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

(Stock Code 股份代號：8075)

ANNUAL REPORT
年度報告

Year ended 31 July 2017
二零一七年七月三十一日止

Media Asia寰亞

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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CORPORATE INFORMATION

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

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 HM 11
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

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

INDEPENDENT AUDITOR

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 PROFILE

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 annual 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 consultancy services in planning and management of cultural, entertainment and live performance projects.

THE COMPANY

Film	Television Programs	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 Performance Agency (Macao) Limited	Lam & Lamb Entertainment Limited
Media Asia Film Distribution (HK) Limited			寰亞文化傳播(中國)有限公司	
Media Asia Distribution (Beijing) Co., Ltd.				

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 years, as extracted from the published audited financial statements of the Group, is set out below:

RESULTS

	Year ended 31 July				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Continuing operations					
Turnover	**562,913**	520,443	712,418	456,950	441,170
Profit/(loss) before tax	**(176,048)**	(99,655)	29,501	(147,713)	(84,273)
Income tax expense	**(2,413)**	(2,582)	(4,883)	(5,510)	(6,748)
Profit/(loss) for the year from continuing operations	**(178,461)**	(102,237)	24,618	(153,223)	(91,021)
Discontinued operation					
Loss for the year from a discontinued operation	**–**	–	–	–	(1,940)
Profit/(loss) for the year attributable to owners of the Company and non-controlling interests	**(178,461)**	(102,237)	24,618	(153,223)	(92,961)

ASSETS AND LIABILITIES

	As at 31 July				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**1,274,744**	1,432,223	1,502,479	927,662	1,163,257
Total liabilities	**(647,128)**	(621,674)	(607,663)	(373,159)	(690,650)
Net assets	**627,616**	810,549	894,816	554,503	472,607

CHAIRMAN'S STATEMENT

Dr. LAM Kin Ngok, Peter
Chairman

OVERVIEW OF RESULTS

During the year ended 31 July 2017, the Company and its subsidiaries (the "**Group**") recorded a turnover of approximately HK$562,913,000, representing an increase of 8% from turnover of approximately HK$520,443,000 for the year ended 31 July 2016. The Group recorded a loss after tax of approximately HK$178,461,000 (2016: approximately HK$102,237,000) and a loss attributable to owners of the Company of approximately HK$169,955,000 (2016: approximately HK$95,546,000) during the year. The significant increase in loss attributable to owners of the Company was primarily attributable to unsatisfactory performance of the Group's films recently released.

As at 31 July 2017, the Group's equity attributable to owners of the Company amounted to approximately HK$638,309,000 (2016: approximately HK$812,805,000) and the net asset value per share attributable to owners of the Company was HK29.9 cents (2016: HK38.1 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 2017 (2016: Nil).

PROSPECTS

Regarding our film business, a number of successful products have been released with satisfactory box office and critical acclaim during the year. "Love Off The Cuff" reached HK$30 million box office in Hong Kong, being the highest among all Chinese films in 2017 so far. "Trivisa" has won the Best Film, Best Director, Best Screenplay, Best Actor and Best Film Editing awards in the 36th Hong Kong Film Awards.

The Group will continue its effort to provide quality films to the audience and the next upcoming major product is the long-awaited John Woo's return to his old style action-thriller "Manhunt", featuring Zhang Han Yu and Fukuyama Masaharu. The film just premiered at the 74th Venice International Film Festival with great acclaim and is set for release later this year.

The "Infernal Affairs" drama series we produced for iQiyi and TVB have generated satisfactory viewership for the two platforms and the latest titles in our TV production pipelines are "New Horizon", a 50 episode romance drama series starring Zheng Kai and Chen Chiao-en and "Shadow of Justice", a 36 episode detective drama series tailor-made for the Alibaba's Youku platforms featuring Julian Cheung and Fiona Sit.

