October 2015

INDEPENDENT AUDITORS' REPORT

EY 安永

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

We have audited the consolidated financial statements of Media Asia Group Holdings Limited (the "Company") and its subsidiaries set out on pages 47 to 142, which comprise the consolidated statement of financial position as at 31 July 2015, 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 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 Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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 financial position of the Company and its subsidiaries as at 31 July 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance 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

15 October 2015

CONSOLIDATED INCOME STATEMENT

Year ended 31 July 2015

	Notes	2015 HK$'000	2014 HK$'000
TURNOVER	5	**712,418**	456,950
Cost of sales		**(434,634)**	(368,108)
Gross profit		**277,784**	88,842
Other income	5	**6,908**	9,912
Marketing expenses		**(118,935)**	(47,851)
Administrative expenses		**(124,759)**	(117,210)
Other operating gains		**6,943**	19,730
Other operating expenses		**(8,953)**	(50,699)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES		**38,988**	(97,276)
Finance costs	6	**(17,040)**	(43,254)
Share of profits and losses of joint ventures		**7,563**	(7,176)
Share of profit and loss of an associate		**(10)**	(7)
PROFIT/(LOSS) BEFORE TAX	7	**29,501**	(147,713)
Income tax expense	9	**(4,883)**	(5,510)
PROFIT/(LOSS) FOR THE YEAR		**24,618**	(153,223)
Attributable to:			
Owners of the Company		**25,850**	(153,154)
Non-controlling interests		**(1,232)**	(69)
		24,618	(153,223)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	11		
Basic and diluted (HK cents)		**1.77**	(16.79)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 July 2015

	Note	2015 HK$'000	2014 HK$'000
PROFIT/(LOSS) FOR THE YEAR		**24,618**	(153,223)
OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS			
Exchange differences on translation of foreign operations		**987**	985
Release of foreign currency translation reserve upon disposal of subsidiaries	34	**(106)**	(1,506)
OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX		**881**	(521)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**25,499**	(153,744)
Attributable to:			
Owners of the Company		**26,989**	(154,106)
Non-controlling interests		**(1,490)**	362
		25,499	(153,744)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 July 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**10,136**	13,278
Film and TV program products	14	**40,909**	31,933
Film rights	15	**962**	2,400
Investments in joint ventures	17	**57,282**	20,604
Investment in an associate	18	**19,380**	19,384
Prepayments, deposits and other receivables	21	**53,455**	33,168
Total non-current assets		**182,124**	120,767
CURRENT ASSETS			
Inventories		**—**	100
Films and TV programs under production	19	**246,265**	260,162
Trade receivables	20	**28,801**	84,141
Prepayments, deposits and other receivables	21	**323,287**	135,493
Cash and cash equivalents	22	**722,002**	326,999
Total current assets		**1,320,355**	806,895
CURRENT LIABILITIES			
Trade payables	23	**1,681**	340
Accruals and other payables	24	**285,794**	159,092
Deposits received		**66,277**	37,366
Convertible notes	25	**—**	168,973
Tax payable		**11,117**	7,388
Total current liabilities		**364,869**	373,159
NET CURRENT ASSETS		**955,486**	433,736
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,137,610**	554,503
NON-CURRENT LIABILITIES			
Convertible notes	25	**242,794**	—
Net assets		**894,816**	554,503

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 July 2015

	Notes	**2015 HK$'000**	2014 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	27	**20,924**	13,399
Reserves	29	**877,430**	543,152
		898,354	556,551
Non-controlling interests		**(3,538)**	(2,048)
Total equity		**894,816**	554,503

Lam Kin Ngok, Peter
Director

Lui Siu Tsuen, Richard
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 July 2015

		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$'000	Retained profit/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 August 2014		13,399	343,460	95,191	181,821	(2)	(77,318)	556,551	(2,048)	554,503
Profit/(loss) for the year		–	–	–	–	–	25,850	25,850	(1,232)	24,618
Other comprehensive income/(loss) for the year:										
Exchange differences on translation of foreign operations		–	–	–	–	1,245	–	1,245	(258)	987
Release of foreign currency translation reserve upon disposal of a subsidiary	34(a)	–	–	–	–	(106)	–	(106)	–	(106)
Total comprehensive income/(loss) for the year		–	–	–	–	1,139	25,850	26,989	(1,490)	25,499
Issue of the TFN Convertible Notes	25(iii)	–	–	–	30,951	–	–	30,951	–	30,951
Open Offer	27(a)	6,699	194,281	–	–	–	–	200,980	–	200,980
Transaction costs of the Open Offer	27(a)	–	(2,232)	–	–	–	–	(2,232)	–	(2,232)
Partial conversion of the Second Completion Convertible Notes	25(ii)	826	78,523	–	(39,579)	–	–	39,770	–	39,770
Redemption of the Second Completion Convertible Notes	25(ii)	–	–	–	(142,242)	–	142,242	–	–	–
Issue of the Specific Mandate Convertible Notes	25(iv)	–	–	–	45,345	–	–	45,345	–	45,345
At 31 July 2015		20,924	614,032#	95,191#	76,296#	1,137#	90,774#	898,354	(3,538)	894,816

\# These reserve accounts comprise the consolidated reserves of HK$877,430,000 (2014: HK$543,152,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 July 2015

		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$'000	Retained profit/ (accumulated losses) HK$'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	34(c)	–	–	–	–	(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 the Capital Reorganisation	27(b)	2,433	3,878	–	(1,321)	–	–	4,990	–	4,990
Capital Reorganisation	27(c)	(127,144)	(395,249)	50,716	–	–	471,677	–	–	–
Placing of shares	27(d)	1,322	78,954	–	–	–	–	80,276	–	80,276
Transaction costs of placing of shares	27(d)	–	(641)	–	–	–	–	(641)	–	(641)
Partial conversion of the First Completion Convertible Notes after the Capital Reorganisation	27(e)	4,631	182,326	–	(37,920)	–	–	149,037	–	149,037
Partial conversion of the Second Completion Convertible Notes after the Capital Reorganisation	27(f)	754	78,943	–	(41,758)	–	–	37,939	–	37,939
Redemption of the First Completion Convertible Notes	25(i)	–	–	–	(47,173)	–	47,173	–	–	–
Acquisition of a subsidiary	31	–	–	–	–	–	–	–	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	34(c)	–	–	–	–	–	–	–	(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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 July 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**29,501**	(147,713)
Adjustments for:			
Finance costs	6	**17,040**	43,254
Share of profits and losses of joint ventures		**(7,563)**	7,176
Share of profit and loss of an associate		**10**	7
Interest income	5	**(1,547)**	(1,784)
Fair value loss on options	7	**—**	5,172
Gain on disposal of subsidiaries	7	**(324)**	(9,477)
Gain on disposal of a joint venture	7	**—**	(3,043)
Loss on disposal of items of property, plant and equipment	7	**177**	—
Depreciation	7	**3,618**	4,551
Amortisation of film and TV program products	7	**135,336**	92,218
Amortisation of film rights	7	**2,160**	12,372
Amortisation of other intangible assets	7	**—**	3,693
Impairment of film and TV program products	7	**—**	35,153
Write-off of films and TV programs under production	7	**70**	3,083
Write-off of items of property, plant and equipment	7	**—**	15,775
Impairment of trade receivables	7	**49**	—
Impairment of advances and other receivables	7	**2,799**	24,313
Reversal of impairment of advances and other receivables	7	**—**	(45)
		181,326	84,705
Decrease in inventories		**100**	62
Additions of films and TV programs under production		**(129,998)**	(231,137)
Additions of film and TV program products	14	**—**	(386)
Additions of film rights	15	**(722)**	(6,837)
Decrease/(increase) in trade receivables		**55,291**	(24,517)
Decrease/(increase) in prepayments, deposits and other receivables		**(211,061)**	127,293
Increase/(decrease) in trade payables		**1,341**	(1,837)
Increase in accruals and other payables		**130,653**	64,625
Increase/(decrease) in deposits received		**28,911**	(17,290)
Cash from (used in) operations		**55,841**	(5,319)
Overseas taxes paid		**(1,154)**	(1,983)
Net cash flows from/(used in) operating activities		**54,687**	(7,302)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 July 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of a subsidiary	31	—	589
Acquisition of a joint venture		(90)	—
Disposal of subsidiaries	34	(6,478)	63,714
Disposal of a joint venture	17	—	4,308
Interest received		1,547	1,784
Purchases of items of property, plant and equipment	12	(669)	(10,428)
Capital contribution to a joint venture		(7,500)	—
Advances to joint ventures		(18,541)	(14,043)
Advance to an associate		(6)	(1,941)
Net cash flows from/(used in) investing activities		(31,737)	43,983
CASH FLOWS FROM FINANCING ACTIVITIES			
Redemption of the First Completion Convertible Notes	25(i)	—	(189,091)
Redemption of the Second Completion Convertible Notes	25(ii)	(143,065)	—
Proceeds from placing of shares	27(d)	—	80,276
Issue costs for placing of shares	27(d)	—	(641)
Proceeds from the Open Offer	27(a)	200,980	—
Transaction cost of the Open Offer	27(a)	(2,232)	—
Proceeds from issue of the TFN Convertible Notes	25(iii)	130,000	—
Transaction cost of the TFN Convertible Notes	25(iii)	(169)	—
Proceeds from issue of the Specific Mandate Convertible Notes	25(iv)	186,840	—
Transaction cost of the Specific Mandate Convertible Notes	25(iv)	(759)	—
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 from/(used in) financing activities		371,595	(124,305)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		394,545	(87,624)
Cash and cash equivalents at beginning of year		326,999	414,384
Effect of foreign exchange rate changes		458	239
CASH AND CASH EQUIVALENTS AT END OF YEAR		722,002	326,999

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 July 2015

	Notes	2015 HK$'000	2014 HK$'000
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**281,513**	232,787
Time deposits with original maturity of less than three months when acquired	22	**440,489**	94,212
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**722,002**	326,999

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

1. CORPORATE INFORMATION

Media Asia Group Holdings Limited (the "Company") is an exempted company under the laws of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is 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 disclosed in note 39 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. 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 2015. 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.