For music and live entertainment businesses, the exclusive distribution licenses of our music products with Taobao China Software Co. Ltd. and Warner Music continue to provide stable income contribution to the Group. The recent "Liza Wang 50th Anniversary The Timeless Concert 2017" has earned good reputation and public praises. The Group will continue to work with prominent local and Asian artistes for concert promotion. Upcoming events include concerts of C AllStar, Miriam Yeung, Grasshopper and at17.

The Group believes a strong talent roster will complement its media and entertainment businesses. During the year, we have entered into management agreements or set up workshops with a number of talents in Greater China and Korea. Some of the fresh artistes have already participated in our various film and TV program productions and the Group will continue its effort in talent development.

Targeting at the enormous yet growing China market, we endeavor to strengthen the Group's integrated media platform with an aim to provide valuable and competitive products and to enhance our market position, and we will continue to explore strategic alliance as well as investment opportunities to enrich our portfolio, broaden our income stream and maximise value for our shareholders.

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 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, 19 October 2017

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the year ended 31 July 2017, the Company and its subsidiaries (the "**Group**") recorded a turnover of approximately HK$562,913,000, representing an increase of 8% from turnover of approximately HK$520,443,000 for the year ended 31 July 2016. The increase in the turnover of the Group was mainly attributable to the increase in revenue from the Group's film and TV program businesses.

Cost of sales for the year ended 31 July 2017 increased to approximately HK$461,797,000 from approximately HK$365,534,000 for the previous financial year. Marketing expenses for the year ended 31 July 2017 was approximately HK$104,423,000 (2016: approximately HK$73,724,000). Administrative expenses for the year ended 31 July 2017 was approximately HK$125,773,000 (2016: approximately HK$139,061,000). These expenses are under strict control by the Company's management. Other operating expenses decreased to approximately HK$2,887,000 (2016: approximately HK$40,149,000).

Finance costs increased to approximately HK$24,338,000 for the year ended 31 July 2017 from approximately HK$22,255,000 for the year ended 31 July 2016. Finance costs represented the interest expenses arising from the TFN Convertible Notes and Specific Mandate Convertible Notes issued on 13 May 2015 and 3 July 2015, respectively.

The Group recorded a loss after tax of approximately HK$178,461,000 (2016: approximately HK$102,237,000) and a loss attributable to owners of the Company of approximately HK$169,955,000 (2016: approximately HK$95,546,000) during the year. The significant increase in loss attributable to owners of the Company was primarily attributable to unsatisfactory performance of the Group's films recently released.

As at 31 July 2017, the Group's equity attributable to owners of the Company amounted to approximately HK$638,309,000 (2016: approximately HK$812,805,000) and the net asset value per share attributable to owners of the Company was HK29.9 cents (2016: HK38.1 cents).

BUSINESS REVIEW

Media and Entertainment Segment

Events management

During the year under review, the Group organised and invested in 112 (2016: 150) shows by popular local, Asian and internationally renowned artistes, including Chan Po Chu and Mui Suet See, Sammi Cheng, Ivana Wong and Hins Cheung, Grasshopper, EXO, MayDay, Rene Liu, Tsai Chin, Ronald Cheng, Della, Yoga Lin and Lee Teuk@Super Junior. The total revenue from these businesses amounted to approximately HK$173,082,000.

Music

During the year under review, the Group released 11 (2016: 9) albums, including titles by Sammi Cheng, Ivana Wong, C AllStar, Jan Lamb and Tang Siu Hau. Turnover from music publishing and recording was approximately HK$46,401,000.

Artiste management

During the year under review, the Group recorded a turnover of approximately HK$25,102,000 from artiste management. The Group currently has 31 artistes under its management.

Film and TV Program Segment

Film production and distribution

During the year under review, a total of 6 films produced/invested by the Group were theatrically released, namely “Line Walker”, “Love Off The Cuff”, “Wine War”, “God of War”, “The House That Never Dies II” and “The Founding of An Army”. In addition, the Group has completed principal photography of another 9 films, most of them are expected to be released by 2018, whilst with 10 other films in the production pipeline or under development. The Group recorded a turnover of approximately HK$184,908,000 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$133,420,000 from TV program licence fee and distribution commission.

CAPITAL STRUCTURE

As at 31 July 2017, the Group's equity attributable to owners of the Company decreased by 21% to approximately HK$638,309,000 (as at 31 July 2016: approximately HK$812,805,000). Total assets amounted to approximately HK$1,274,744,000 (as at 31 July 2016: approximately HK$1,432,223,000) included current assets amounting to approximately HK$1,104,563,000 (as at 31 July 2016: approximately HK$1,244,611,000). Current liabilities were approximately HK$647,128,000 (as at 31 July 2016: approximately HK$371,849,000). Net asset value per share attributable to owners of the Company as at 31 July 2017 was approximately HK29.9 cents (as at 31 July 2016: approximately HK38.1 cents). Current ratio was approximately 1.7 (as at 31 July 2016: approximately 3.3).

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations with internal resource and convertible notes. As at 31 July 2017, the Group had unsecured and unguaranteed 3-year zero coupon convertible notes with an outstanding principal amount of approximately HK$296,840,000. 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$274,163,000 (as at 31 July 2016: HK$249,825,000). As at 31 July 2017, the Group had no unutilised letter of credit facility (as at 31 July 2016: Nil).

As at 31 July 2017, the Group's cash and cash equivalents decreased to approximately HK$402,451,000 (as at 31 July 2016: approximately HK$449,973,000) of which around 23% was denominated in Hong Kong dollar, around 66% was denominated in Renminbi ("**RMB**") and around 11% was denominated in United States dollar and Japanese Yen 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 2017, the Group did not have any bank loans, overdrafts or any other borrowing. No interests have been capitalised during the year ended 31 July 2017.

As at 31 July 2017, the gearing ratio of the Group, being the total borrowings to shareholders' equity attributable to the owners of the Company, was approximately 43% (as at 31 July 2016: 30.7%).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group's exposures to foreign currencies mainly arises from trade receipts from overseas customers and its investment in foreign subsidiaries which are financed internally. In order to mitigate the potential impact of currency fluctuations, the Group closely monitors its foreign currency exposures and uses suitable hedging instruments against significant foreign currency exposures, where necessary. No foreign currency hedge contract was entered into by the Group during the year. As at 31 July 2017, the Group had no outstanding foreign currency hedge contracts (as at 31 July 2016: Nil).

MATERIAL ACQUISITION/DISPOSAL AND SIGNIFICANT INVESTMENTS

The Group had no material acquisitions or disposals of subsidiaries during the year. Details of the disposal of subsidiaries of the Group during the year are set out in note 31 to the consolidated financial statements.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 July 2017 (as at 31 July 2016: Nil).

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 31 July 2017, the Group had 210 (as at 31 July 2016: 184) employees. Staff costs, including directors' emoluments for the year ended 31 July 2017, amounted to approximately HK$98,705,000 (2016: approximately HK$92,504,000). 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company issues its first Environmental, Social and Governance ("**ESG**") report which discloses the management approach, strategies and performance of the Company in accordance with the ESG Reporting Guide published by The Stock Exchange of Hong Kong Limited. Unless otherwise specified, this report covers ESG performance of the Company and its subsidiaries (the "**Group**") for the year ended 31 July 2017.

STAKEHOLDER ENGAGEMENT

In addition to utilising the regular communication channels during the daily operations, the Company has also engaged an independent consultant to conduct stakeholder engagement online surveys to understand stakeholders' perspectives and priorities of ESG issues relevant to the business. ESG topics are prioritised in accordance with the materiality results from stakeholders' perspectives and the importance of relevant ESG topics to business development.

MATERIALITY ANALYSIS

Materiality of ESG issues are assessed through stakeholder engagement exercises, management reviews and industry analysis. While the Group attends to all ESG issues which affect its business and stakeholders, two most material issues in each ESG aspect relevant to its business with additional focus have been identified and are indicated in the following table.