2. BASIS OF PREPARATION *(continued)*

Basis of consolidation (continued)

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.

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 revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs

The adoption of the above revised standards and new interpretation has had no significant financial effect on these financial statements.

In addition, the Company has early adopted the amendments to the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

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	*Financial Instruments*[3]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor* and its Associate *or Joint Venture*[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[4]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2017

3 Effective for annual periods beginning on or after 1 January 2018

4 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 July 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 ventures, 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 in the income statement.

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*.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 the income statement.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill (continued)

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 the income statement 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 operation disposed of 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs 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.

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 other operating expenses in 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation (continued)

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

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

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

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

An item of property, plant and equipment 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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. 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.

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 basis and are stated at cost less any impairment losses.

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

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (continued)

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.

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 other operating gains in the income statement. The loss arising from impairment is recognised in the income statement as other operating expenses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 July 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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).

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 (i.e., 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.

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 and convertible notes.

Subsequent measurement

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 July 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities (continued)

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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

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

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

Leases

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

Revenue recognition

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

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

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

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

(d) licence income from films 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;

(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;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 July 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition (continued)

(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 28 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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits (continued)

Share-based payments (continued)

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 earnings/(loss) per share.

Retirement benefit schemes

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 their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

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

Government grant

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 Hong Kong dollars 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 July 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax (continued)

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

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

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

Dividend income derived from the Company's subsidiaries in Mainland China is subject to a withholding tax under the prevailing tax rates and regulations of the People's Republic of China (the "PRC").

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties (continued)

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

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

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

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

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

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity or of a parent of the entity.

Cash and cash equivalents

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

For the purpose of the consolidated statement 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 films rights and film and TV program products, less residual values, are amortised in proportion to the estimated projected revenues over the economic beneficial period. 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 recoverable amount. This could have an impact on the Group's results of operations. The carrying amount of films and TV program products and film rights are disclosed in notes 14 and 15 to the financial statements, respectively.

(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. The carrying amounts of trade and other receivables are disclosed in notes 20 and 21 to the financial statements, respectively.

4. OPERATING SEGMENT INFORMATION

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

(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.

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

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

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

There were no material intersegmental sales and transfers during the year (2014: Nil).

Segment revenue/results:

	Media and entertainment		Film and TV program		Corporate		Consolidated	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Sales to external customers	**393,438**	307,624	**318,980**	149,326	**–**	–	**712,418**	456,950
Other income	**5,324**	7,018	**1,096**	881	**488**	2,013	**6,908**	9,912
Segment profit/(loss)	**37,311**	34,361	**20,686**	(101,747)	**(19,333)**	(37,238)	**38,664**	(104,624)
Fair value loss on options	**–**	(5,172)	**–**	–	**–**	–	**–**	(5,172)
Gain on disposal of subsidiaries	**324**	9,477	**–**	–	**–**	–	**324**	9,477
Gain on disposal of a joint venture	**–**	3,043	**–**	–	**–**	–	**–**	3,043
Finance costs							**(17,040)**	(43,254)
Share of profits and losses of joint ventures	**1,657**	(7,176)	**5,906**	–	**–**	–	**7,563**	(7,176)
Share of profit and loss of an associate	**–**	–	**(10)**	(7)	**–**	–	**(10)**	(7)
Profit/(loss) before tax							**29,501**	(147,713)

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31 July 2015

4. OPERATING SEGMENT INFORMATION *(continued)*

Segment assets/liabilities:

	Media and entertainment		Film and TV program		Corporate		Consolidated	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Segment assets	**267,271**	210,836	**714,211**	589,261	**444,335**	87,577	**1,425,817**	887,674
Investments in joint ventures	**32,275**	20,604	**25,007**	–	**–**	–	**57,282**	20,604
Investment in an associate	**–**	–	**19,380**	19,384	**–**	–	**19,380**	19,384
Total assets							**1,502,479**	927,662
Segment liabilities	**99,202**	65,267	**250,376**	126,971	**4,174**	4,560	**353,752**	196,798
Unallocated liabilities							**253,911**	176,361
Total liabilities							**607,663**	373,159
Other segment information:								
Depreciation	**391**	449	**582**	366	**2,645**	3,736	**3,618**	4,551
Amortisation of film and TV program products	**–**	–	**135,336**	92,218	**–**	–	**135,336**	92,218
Amortisation of film rights	**–**	–	**2,160**	12,372	**–**	–	**2,160**	12,372
Amortisation of other intangible assets	**–**	3,693	**–**	–	**–**	–	**–**	3,693
Write-off of films and TV programs under production	**–**	–	**70**	3,083	**–**	–	**70**	3,083
Write-off of property, plant and equipment	**–**	–	**–**	–	**–**	15,775	**–**	15,775
Loss on disposal of items of property, plant and equipment	**170**	–	**7**	–	**–**	–	**177**	–
Impairment of film and TV program products	**–**	–	**–**	35,153	**–**	–	**–**	35,153
Impairment of trade receivables	**49**	–	**–**	–	**–**	–	**49**	–
Impairment of advances and other receivables	**2,799**	4,719	**–**	19,594	**–**	–	**2,799**	24,313
Reversal of impairment of advances and other receivables	**–**	(45)	**–**	–	**–**	–	**–**	(45)
Additions of property, plant and equipment	**107**	308	**173**	1,111	**389**	9,009	**669**	10,428
Additions of film rights	**–**	–	**722**	6,837	**–**	–	**722**	6,837
Additions of film and TV program products	**–**	–	**–**	386	**–**	–	**–**	386
Additions of films and TV programs under production	**–**	–	**129,998**	231,137	**–**	–	**129,998**	231,137

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

	Hong Kong		Mainland China		Macau		Others		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue:										
Sales to external customers	**232,876**	196,460	**390,291**	161,337	**58,304**	63,520	**30,947**	35,633	**712,418**	456,950
Assets:										
Segment assets										
– non-current assets	**126,933**	92,705	**54,890**	27,636	**–**	–	**301**	426	**182,124**	120,767
– current assets	**827,788**	558,409	**466,197**	242,324	**16,532**	3,008	**9,838**	3,154	**1,320,355**	806,895
Total assets									**1,502,479**	927,662
Other information:										
Additions of property, plant and equipment	**521**	10,107	**132**	321	**–**	–	**16**	–	**669**	10,428
Additions of film rights	**722**	6,837	**–**	–	**–**	–	**–**	–	**722**	6,837
Additions of film and TV program products	**–**	386	**–**	–	**–**	–	**–**	–	**–**	386
Additions of films and TV programs under production	**70,857**	179,557	**59,141**	51,580	**–**	–	**–**	–	**129,998**	231,137

Information about major customers

Revenue from a single customer, which accounted for revenue exceeding 10% of the Group's total revenues, amounted to approximately HK$77,139,000 for the year ended 31 July 2015. During the year ended 31 July 2014, there is no single customer which contributed to 10% or more of the Group's total revenues.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 July 2015

5. TURNOVER AND OTHER INCOME

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

	2015 HK$'000	2014 HK$'000
Turnover		
Entertainment event income	**325,331**	252,193
Album sales, licence income and distribution commission income from music publishing and licensing	**39,720**	23,198
Artiste management fee income	**13,029**	27,524
Advertising income	**15,358**	4,709
Distribution commission income and licence fee income from film and TV program products and film rights	**318,980**	149,326
	712,418	456,950
Other income		
Interest income	**1,547**	1,784
Government grants *	**1,015**	1,667
Commission and handling fee income of entertainment events	**4,346**	6,461
	6,908	9,912
	719,326	466,862

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

6. FINANCE COSTS

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

	2015 HK$'000	2014 HK$'000
Interest on:		
— First Completion Convertible Notes (note 25(i))	**—**	25,646
— Second Completion Convertible Notes (note 25(ii))	**13,862**	17,608
— TFN Convertible Notes (note 25(iii))	**2,070**	—
— Specific Mandate Convertible Notes (note 25(iv))	**1,108**	—
	17,040	43,254

7. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2015 HK$'000	2014 HK$'000
Cost of film and TV program products, film rights and licence rights		144,912	154,699
Cost of artiste management services, advertising services and services for entertainment events provided		289,622	213,242
Cost of inventories sold		100	167
Total cost of sales		434,634	368,108
Depreciation	12	3,618	4,551
Amortisation of film and TV program products #	14	135,336	92,218
Amortisation of film rights #	15	2,160	12,372
Amortisation of other intangible assets #	16	–	3,693
Minimum lease payments under operating leases in respect of land and buildings incurred for:			
Entertainment events #		7,637	8,704
Others		9,740	8,369
Contingent rents incurred for entertainment events #		26,233	17,396
Total operating lease payments		43,610	34,469
Auditors' remuneration		1,980	1,980
Employee benefit expense (including directors' emoluments (note 8)):			
Salaries, wages, bonuses and allowances		84,325	78,857
Pension scheme contributions		5,077	5,399
		89,402	84,256
Less: Capitalised in films and TV programs under production	19	(6,886)	(6,535)
		82,516	77,721

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 July 2015

7. PROFIT/(LOSS) BEFORE TAX *(continued)*

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

	Notes	2015 HK$'000	2014 HK$'000
Write-off of items of property, plant and equipment ##	12	—	15,775
Loss on disposal of items of property, plant and equipment ##	12	177	—
Impairment of film and TV program products #	14	—	35,153
Impairment of trade receivables ##	20	49	—
Impairment of advances and other receivables ##	21	2,799	24,313
Reversal of impairment of advances and other receivables *	21	—	(45)
Write-off of films and TV programs under production #	19	70	3,083
Fair value loss on options ##		—	5,172
Gain on disposal of subsidiaries *	34	(324)	(9,477)
Gain on disposal of a joint venture *		—	(3,043)
Share of net income from entertainment events organised by the Group to co-investors ##		5,883	4,175
Share of net income from entertainment events organised by co-investors *		(440)	(6,219)
Foreign exchange loss, net ##		203	820

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 GEM Listing Rules and the disclosure requirements of the Hong Kong Companies Ordinance, are as follows:

	2015 HK$'000	2014 HK$'000
Fees	**960**	1,068
Other emoluments:		
Salaries and allowances	**2,503**	6,704
Pension scheme contributions	**18**	9
	2,521	6,713
	3,481	7,781

	Fees HK$'000	**Salaries and allowances HK$'000**	**Pension scheme contributions HK$'000**	**Total remuneration HK$'000**
Year ended 31 July 2015				
Executive Directors				
Lam Kin Ngok, Peter	**120**	**–**	**–**	**120**
Yu Feng	**120**	**–**	**–**	**120**
Choi Chiu Fai, Stanley	**120**	**–**	**–**	**120**
Lui Siu Tsuen, Richard	**120**	**–**	**–**	**120**
Chan Chi Kwong	**120**	**1,396**	**7**	**1,523**
Yip Chai Tuck (note (i))	**–**	**1,107**	**11**	**1,118**
	600	**2,503**	**18**	**3,121**
Independent Non-executive Directors				
Chan Chi Yuen	**120**	**–**	**–**	**120**
Zhang Xi	**120**	**–**	**–**	**120**
Ng Chi Ho, Dennis	**120**	**–**	**–**	**120**
	360	**–**	**–**	**360**
	960	**2,503**	**18**	**3,481**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 July 2015

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

(a) *Directors' emoluments (continued)*

	Fees HK$'000	Salaries and allowances HK$'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 (ii))	108	4,629	—	4,737
Lui Siu Tsuen, Richard	120	—	—	120
Chan Chi Kwong	120	2,075	9	2,204
Yip Chai Tuck (note (i))	—	—	—	—
	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

Notes:

(i) Appointed on 21 July 2014

(ii) Resigned on 24 June 2014

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 one (2014: two) director, details of whose emoluments are set out above. Details of the remuneration of the remaining four (2014: three) non-director, highest paid employees for the year are as follows:

	2015 HK$'000	2014 HK$'000
Salaries and allowances	**13,118**	6,753
Pension scheme contributions	**54**	46
	13,172	6,799

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

	Number of employees	
	2015 HK$'000	2014 HK$'000
HK$2,000,001 to HK$2,500,000	**1**	3
HK$2,500,001 to HK$3,000,000	**1**	—
HK$3,500,001 to HK$4,000,000	**1**	—
HK$4,500,001 to HK$5,000,000	**1**	—
	4	3

9. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax had been made for the year ended 31 July 2014 as there were no assessable profits arising in Hong Kong for that year. 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.

	2015 HK$'000	2014 HK$'000
Provision for tax for the year		
Current — Hong Kong		
Charge for the year	**1,921**	—
Current — Elsewhere		
Charge for the year	**3,001**	6,483
Overprovision in prior years	**(39)**	(50)
	4,883	6,433
Deferred tax credit for the year (note 26)	**—**	(923)
Total tax expense for the year	**4,883**	5,510

A reconciliation of the tax expense applicable to profit/(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:

	2015 HK$'000	2014 HK$'000
Profit/(loss) before tax	**29,501**	(147,713)
Tax at the applicable tax rates	**4,310**	(20,956)
Adjustments in respect of current tax of previous years	**(39)**	(50)
Income not subject to tax	**(2,007)**	(4,938)
Expenses not deductible for tax	**7,621**	13,863
Utilisation of tax losses previously not recognised	**(12,247)**	(2,938)
Estimated tax losses not recognised	**7,245**	21,452
Deferred tax arising from temporary differences	**—**	(923)
Tax charge at the Group's effective rate	**4,883**	5,510

10. DIVIDEND

The board of directors of the Company does not recommend the payment of any dividend in respect of the year ended 31 July 2015 (2014: Nil).

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

The calculation of the basic earnings/(loss) per share amount is based on the profit for the year attributable to owners of the Company of approximately HK$25,850,000 (2014: loss of HK$153,154,000) and the weighted average number of ordinary shares of approximately 1,463,116,000 (2014: approximately 912,210,000) in issue during the year.

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 July 2015 in respect of a dilution as the impact of the Second Completion Convertible Notes, the TFN Convertible Notes and the Specific Mandate Convertible Notes outstanding during the year had an anti-dilutive effect on the basic earnings per share amount presented.

No adjustment had been made to the basic loss per share amount presented for the year ended 31 July 2014 in respect of a dilution as the impact of the First Completion Convertible Notes and the Second Completion Convertible Notes outstanding during the year had an anti-dilutive effect on the basic loss per share amount presented.

12. PROPERTY, PLANT AND EQUIPMENT

	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 2013		26,573	1,811	1,100	1,628	31,112
Additions		9,790	382	–	256	10,428
Acquisition of a subsidiary	31	–	9	–	20	29
Write-off		(24,269)	(1)	–	–	(24,270)
Disposal of subsidiaries	34(c)	–	–	–	(134)	(134)
Exchange realignment		(1)	(2)	–	1	(2)
At 31 July 2014 and 1 August 2014		12,093	2,199	1,100	1,771	17,163
Additions		135	159	–	375	669
Disposal		(138)	(91)	–	(27)	(256)
Exchange realignment		(9)	(5)	–	(5)	(19)
At 31 July 2015		12,081	2,262	1,100	2,114	17,557
Accumulated depreciation:						
At 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	34(c)	–	–	–	(56)	(56)
Exchange realignment		(1)	(1)	–	–	(2)
At 31 July 2014 and 1 August 2014		1,437	686	792	970	3,885
Charge for the year		2,429	499	154	536	3,618
Disposal		(15)	(63)	–	(1)	(79)
Exchange realignment		(2)	(1)	–	–	(3)
At 31 July 2015		3,849	1,121	946	1,505	7,421
Net carrying amount:						
At 31 July 2015		8,232	1,141	154	609	10,136
At 31 July 2014		10,656	1,513	308	801	13,278

In light of the 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 had been written off during the year ended 31 July 2014.

13. GOODWILL

	HK$'000
Cost:	
At 1 August 2013	13,912
Disposal of subsidiaries (note 34(c))	(10,574)
Exchange realignment	139
At 31 July 2014, 1 August 2014 and 31 July 2015	3,477
Accumulated impairment:	
At 1 August 2013, 31 July 2014, 1 August 2014 and 31 July 2015	3,477
Net carrying amount:	
At 31 July 2015	—
At 31 July 2014	—

14. FILM AND TV PROGRAM PRODUCTS

	Total HK$'000
Cost:	
At 1 August 2013	139,504
Additions	386
Transfer from films and TV programs under production (note 19)	110,130
Exchange realignment	(13)
At 31 July 2014	250,007
Transfer from films and TV programs under production (note 19)	144,185
Exchange realignment	215
At 31 July 2015	394,407
Accumulated amortisation and impairment:	
At 1 August 2013	90,727
Provided during the year	92,218
Impairment	35,153
Exchange realignment	(24)
At 31 July 2014	218,074
Provided during the year	135,336
Exchange realignment	88
At 31 July 2015	353,498
Net carrying amount:	
At 31 July 2015	40,909
At 31 July 2014	31,933

In light of the circumstances of the film and TV industries, the Group regularly reviewed its film and TV program products to assess the marketability of film and TV program products and the corresponding recoverable amounts. The estimated recoverable amount as at 31 July 2015 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% (2014: 13.34%), in which no impairment loss (2014: an impairment loss of HK$35,153,000) was recognised in the consolidated income statement for the year ended 31 July 2015.