<table>
<tr><th colspan="2">ESG Aspects</th><th>ESG Issues</th><th>The Company</th></tr>
<tr><td colspan="2" rowspan="3">Environmental</td><td>Emissions</td><td>✓</td></tr>
<tr><td>Use of resources</td><td>✓</td></tr>
<tr><td>Environment and natural resources</td><td></td></tr>
<tr><td rowspan="9">Social</td><td rowspan="4">Employment and labour standards</td><td>Employment</td><td>✓</td></tr>
<tr><td>Health and safety</td><td></td></tr>
<tr><td>Development and training</td><td></td></tr>
<tr><td>Labour standards</td><td>✓</td></tr>
<tr><td rowspan="4">Operating practices</td><td>Supply chain management</td><td></td></tr>
<tr><td>Product responsibility</td><td>✓</td></tr>
<tr><td>Intellectual property</td><td>✓</td></tr>
<tr><td>Anti-corruption</td><td></td></tr>
<tr><td>Community</td><td>Community investment</td><td>✓</td></tr>
</table>

OVERALL ENVIRONMENTAL MANAGEMENT APPROACH

The Group endeavors to minimise negative environmental impact of its business operations and has therefore established environmental management policies to manage and control output in emissions and waste, energy usage and environmental impact. All relevant laws and regulations on environmental protection are observed and are important references for environmental management strategies.

OVERALL ENVIRONMENTAL MANAGEMENT APPROACH *(continued)*

Environmental Management and Air Emissions

Air emissions may be generated in moderate amounts through some processes of the businesses of the Group. Where applicable, the Group takes a proactive approach in managing emissions through abatement procedures or by minimising emissions at source.

Waste Management

A waste management plan is in place as a means to manage and minimise waste generated in the daily operations. For easier management and to encourage recycling, waste are separated into different categories depending on the nature and recycling bins are located in office areas where applicable and feasible. The Group supports reuse of resources in the operations where feasible while unrecyclable waste are handled by qualified waste management companies. Electronic waste or other hazardous waste are disposed of according to local requirements.

Resources Management and Conservation

Conscious use of resources and recycling initiatives are generally supported within the Group. All business sectors are encouraged to be conscious in the use and management of natural resources such as electricity, fuel and water sources.

Co-existence with the Natural Environment

To strive the balance of businesses development and associated environmental impacts, the Group outlined a set of policies and guidelines to minimise negative impacts of its businesses to the environment.

OVERALL APPROACH ON EMPLOYMENT

Employment

The Group is an equal opportunity employer and does not discriminate on the basis of personal characteristics. It complies with the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and Labour Contract Law of the People's Republic of China across all business sectors and has outlined relevant terms and conditions of employment in the staff handbook. With the aim to promote a harmonious and respectful workplace, employees' rights and benefits, including compensation, termination, recruitment, working hours and leave management, anti-discrimination policies and the expectations to employees' conduct and behavior are also stipulated in the staff handbook.

Employees' benefits within the Group include enrollment to medical, commercial insurance scheme for eligible employees, social security and housing fund, etc. Employees who have over twelve months of service with the Group are eligible to apply for the tuition scheme to receive subsidy and sponsorship for training and development.

The Group has also complied with the Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong) to ensure there are minimal risk of discriminate and harassment cases in the workplace. As a demonstration of its commitment in this aspect, the Group has established policy in accordance with the Sex Discrimination Ordinance to ensure that employees are aware of the issue. All complaints regarding harassment in the workplace are addressed and handled in a confidential yet professional manner in order to protect the rights of the victims.