15. FILM RIGHTS

	HK$'000
Cost:	
At 1 August 2013	19,874
Additions	6,837
At 31 July 2014 and 1 August 2014	26,711
Additions	722
At 31 July 2015	27,433
Accumulated amortisation:	
At 1 August 2013	11,939
Provided during the year	12,372
At 31 July 2014 and 1 August 2014	24,311
Provided during the year	2,160
At 31 July 2015	26,471
Net carrying amount:	
At 31 July 2015	962
At 31 July 2014	2,400

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 July 2015

16. OTHER INTANGIBLE ASSETS

	Artiste management contracts HK$'000	Services contract HK$'000	Total HK$'000
Cost:			
At 1 August 2013	51,208	25,140	76,348
Disposal of subsidiaries (note 34(c))	(51,890)	(25,474)	(77,364)
Exchange realignment	682	334	1,016
At 31 July 2014, 1 August 2014 and 31 July 2015	—	—	—
Accumulated amortisation and impairment:			
At 1 August 2013	10,053	2,277	12,330
Amortisation for the year	3,011	682	3,693
Disposal of subsidiaries (note 34(c))	(13,218)	(2,993)	(16,211)
Exchange realignment	154	34	188
At 31 July 2014, 1 August 2014 and 31 July 2015	—	—	—
Net carrying amount:			
At 31 July 2015	—	—	—
At 31 July 2014	—	—	—

17. INVESTMENTS IN JOINT VENTURES

	2015 HK$'000	2014 HK$'000
Share of net assets	22,663	4,526
Due from joint ventures	34,619	16,078
	57,282	20,604

The amounts due from joint ventures are unsecured, interest-free and have no fixed terms 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.

Details of the joint ventures are disclosed in note 40 to the financial statements.

Summarised financial information in respect of the Group's material joint ventures in set out below. The summarised financial information below represents amount shown in the joint ventures' financial statements prepared in accordance with HKFRSs adjusted by the Group for equity accounting purposes. The joint ventures are accounted for using the equity method in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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17. INVESTMENTS IN JOINT VENTURES *(continued)*

Hole in One

Hole in One Capital Partners Limited ("Hole in One"), 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 Hole in One and reconciled to the carrying amount in the financial statements:

	2015 HK$'000	2014 HK$'000
Cash and cash equivalents and current assets	**15,109**	—
Current liabilities	**(127)**	—
Net assets	**14,982**	—

Reconciliation to the Group's interest in the joint venture:

	2015 HK$'000	2014 HK$'000
Proportion of the Group's ownership	**50%**	—
The Group's share of net assets of Hole in One	**7,491**	—
Amount due from Hole in One	**128**	—
The carrying amount of the Group's investments in the joint venture	**7,619**	—
Other revenue	**24**	—
Profit and total comprehensive income for the year	**24**	—
The Group's share of profit and total comprehensive income for the year	**12**	—

17. INVESTMENTS IN JOINT VENTURES *(continued)*

上影寰亞

上影寰亞文化發展(上海)有限公司("上影寰亞"), a joint venture acquired by the Group during the year, which is considered as a material joint venture of the Group, acts as the Group's key joint venture in investment and production on films and TV programs in the PRC and is accounted for using the equity method.

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

	2015 HK$'000	2014 HK$'000
Cash and cash equivalents	**79,613**	–
Other current assets	**60,500**	–
Current assets	**140,113**	–
Non-current assets	**15,664**	–
Current liabilities	**(105,775)**	–
Non-current liabilities	**(38,019)**	–
Net assets	**11,983**	–

Reconciliation to the Group's interest in the joint venture:

	2015 HK$'000	2014 HK$'000
Proportion of the Group's ownership	**50%**	N/A
The Group's share of net assets of 上影寰亞	**5,992**	–
Amount due from 上影寰亞	**19,015**	–
The carrying amount of the Group's investments in the joint venture	**25,007**	–
Revenue	**38,186**	–
Cost of sales (including amortisation expense of HK$12,459,000 (2014: Nil))	**(12,459)**	–
Other revenue	**59**	–
Expenses (including interest expense of HK$1,319,000 (2014: Nil))	**(13,331)**	–
Income tax expense	**(643)**	–
Profit for the year	**11,812**	–
Other comprehensive loss for the year	**(8)**	–
Profit and total comprehensive income for the year	**11,804**	–
The Group's share of profit and total comprehensive income for the year	**5,902**	–

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 July 2015

17. INVESTMENTS IN JOINT VENTURES *(continued)*

SQ

SQ Workshop Limited ("SQ"), which is considered a material joint venture of the Group, acts as the Group's key joint venture in artiste management in Hong Kong and is accounted for using the equity method.

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

	2015 HK$'000	2014 HK$'000
Cash and cash equivalents	28,315	15,092
Other current assets	4,462	2,784
Current assets	32,777	17,876
Non-current assets	154	230
Current liabilities	(18,304)	(7,941)
Non-current liabilities	(10,000)	(10,000)
Net assets	4,627	165

Reconciliation to the Group's interest in the joint venture:

	2015 HK$'000	2014 HK$'000
Proportion of the Group's ownership	50%	50%
The Group's share of net assets of SQ	2,313	82
Amount due from SQ	10,000	10,000
The carrying amount of the Group's investments in the joint venture	12,313	10,082
Revenue	7,919	2,519
Cost of sales	(125)	(3)
Other revenue	145	298
Expenses	(2,566)	(2,365)
Income tax expense	(911)	(5)
Profit and total comprehensive income for the year	4,462	444

17. INVESTMENTS IN JOINT VENTURES *(continued)*

SQ (continued)

Reconciliation to the Group's interest in the joint venture: *(continued)*

	2015 HK$'000	2014 HK$'000
The Group's share of profit and total comprehensive income for the year	**2,231**	222

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

	2015 HK$'000	2014 HK$'000
The Group's share of profits and total comprehensive income for the year	**(524)**	(7,398)
The Group's share of net assets of joint ventures	**6,867**	4,444
Amounts due from joint ventures	**5,476**	6,078
The carrying amounts of the Group's investments in the joint ventures	**12,343**	10,522

18. INVESTMENT IN AN ASSOCIATE

	2015 HK$'000	2014 HK$'000
Share of net liabilities	**(55)**	(45)
Due from an associate	**19,435**	19,429
	19,380	19,384

The amount due from an associate, ProM Rococo Limited, is unsecured, interest-free and has no fixed terms 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 are disclosed in note 41 to the financial statements.

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18. INVESTMENT IN AN ASSOCIATE *(continued)*

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

	2015 HK$'000	2014 HK$'000
Current assets	**77,424**	77,480
Current liabilities	**—**	(18)
Non-current financial liabilities	**(77,644)**	(77,642)
Net liabilities	**(220)**	(180)

Reconciliation to the Group's investment in the associate:

	2015 HK$'000	2014 HK$'000
Proportion of the Group's ownership	**25%**	25%
The Group's share of net liabilities of the associate	**(55)**	(45)
Amount due from the associate	**19,435**	19,429
The carrying amounts of the Group's investments in an associate	**19,380**	19,384
Revenue	**—**	—
Loss and total comprehensive loss for the year	**(40)**	(29)
The Group's share of loss and total comprehensive loss for the year	**(10)**	(7)

19. FILMS AND TV PROGRAMS UNDER PRODUCTION

	2015 HK$'000	2014 HK$'000
At beginning of the reporting period	**260,162**	142,246
Additions (including capitalisation of employee benefit expense of HK$6,886,000 (2014: HK$6,535,000)	**129,998**	231,137
Transfer to film and TV program products (note 14)	**(144,185)**	(110,130)
Write-off	**(70)**	(3,083)
Exchange realignment	**360**	(8)
At 31 July	**246,265**	260,162

20. TRADE RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade receivables	**28,856**	84,186
Impairment	**(55)**	(45)
	28,801	84,141

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.

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

	2015 HK$'000	2014 HK$'000
Neither past due nor impaired	**10,101**	30,227
1 to 90 days past due	**12,967**	44,271
Over 90 days past due	**5,733**	9,643
	28,801	84,141

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

	2015 HK$'000	2014 HK$'000
At beginning of the reporting period	**45**	45
Impairment losses recognised	**49**	—
Write-off	**(39)**	—
At end of the reporting period	**55**	45

20. TRADE RECEIVABLES *(continued)*

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade debtors of HK$55,000 (2014: HK$45,000) with a gross carrying amount before provision of HK$55,000 (2014: 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.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 **HK$'000**	2014 HK$'000
Prepayments, deposits and advances for artiste management, music production, film and TV program production	**381,579**	165,530
Prepayments, deposits and other receivables	**22,364**	27,533
	403,943	193,063
Impairment	**(27,201)**	(24,402)
	376,742	168,661
Portion classified as current portion	**(323,287)**	(135,493)
Non-current portion	**53,455**	33,168

Included in prepayments, deposits and other receivables as at 31 July 2015 are advances of HK$24,720,000 (2014: HK$12,408,000) 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 16.5% (2014: 15%).