OVERALL APPROACH ON EMPLOYMENT *(continued)*

Health and Safety

The Group endeavors to minimise health and safety related risks in various business sectors and ensures that necessary safety precautionary arrangements are in place. The management teams across various business sectors continuously seek to manage and control the health and safety risks which the employees are exposed to during their work, while ensuring that the health and safety issues present at the premises are fully addressed. The Group will continue to monitor potential risks in its operations and will maintain zero tolerance to work-related incidents and fatalities.

Development and Training

Employees are important assets for the growth of an enterprise and hence the Company arranges numerous internal and external development programs to meet the needs of its operational development and employee career advancement. Employees who have over twelve months of services with the Group are eligible to apply for the tuition scheme, where sponsorship of the tuition fee are granted for further trainings and development courses suitable for the employees' position and scope of work. The Company seeks to enhance employees' training with subsidised courses and to assist them in achieving professional and personal goals.

Labour Standards

The Group considers it imperative to safeguarding the rights of its employees. Improper use of labour in the form of child labour and forced labour is strictly prohibited in all business sectors. For operations in Hong Kong, the Group ensures full compliance with relevant regulations and refers to the Employment of Children Regulations (Chapter 57B of the Laws of Hong Kong).

For the Group's operations in mainland China, it ensures full compliance with relevant laws and regulations in the Labour Law of the People's Republic of China and the Labour Contract Law of the People's Republic of China which stipulate the prevention of the use of child labour of ages under 16 and any unlawful way of forced labour. Labour rights are protected and there are no forced overtime work. Should overtime work be required, workers are paid according to relevant legal requirements.

The Group has equally stringent requirements for its contractors who are required to observe and comply with the same applicable regulations at relevant jurisdictions.

OVERALL APPROACH ON EMPLOYMENT *(continued)*

Employee Welfare

With employees as its valued assets, the Group strives to enhance employee relations through provision of staff benefits and caring for their well-being. To enhance the relationships among its employees and encourage a work-life balanced lifestyle, the Company organises regular activities for its staff, including "Lunch Talk" sessions on a monthly basis, talks on various topics, such as knowledge on occupational safety and health talks, and numerous interest classes.

The Company also organises large-scale annual events for its employees, including annual dinner party and one-day leisure tour. In general, these activities are well-received and the Company believes that its employees benefit from the activities, which are also great opportunities for team-building and bonding with other colleagues.

OVERALL APPROACH ON MANAGING OPERATING PRACTICES

Data Protection and Privacy

The Group is dedicated to protecting privacy rights and complies with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Collection of personal data from employees, suppliers, clients and artists are strictly limited to processes where such information are essentially required. Where copies of documents containing personal data are to be obtained, personal data collection statements are provided to the data providers to ensure that the data are used with consent.

Service Excellence

The Group strives its best in providing quality cultural and entertainment products and events to its customers. It puts great effort in ensuring the quality of its films, television programs and music productions for its audiences and customers. Project management also monitor the process for live shows to provide the best live experience to its audiences.

OVERALL APPROACH ON MANAGING OPERATING PRACTICES *(continued)*

Intellectual Property Rights

The Group respects and protects intellectual property rights and ensures that appropriate security measures and confidentiality agreements are observed. Agreements on collaborations with third parties are reviewed by its legal team to minimise incidence of infringement.

The Group is committed to protecting the intellectual property rights of creative works and compiles with all applicable intellectual property laws and regulations, including but not limited to the Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong) and the Prevention of Copyright Piracy Ordinance (Chapter 544 of the Laws of Hong Kong). Its producers and team of films, television programs and music productions are aware of the procedures to clear the rights for any creative works prior to using or referencing such in the Group's productions. In case there is any perceived infringement, the Group will take immediate actions to clear the rights or address relevant issues.

Integrity and Discipline

Integrity, fairness and discipline are the Group's core values. The Group expects high level of ethics and integrity from its employees and requests strict adherence to rules and procedures developed in accordance with the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong). The Group makes it a priority to ensure that no cases of fraud or corruption are present in any of its business segments.