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

As at 31 July 2014, included in the Group's prepayments, deposits and the receivables was a 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 2015.

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

	2015 HK$'000	2014 HK$'000
At beginning of the reporting period	**24,402**	134
Impairment loss reversed	**—**	(45)
Impairment loss recognised	**2,799**	24,313
At end of the reporting period	**27,201**	24,402

Included in the above provision for advances and other receivables is a provision for individually impaired receivables of HK$27,201,000 (31 July 2014: HK$24,402,000) with a gross carrying amount of HK$27,281,000 (31 July 2014: HK$24,864,000). The individually impaired advances and receivables related to the portions of advances and receivables that were not expected to be recovered.

22. CASH AND CASH EQUIVALENTS

	2015 HK$'000	2014 HK$'000
Cash and bank balances	**281,513**	232,787
Time deposits	**440,489**	94,212
Cash and cash equivalents	**722,002**	326,999

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$242,997,000 (2014: HK$192,773,000). 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 time deposits are deposited with creditworthy banks with no recent history of default.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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23. TRADE PAYABLES

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

	2015 HK$'000	2014 HK$'000
Less than 30 days	1,392	338
31 to 60 days	289	—
61 to 90 days	—	2
	1,681	340

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

24. ACCRUALS AND OTHER PAYABLES

	2015 HK$'000	2014 HK$'000
Accruals and other payables	285,794	159,092

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

25. CONVERTIBLE NOTES

	Notes	2015 HK$'000	2014 HK$'000
Second Completion Convertible Notes	(ii)	—	168,973
TFN Convertible Notes	(iii)	100,950	—
Specific Mandate Convertible Notes	(iv)	141,844	—
		242,794	168,973
Portion classified as current liabilities		—	(168,973)
Non-current portion		242,794	—

25. 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.

Pursuant to a subscription agreement entered into between TFN Media Co., Ltd. ("TFN Media") and the Company on 17 April 2015, among others, the Company conditionally agreed to issue, and the TFN Media conditionally agreed to subscribe for 3-year zero coupon convertible notes in an aggregate principal amount of HK$130,000,000 (the "TFN 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 TFN Convertible Notes and expiring on the date which is five business days preceding the maturity date.

Pursuant to each of the subscription agreements entered into by the Company with each of Perfect Sky, Fubon Financial Holding Venture Capital Corp., Kbro Media Co., Ltd., and MOMO.COM Inc. (collectively the "New Subscribers") on 17 April 2015, among others, the Company conditionally agreed to issue, and the New Subscribers conditionally agreed to subscribe for 3-year zero coupon convertible notes in an aggregate principal amount of HK$186,840,000 (the "Specific Mandate 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 Specific Mandate 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.

25. CONVERTIBLE NOTES *(continued)*

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

Pursuant to the terms and conditions of the First Completion Convertible Notes, as a result of the Share Consolidation (as defined in note 27(c)), 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 27(c)) 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 inverse proportion to the adjusted conversion prices.

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. The First Completion Convertible Notes were redeemed on 8 June 2014.

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:

	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

25. 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 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 27(b))	(4,990)	(1,321)	(6,311)
Partial conversion of convertible notes after the Capital Reorganisation (note 27(e))	(149,037)	(37,920)	(186,957)
Redemption of convertible notes (note 38)	(189,091)	(47,173)	(236,264)
At 31 July 2014, 1 August 2014 and 31 July 2015	—	—	—

(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 27(c)), 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. As a result of the Open Offer, the conversion price of the Second Completion Convertible Notes was adjusted from HK$0.557 per share to HK$0.482 per share. Accordingly, the number of shares upon conversion would be adjusted in inverse proportion to the adjusted conversion price.

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 July 2015

25. CONVERTIBLE NOTES *(continued)*

(ii) Second Completion Convertible Notes (continued)

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

	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

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 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 27(f))	(37,939)	(41,758)	(79,697)
At 31 July 2014 and 1 August 2014	168,973	181,821	350,794
Interest charged during the year	13,862	—	13,862
Partial conversion of convertible notes (note 27(f))	(39,770)	(39,579)	(79,349)
Redemption of convertible notes (note 38)	(143,065)	(142,242)	(285,307)
At 31 July 2015	—	—	—

25. CONVERTIBLE NOTES *(continued)*

(iii) TFN Convertible Notes

The TFN Convertible Notes were issued to TFN Media, the holder of the TFN Convertible Notes, on 13 May 2015. The TFN Convertible Notes in an aggregate principal amount of HK$130,000,000 carries the conversion right entitling TFN Media to subscribe for a total of 245,746,691 shares of HK$0.01 each in the Company at a conversion price of HK$0.529 per share.

Pursuant to the terms and conditions of the TFN Convertible Notes, as a result of the Open Offer (as defined in note 27(a)), the conversion price of the TFN Convertible Notes set out above was adjusted from HK$0.529 per share to HK$0.458 per share. Based on the issued and outstanding TFN Convertible Notes in the principal amount of HK$130,000,000 as at 31 July 2015, the number of shares to be allotted and issued to TFN Media would be adjusted from 245,746,691 shares to 283,842,794 shares as a result of the Open Offer assuming the conversion rights attaching thereto were exercised in full. However, as disclosed in the Company's announcement dated 13 May 2015, the Company elects to redeem the principal amount attributable to conversion shares under the TFN Convertible Notes in excess of the outstanding number of new shares issuable under the general mandate granted to the directors of the Company to issue shares of the Company at the annual general meeting of the Company held on 9 December 2014 ("General Mandate"), and therefore, having taken into account the maximum number of such issuable shares under the General Mandate and assuming no utilisation of the General Mandate (other than that for the allotment and issue of the conversion shares under the TFN Convertible Notes), the maximum number of conversion shares that could be allotted and issued to TFN Media under the TFN Convertible Notes shall be 267,973,164 shares, at the adjusted conversion price of HK$0.458 per share.

Unless previously converted, redeemed, purchased or cancelled in accordance with the terms and conditions of the TFN Convertible Notes, it will be redeemed by the Company on the maturity date of 13 May 2018 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.

25. CONVERTIBLE NOTES *(continued)*

(iii) TFN Convertible Notes (continued)

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

	HK$'000
TFN Convertible Notes	
Face value of convertible notes issued	**130,000**
Equity component	**(30,991)**
Liability component at date of issue	**99,009**

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

	Liability component HK$'000	**Equity component** HK$'000	**Total** HK$'000
At 1 August 2014	—	—	—
Issued during the year	99,009	30,991	130,000
Cost of issue of convertible notes	(129)	(40)	(169)
Interest charged during the year	2,070	—	2,070
At 31 July 2015	100,950	30,951	131,901

(iv) Specific Mandate Convertible Notes

The Specific Mandate Convertible Notes were issued to the New Subscribers on 3 July 2015. The Specific Mandate Convertible Notes in an aggregate principal amount of HK$186,840,000 carries the conversion right entitling the relevant holders to subscribe for a total of 407,947,597 shares of HK$0.01 each in the Company at a conversion price of HK$0.458 per share as adjusted for the Open Offer pursuant to the terms and conditions of the Specific Mandate Convertible Notes.

Unless previously converted, redeemed, purchased or cancelled in accordance with the terms and conditions of the Specific Mandate Convertible Notes, it will be redeemed by the Company on the maturity date of 3 July 2018 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.

25. CONVERTIBLE NOTES *(continued)*

(iv) Specific Mandate Convertible Notes (continued)

The various components of the Specific Mandate Convertible Notes recognised on initial recognition are as follows:

	HK$'000
Specific Mandate Convertible Notes	
Face value of convertible notes issued	**186,840**
Equity component	**(45,530)**
Liability component at date of issue	**141,310**

The movements of the liability component and the equity component of the Specific Mandate Convertible Notes are as follows:

	Liability component HK$'000	**Equity component** HK$'000	**Total** HK$'000
At 1 August 2014	—	—	—
Issued during the year	141,310	45,530	186,840
Cost of issue of convertible notes	(574)	(185)	(759)
Interest charged during the year	1,108	—	1,108
At 31 July 2015	141,844	45,345	187,189

Interest charged for the First Completion Convertible Notes, the Second Completion Convertible Notes, the TFN Convertible Notes and the Specific Mandate Convertible Notes were calculated by applying effective interest rates of 10.8% per annum, 9.8% per annum, 9.5% per annum and 9.9% per annum, respectively, to the respective liability components.

26. DEFERRED TAX LIABILITIES

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

	Other intangible assets HK$'000
At 1 August 2013	16,005
Deferred tax credited to the income statement during the year (note 9)	(923)
Disposal of subsidiaries (note 34(c))	(15,288)
Exchange realignment	206
At 31 July 2014, 1 August 2014 and 31 July 2015	—

The Group has tax losses arising in Hong Kong of approximately HK$156,033,000 (2014: HK$200,776,000) 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$22,680,000 (2014: HK$13,815,000) 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.

26. DEFERRED TAX LIABILITIES *(continued)*

At 31 July 2015, no deferred tax had been recognised for withholding taxes that would be payable on the unremitted earnings that were subject to withholding taxes of certain subsidiaries and joint ventures established in the PRC. In the opinion of the directors, it was not probable that these subsidiaries and joint ventures would distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures in Mainland China for which deferred tax liabilities had not been recognised totalled approximately HK$315,000 (2014: HK$4,828,000) at 31 July 2015.

27. SHARE CAPITAL

	2015		2014	
	Number of shares '000	**Nominal value HK$'000**	Number of shares '000	Nominal value HK$'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	**2,092,388**	**20,924**	1,339,865	13,399

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 July 2015

27. SHARE CAPITAL *(continued)*

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

	Notes	2015 Number of shares '000	2015 Nominal value HK$'000	2014 Number of shares '000	2014 Nominal value HK$'000
Balance at the beginning of the year		**1,339,865**	**13,399**	13,140,257	131,403
Open offer	(a)	**669,933**	**6,699**	—	—
Partial conversion of the First Completion Convertible Notes before the Capital Reorganisation	(b)	**–**	**–**	243,320	2,433
Capital Reorganisation	(c)	**–**	**–**	(12,714,399)	(127,144)
Placing of shares	(d)	**–**	**–**	132,250	1,322
Partial conversion of the First Completion Convertible Notes after the Capital Reorganisation	(e)	**–**	**–**	463,033	4,631
Partial conversion of the Second Completion Convertible Notes after the Capital Reorganisation	(f)	**82,590**	**826**	75,404	754
Balance at the end of the year		**2,092,388**	**20,924**	1,339,865	13,399

Notes:

(a) Pursuant to the Company's announcement dated 17 April 2015 and the prospectus of the Company dated 8 May 2015, the Company proposed an open offer on the basis of one offer share for every two existing shares at the subscription price of HK$0.3 per offer share (the "Open Offer"). A total of 669,932,910 shares were issued under the Open Offer on 2 June 2015. The gross proceeds from the Open Offer are approximately HK$200,980,000. The net proceeds after deducting the underwriting commission and other related expenses of approximately HK$2,232,000 were approximately HK$198,748,000.

27. SHARE CAPITAL *(continued)*

Notes: *(continued)*

(b) 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 25(i)) were transferred and recognised as share capital of HK$2,433,200 and share premium of HK$3,878,106.

(c) 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.

(d) 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.

27. SHARE CAPITAL *(continued)*

Notes: *(continued)*

(e) 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 the equity component of approximately HK$37,920,000 of the First Completion Convertible Notes (note 25(i)) were transferred and recognised as share capital of approximately HK$4,631,000 and share premium of approximately HK$182,326,000.

(f) On 4 June 2015, the Company issued 82,589,973 shares to certain holders of the Second Completion Convertible Notes at a conversion price of HK$0.482 per share for partial conversion of the Second Completion Convertible Notes with a principal amount of HK$39,808,368. Upon conversion, the liability component of approximately HK$39,770,000 and the equity component of approximately HK$39,579,000 of the Second Completion Convertible Notes were transferred and recognised as share capital of approximately HK$826,000 and share premium of approximately HK$78,523,000.

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 conversion, the liability component of approximately HK$37,939,000 and the equity component of approximately HK$41,758,000 of the Second Completion Convertible Notes (note 25(ii)) were transferred and recognised as share capital of approximately HK$754,000 and share premium of approximately HK$78,943,000.

(g) On 20 August 2015, the Company issued 43,668,122 shares to a holder of the Specific Mandate Convertible Notes at a conversion price of HK$0.458 per share with a principal amount of HK$20,000,000.

At the date of the approval of these financial statements, the Company had 2,136,056,825 issued ordinary shares.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 28 to the financial statements.

28. SHARE OPTION SCHEMES

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 which was adopted on 19 November 2009 and became effective on 24 November 2009 (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.

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.

28. SHARE OPTION SCHEMES *(continued)*

New Share Option Scheme (continued)

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

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

(g) Any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue 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 2015 and 31 July 2014.

29. RESERVES

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.

30. PARTLY-OWNED SUBSIDIARIES WITH NON-CONTROLLING INTERESTS

Summarised financial information in respect of Media Magic Holdings Limited ("Media Magic") that has material non-controlling interests is set out below. The Group disposed of Media Magic and its holding company, Galaxy Soar Investments Limited ("Galaxy Soar") (collectively "Galaxy Soar Group") during the year ended 31 July 2014 (note 34(c)). The summarised financial information below represents amounts before intragroup eliminations.

Media Magic

	2015 HK$'000	2014 HK$'000
Percentage of equity interest held by non-controlling interests	**–**	–

	2015 HK$'000	2014 HK$'000
Profit for the year allocated to non-controlling interests	**–**	2,929
Dividends paid to non-controlling interests	**–**	8,967
Accumulated balances of non-controlling interests at the reporting dates	**–**	–

30. PARTLY-OWNED SUBSIDIARIES WITH NON-CONTROLLING INTERESTS *(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.

	2015 HK$'000	2014 HK$'000
Current assets	**–**	–
Non-current assets	**–**	–
Current liabilities	**–**	–
Non-current liabilities	**–**	–
Equity attributable to owners of the Company	**–**	–
Non-controlling interests	**–**	–
Revenue	**–**	16,485
Expenses	**–**	(10,508)
Profit for the year and total comprehensive income for the year	**–**	5,977
Net cash flows from operating activities	**–**	12,012
Net cash flows from investing activities	**–**	6
Net cash flows used in financing activities	**–**	(30,922)
Net decrease in cash and cash equivalents	**–**	(18,904)

31. 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.

31. 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	12	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 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 receivables and other receivables as at the date of acquisition amounted to HK$1,515,000 and HK$186,000, respectively, which approximated their fair values.

Since the acquisition, the 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 July 2015

32. COMMITMENTS

(a) *Capital commitments*

At 31 July 2015, the Group had the following capital commitments, contracted but not provided for, as follows:

	2015 **HK$'000**	2014 HK$'000
Capital contributions to subsidiaries	**100,801**	—

(b) *Operating lease commitments*

At 31 July 2015, 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 (2014: from one year to five years).

At 31 July 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 **HK$'000**	2014 HK$'000
Within one year	**7,056**	5,627
Within two to five years	**2,858**	4,334
	9,914	9,961

33. RELATED PARTY TRANSACTIONS

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

	Notes	2015 HK$'000	2014 HK$'000
Fellow subsidiaries:			
Rental expenses and building management fee	(i)	**1,141**	930
Artiste fee	(iii)	**1,499**	731
Artiste fee commission income	(iii)	**12**	57
Music royalty commission income	(iv)	**1,187**	1,477
Film distribution commission income	(v)	**2,284**	138
Film distribution fee	(vi)	**1,652**	54
Promotion and advertising fee	(vi)	**224**	—
Share of net income by the Group on concerts organised by fellow subsidiaries	(vii)	**—**	1,117
Sharing of corporate salaries on a cost basis allocated from		**7,509**	6,624
Sharing of administrative expenses on a cost basis allocated from		**2,542**	3,704
Sharing of corporate salaries on a cost basis allocated to		**15,988**	17,627
Sharing of administrative expenses on a cost basis allocated to		**1,937**	3,056
Video consignment commission expense	(viii)	**29**	75
Reimbursement of production and package costs of video products	(viii)	**16**	28
Video distribution commission expense	(ix)	**368**	200
Acquisition of a subsidiary	(x)	**—**	900
Acquisition of a joint venture	(x)	**90**	—
Related companies:			
Rental expenses and building management fee*	(i)	**3,152**	1,877
Production fee#	(ii)	**3,980**	2,890
Advisory income#	(ii)	**—**	1,760
Artiste fee##	(iii)	**—**	441

* 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.

33. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes:

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

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

(iii) During the year ended 31 July 2015, the Group paid artiste fee of HK$1,499,000 (2014: HK$1,172,000) to fellow subsidiaries and related companies for engaging artistes in the Group's events.

During the year ended 31 July 2015, the Group received artiste fee of HK$47,000 (2014: HK$330,000) from fellow subsidiaries for engaging artistes in their events in which the Group was entitled to artiste fee commission income of HK$12,000 (2014: HK$57,000). The artiste fee and artiste fee commission income were charged in accordance with contractual terms.

(iv) During the year ended 31 July 2015, the Group received contract sum of HK$3,956,000 (2014: HK$4,924,000) net of direct expenses, by licensing music catalogs of fellow subsidiaries. The Group was entitled to music royalty commission income of HK$1,187,000 (2014: HK$1,477,000). The balance of HK$2,769,000 (2014: HK$3,447,000) 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 2015, the Group received a contract sum of HK$15,230,000 (2014: HK$922,000), 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$2,284,000 (2014: HK$138,000). The balance of HK$12,946,000 (2014: HK$784,000) was paid to eSun which was designated as the representative of fellow subsidiaries. During the year ended 31 July 2014, a minimum guarantee shortfall of HK$327,000 was paid to eSun. The film distribution commission is charged in accordance with contractual terms.

(vi) During the year ended 31 July 2015, the Group paid film distribution fee of HK$1,652,000 (2014: HK$54,000) 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$3,428,000 (2014: HK$201,000). The Group also paid promotion and advertising fee of HK$224,000 (2014: Nil) to another fellow subsidiary for the promotion of the Group's films. The aggregate amount paid to these fellow subsidiaries for theatrical distribution was HK$5,304,000 (2014: HK$255,000).

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

33. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes: *(continued)*

(viii) During the year ended 31 July 2015, the Group recognised video sales of HK$59,000 (2014: HK$150,000) through the distribution by a fellow subsidiary pursuant to a video consignment agreement. The fellow subsidiary was entitled to video consignment commission of HK$29,000 (2014: HK$75,000) and was obligated to pay to the Group a production and package costs. The balance of video sales of HK$30,000 (2014: HK$75,000) and the production and package costs of HK$16,000 (2014: HK$28,000) were received/receivable by the Group. The video consignment commission expense and production and package costs were charged in accordance with contractual terms.

(ix) During the year ended 31 July 2015, the Group recognised licence fee income from sales of video products of HK$736,000 (2014: HK$400,000) 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$368,000 (2014: HK$200,000). The balance of HK$368,000 (2014: 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 or joint venture 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 2015, 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 2015 was approximately HK$2,678,000 (2014: HK$2,801,000). As at 31 July 2014, the total operating lease commitment due within two to five years was approximately HK$2,685,000.

(ii) During the years ended 31 July 2015 and 2014, 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 commitments due within one year, and two to five years as at 31 July 2015 were HK$1,063,000 (2014: HK$462,000) and HK$1,180,000 (2014: HK$113,000), respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 July 2015

33. RELATED PARTY TRANSACTIONS *(continued)*

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

	2015 **HK$'000**	2014 HK$'000
Short term employee benefits	**11,779**	7,772
Post-employment benefits	**35**	9
	11,814	7,781

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

34. DISPOSAL OF SUBSIDIARIES

(a) Disposal of 鼎紅

On 18 August 2014, the Group disposed of 50% equity interest in 鼎紅文化傳播（上海）有限公司 ("鼎紅") (formerly known as "寰亞榮盛文化傳播(上海)有限公司"), a then wholly-owned subsidiary of the Group, to an independent third party at a consideration of approximately HK$3,141,000. 鼎紅 ceased to be a subsidiary of the Group and has become a 50%-owned joint venture of the Group.

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

	HK$'000
Prepayments, deposits and other receivables	181
Accruals and other payables	(68)
Cash and cash equivalents	5,778
	5,891
Net assets disposed of	
Residual interest reclassified as a joint venture	(2,947)
Release of foreign currency translation reserve	(106)
Gain on disposal of a subsidiary	303
Cash consideration	3,141

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

	HK$'000
Cash consideration	3,141
Cash and cash equivalents disposed of	(5,778)
Net cash outflow in respect of disposal of a subsidiary during the year	(2,637)

34. DISPOSAL OF SUBSIDIARIES *(continued)*

(b) Disposal of Hole in One

On 8 October 2014, the Group entered into a subscription agreement with independent third parties and subsequently alloted 50% equity interest in Hole in One, a then wholly-owned subsidiary of the Group to those independent third parties. Accordingly, Hole in One ceased to be a subsidiary of the Group and has become a 50% owned joint venture of the Group.

The net assets of the Hole in One at the date of disposal were as follows:

	HK$'000
Cash and cash equivalents	3,841
Accruals and other payables	(3,883)
	(42)
Net assets disposed of	
Residual interest reclassified as a joint venture	21
Gain on deemed disposal of a subsidiary	21
Cash consideration	–

An analysis of the cash flows in respect of the deemed disposal of Hole in One is as follows:

	HK$'000
Cash consideration	–
Cash and cash equivalents disposed of	(3,841)
Net cash outflow in respect of the disposal of a subsidiary during the year	(3,841)

34. DISPOSAL OF SUBSIDIARIES *(continued)*

(c) *Disposal of the 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 the 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

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

35. 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:

Financial assets

	2015 Loans and receivables HK$'000	2014 Loans and receivables HK$'000
Trade receivables	**28,801**	84,141
Financial assets included in prepayments, deposits and other receivables	**156,175**	98,004
Cash and cash equivalents	**722,002**	326,999
Due from joint ventures	**34,619**	16,078
Due from an associate	**19,435**	19,429
	961,032	544,651

Financial liabilities

	2015 Financial liabilities at amortised cost HK$'000	2014 Financial liabilities at amortised cost HK$'000
Trade payables	**1,681**	340
Financial liabilities included in accruals and other payables	**272,835**	141,858
Convertible notes	**242,794**	168,973
	517,310	311,171

36. FAIR VALUE HIERARCHY

Liabilities for which fair values are disclosed:

	Carrying amounts		Fair values	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial liabilities				
Convertible notes	**242,794**	168,973	**243,297**	169,674

The fair values of the liability portion of the convertible notes are 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 rates used to discount the future cash flows of the TFN Convertible Notes and the Specific Mandate Convertible Notes as at 31 July 2015 were 9.5% and 9.8%, respectively. The interest rate used to discount the future cash flows of the Second Completion Convertible Notes as at 31 July 2014 was 9.16%.

Other than the above financial liabilities, the carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 July 2015 and 2014.

Movements in fair value measurement in Level 3 during the year ended 31 July 2014 were as follows:

	Options
	HK$'000
At 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 (2014: Nil).

The Group did not have any financial liabilities measured at fair value as at 31 July 2015 and 2014.

36. FAIR VALUE HIERARCHY *(continued)*

Liabilities for which fair values are disclosed:

As at 31 July 2015

	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	—	—	243,297	243,297

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

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Foreign currency risk

Certain subsidiaries of the Company have transactions denominated in 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 2015		
If Hong Kong dollar weakens against RMB	5	2,571
31 July 2014		
If Hong Kong dollar weakens against RMB	5	2,295

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

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

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

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

Interest rate risk

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

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

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

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

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Interest rate risk (continued)

	Increase in interest rate (in percentage)	Increase in profit before tax HK$'000	Increase in equity HK$'000
31 July 2015			
Time deposits	0.5	2,202	2,202

	Increase in interest rate (in percentage)	Decrease in loss before tax HK$'000	Increase in equity HK$'000
31 July 2014			
Time deposits	0.5	471	471

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

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:

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
31 July 2015				
Trade payables	**1,681**	**—**	**—**	**1,681**
Financial liabilities included in accruals and other payables	**272,835**	**—**	**—**	**272,835**
Convertible notes	**—**	**—**	**316,840**	**316,840**
Total	**274,516**	**—**	**316,840**	**591,356**
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

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

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

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

The Group monitors capital by maintaining a net cash position throughout the year. As at 31 July 2015, the consolidated cash and cash equivalents amounted to HK$722,002,000 (2014: HK$326,999,000).

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 2015, 35.79% (2014: 34.95%) of the shares were in public hands.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 July 2015

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**856,892**	708,938
CURRENT ASSETS		
Prepayments, deposits and other receivables	**405**	857
Cash and cash equivalents	**421,638**	61,451
Total current assets	**422,043**	62,308
CURRENT LIABILITIES		
Due to subsidiaries	**236,819**	110,203
Accruals and other payables	**2,050**	1,264
Convertible notes	**—**	168,973
Total current liabilities	**238,869**	280,440
NET CURRENT ASSETS/(LIABILITIES)	**183,174**	(218,132)
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,040,066**	490,806
NON-CURRENT LIABILITIES		
Convertible notes	**242,794**	—
Net assets	**797,272**	490,806
EQUITY		
Issued capital	**20,924**	13,399
Reserves (note)	**776,348**	477,407
Total equity	**797,272**	490,806

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Contributed surplus HK$'000 (note i)	Capital reserve HK$'000 (note ii)	Accumulated losses HK$'000	Total HK$'000
At 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 the Capital Reorganisation (note 27(b))	3,878	—	(1,321)	—	2,557
Capital Reorganisation (note 27(c))	(395,249)	50,716	—	471,677	127,144
Placing of shares (note 27(d))	78,954	—	—	—	78,954
Transaction costs of placing of shares (noted 27(d))	(641)	—	—	—	(641)
Partial conversion of the First Completion Convertible Notes after the Capital Reorganisation (note 27(e))	182,326	—	(37,920)	—	144,406
Partial conversion of the Second Completion Convertible Notes after the Capital Reorganisation (note 27(f))	78,943	—	(41,758)	—	37,185
Redemption of the First Completion Convertible Notes (note 25(i))	—	—	(47,173)	47,173	—
At 31 July 2014 and 1 August 2014	343,460	95,191	181,821	(143,065)	477,407
Loss for the year and total comprehensive loss for the year	—	—	—	(8,348)	(8,348)
Issue of the TFN Convertible Notes (note 25(iii))	—	—	30,951	—	30,951
Open Offer (note 27(a))	194,281	—	—	—	194,281
Transaction costs of the Open Offer (note 27(a))	(2,232)	—	—	—	(2,232)
Partial conversion of the Second Completion Convertible Notes (note 25(ii))	78,523	—	(39,579)	—	38,944
Redemption of the Second Completion Convertible Notes (note 25(ii))	—	—	(142,242)	142,242	—
Issue of the Specific Mandate Convertible Notes (note 25(iv))	—	—	45,345	—	45,345
At 31 July 2015	614,032	95,191	76,296	(9,171)	776,348

38. STATEMENT OF FINANCIAL POSITION OF THE 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 reorganisations 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 recognised as disclosed in note 25 to the financial statements.

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2015	2014	
Champ Universe Limited	Hong Kong	1 ordinary share of HK$1	**100**	100	Provision of management services
CFMA*	PRC/ Mainland China	RMB10,000,000#	**70**	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 Δ *	PRC/ Mainland China	RMB1,000,000#	**100**	100	Film distribution
Media Asia Film International Limited	British Virgin Islands	100 ordinary shares 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
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

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company 2015	2014	Principal activities
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 Production (HK) Limited	Hong Kong	1 ordinary share of HK$1	**70**	70	TV Program production
Media Asia TV Program Distribution Limited	Hong Kong	1 ordinary share of HK$1	**100**	100	Licensing of television drama
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∆*	PRC/ Mainland China	HK$38,000,000#	**100**	100	Entertainment activity production
寰亞演藝經紀(上海)有限公司 (formerly known as 寰亞蒙麗文化傳播(上海)有限公司)∆*	PRC/ Mainland China	RMB7,000,000#	**100**	100	Provision of artiste management services

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

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

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

Except for Champ Universe Limited and Premier Gold Investments Limited, 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.

40. PARTICULARS OF JOINT VENTURES

As at 31 July 2015, particulars of the joint ventures are as follows:

Name	Place of incorporation/ registration and business	Particulars of shares held	Percentage of ownership interest, voting power and profit sharing attributable to the Group	Principal activities
Much Entertainment (HK) Limited	Hong Kong	Ordinary	50	Event supervising
SQ	Hong Kong	Ordinary	50	Artiste management
Playerone Entertainment Limited	Hong Kong	Ordinary	50	Event management
寰亞通盈信息諮詢(北京)有限公司("寰亞通盈")#	PRC/ Mainland China	Paid-up capital	51	Cinema operation
鼎紅	PRC/ Mainland China	Paid-up capital	50	Artiste management
Hole in One	Hong Kong	Ordinary	50	Event management
上影寰亞	PRC/ Mainland China	Paid-up capital	50	Film and TV program investment and production

During the year ended 31 July 2014, 寰亞通盈 has commenced the process of dissolution. The entity is considered a joint venture as the joint venture partners have joint control over 寰亞通盈.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 July 2015

41. PARTICULARS OF AN ASSOCIATE

Particulars of the associate as at 31 July 2015 are as follows:

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

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

42. COMPARATIVE FIGURES

As further explained in note 2.1 to the financial statements, due to the early adoption of the amendments to the GEM Listing Rules relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current year, the presentation and disclosure of certain items and balances in the financial statements have been revised to comply with the new requirements. Certain comparative amounts have been reclassified to conform with the current year's presentation and disclosures. In the opinion of the directors of the Company, this presentation would better reflect the financial position of the Group.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 15 October 2015.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an annual general meeting of the members (the "**Members**") of **MEDIA ASIA GROUP HOLDINGS LIMITED** (the "**Company**") will be held at Harbour View Rooms I and II, 3rd Floor, The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong on Friday, 11 December 2015 at 2:30 p.m. (the "**AGM**") for the following purposes:

ORDINARY BUSINESS

1. To consider and adopt 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 2015;

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:

ORDINARY RESOLUTIONS

4. "**THAT**

(a) subject to paragraph (c) of this Resolution, the exercise by the directors of the Company (the "**Directors**") during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional shares 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 allot, issue 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;

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

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

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

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

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

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

shall not exceed 20% of the number of the issued Shares as at the date of passing this Resolution, and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution,

"Relevant Period" means the period from 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 of 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) subject to paragraph (b) of this Resolution, the exercise by the directors of the Company (the “**Directors**”) during the Relevant Period (as defined below) of all the powers of the Company to repurchase the shares of the Company (the “**Shares**”) on the Growth Enterprise Market (the “**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 and the Stock Exchange under the Code on Share Buy-backs, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the GEM, be and is hereby generally and unconditionally approved;

(b) the number of Shares to be repurchased pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10% of the number of the issued Shares as at the date of this Resolution, and the said approval shall be limited accordingly; and

(c) for the purpose of this Resolution, “Relevant Period” means the period from the date of the passing of this Resolution until whichever is the earliest of:

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

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

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

6. “**THAT** subject to the passing of the Resolutions Nos. 4 and 5 in the notice convening this meeting, the general mandate granted to the directors of the Company (the “**Directors**”) and for the time being in force to exercise all the powers of the Company to allot, issue and deal with additional shares of the Company (the “**Shares**”) and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby extended by the addition thereto of an amount representing the number of Shares which has been repurchased by the Company since the granting of such general mandate pursuant to the exercise by the Directors of the powers of the Company to repurchase such Shares, provided that such amount shall not exceed 10% of the number of the issued Shares as at the date of this Resolution.”

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

7. "**THAT** subject to and conditional upon (i) the passing of an ordinary resolution by the shareholders of eSun Holdings Limited (the ultimate holding company of the Company) at its annual general meeting approving the refreshment of the general limit under the share option scheme adopted by the Company on 18 December 2012 (the "**Share Option Scheme**"); and (ii) the Listing Committee of the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited granting the approval for the listing of, and permission to deal in, the additional shares of the Company (the "**Shares**") to be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme, the refreshment of the general limit in respect of the grant of options to subscribe for Shares under the Share Option Scheme be and is hereby approved provided that:

   (a) the total number of Shares in respect of which options may be granted under the Share Option Scheme shall not exceed 10% of the total number of Shares in issue as at the date of passing this Resolution (the "**Refreshed Limit**");

   (b) options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme) will not be counted for the purpose of calculating the Refreshed Limit;

   (c) the directors of the Company (the "**Directors**") be and are hereby unconditionally authorised to offer or grant options pursuant to the Share Option Scheme to subscribe for Shares up to the Refreshed Limit and to exercise all the powers of the Company to allot, issue and deal with the Shares upon the exercise of such options;

   (d) such increase in the Refreshed Limit shall in no event result in the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company exceed 30% of the Shares in issue from time to time; and

   (e) the Directors and company secretary of the Company be and are hereby authorised to do all such acts, deeds and things as they shall, at their absolute discretion, deem fit in order to effect the foregoing."

By Order of the Board
Media Asia Group Holdings Limited
Lau Siu Mui
Company Secretary

Hong Kong, 30 October 2015

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 entitled to attend and vote at the AGM is entitled to appoint one (or, if he/she/it holds two or more shares of the Company (the "**Shares**"), more than one) proxy to attend the AGM and vote on his/her/its behalf in accordance with the bye-laws of the Company (the "**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 office of the Registrar not later than 4:30 p.m. on 8 December 2015 for registration.

(4) Where there are joint registered holders of any Shares, 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 Shares shall alone be entitled to vote in respect thereof.

(5) In regard of resolution No. 2 of this notice,

   (a) in accordance with Bye-law 84 of the Bye-laws, Messrs. Chan Chi Kwong, Lui Siu Tsuen, Richard and Chan Chi Yuen will retire by rotation at the AGM and, being eligible, offer themselves for re-election; and

   (b) in accordance with Rule 17.46A of the Rules Governing the Listing of Securities on The Growth Enterprise Market (the "**GEM Listing Rules**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), details of the aforesaid retiring directors of the Company are set out in the section headed "Biographical Details of Directors" of the annual report of the Company for the year ended 31 July 2015.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

(6) In regard of resolution No. 3 of this notice, the board of directors of the Company (the "**Board**") (which concurs with the audit committee of the Company) has recommended that subject to the approval of Members at the AGM, Messrs. Ernst & Young will be re-appointed the independent auditors of the Company for the year ending 31 July 2016 (the "**Year 2016**"). Members should note that in practice, independent auditors' remuneration for the Year 2016 cannot be fixed at the AGM because such remuneration varies by reference to the scope and extent of the audit and other works which the independent auditors are being called upon to undertake in any given year. To enable the Company to charge the amount of such independent auditors' remuneration as operating expenses for the Year 2016, Members' approval to delegate the authority to the Board to fix the independent auditors' remuneration for the Year 2016 is required, and is hereby sought, at the AGM.

(7) A circular containing details regarding resolutions Nos. 4 to 7 of this notice will be sent to Members together with the annual report of the Company for the year ended 31 July 2015.

(8) In compliance with Rule 17.47(4) of the GEM Listing Rules, voting on all resolutions set out in this notice will be decided by way of a poll.

(9) 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 11:00 a.m. and 2:30 p.m. on the date of the AGM, 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 the Stock Exchange.

If a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is cancelled at or before 11:00 a.m. on the date of the AGM and where conditions permit, the AGM will be held as scheduled. The AGM will be held as scheduled when an amber or red rainstorm warning signal is in force.

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

Media Asia actively expands the media and entertainment markets of mainland China. Its business scope includes film production and distribution, concert and live performance, artiste management, television dramas production and distribution, and advertising business.

寰亞傳媒大力開拓中國大陸的傳媒及娛樂市場，
其業務範圍包括電影製作與發行、演唱會與現場表演、
藝人管理、電視劇製作與發行及廣告業務。

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

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