In order to steer clear from potential risks for corruption, the Group provides employees with clear definition of "advantages" which needs to be declared and outlines clear procedures for its employees to handle any presents or gifts involved in the business. Anyone in violation of the policy and procedures would be penalised, while those who violate relevant government ordinances would be subject to legal consequences.

The Group has a whistleblowing procedure as a monitoring process to maintain integrity and discipline within all levels of its organisation. People who discover any inappropriate act or violation of the Prevention of Bribery Ordinance are encouraged to report to the management for immediate investigation into the case.

OVERALL APPROACH ON COMMUNITY DEVELOPMENT

The Group values the concept of giving back to the society and seeks to utilise resources within its business to give back to the society. It focuses on helping with local employment, youth education and providing assistance to the disabled. It also fully supports its employees and artists to participate in community development activities and encourages its artists to participate in charitable causes as spokespersons or to be personally involved in community activities in order to draw attention and support to charitable causes.

During festive seasons the Group purchases festive food products for its employees from social enterprises, such as Caritas La Vie Bakery and Fair Trade mooncakes, which are the Group's efforts in supporting employment opportunities for women and to encourage the utilisation of local neighborhood craftsmanship.

In addition, the Group has been a long-term supporter to Orbis through annual donations to support their work for the blind and visually impaired and as a gesture to show the Group's commitment to helping more people to receive basic eye health care services and relevant education.

CORPORATE GOVERNANCE REPORT

The Company is committed to achieving and maintaining high standards of corporate governance and has established policies and procedures for compliance with the principles and code provisions set out from time to time 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**").

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the CG Code throughout the year ended 31 July 2017 (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 of the Company held on 16 December 2016. However, Mr. Lui Siu Tsuen, Richard, an executive director of the Company present at that meeting, took the chair 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 Mr. Chan Chi Yuen, Mr. Ng Chi Ho, Dennis and Mr. Zhang Xi. The brief biographical particulars of the Directors are set out in "Biographical Details of Directors" of this annual report.

Save as disclosed in "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.

BOARD OF DIRECTORS *(continued)*

(2) Attendance at Meetings

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

	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting	General meeting
Number of meetings held during the Year	10	5	1	1	1
Name of Directors	**Number of meetings attended/Number of meetings entitled to attend**				
Executive Directors					
Lam Kin Ngok, Peter	10/10	–	–	–	0/1
Chan Chi Kwong	10/10	–	–	–	1/1
Lui Siu Tsuen, Richard	10/10	–	1/1	1/1	1/1
Yip Chai Tuck	10/10	–	1/1	1/1	1/1
Independent Non-executive Directors					
Chan Chi Yuen	10/10	5/5	1/1	1/1	1/1
Ng Chi Ho, Dennis	10/10	5/5	1/1	1/1	1/1
Zhang Xi	10/10	5/5	1/1	1/1	1/1

(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.

BOARD OF DIRECTORS *(continued)*

(3) Responsibilities and Delegation (continued)

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 (as defined in the GEM Listing Rules from time to time) for the Company 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.

The Board meets at least four times a year with meeting dates scheduled prior to the beginning of the year. Additional board meetings will be held when warranted. Directors also participate in consideration and approval of matters of the Company by way of written resolutions circulated to Directors together with supporting explanatory materials as and when required.

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) Independent Non-executive Directors

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 auditor 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, the 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 arranged for the Directors to attend seminars organised by other organisations and professional bodies.

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

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:

Name of Directors	Legal and Regulatory	Corporate Governance	Finance and Management
Executive Directors			
Lam Kin Ngok, Peter	✓	✓	✓
Chan Chi Kwong	✓	✓	✓
Lui Siu Tsuen, Richard	✓	✓	✓
Yip Chai Tuck	✓	✓	✓
Independent Non-executive Directors			
Chan Chi Yuen	✓	✓	✓
Ng Chi Ho, Dennis	✓	✓	✓
Zhang Xi	✓	✓	✓

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 Mr. Chan Chi Yuen (Chairman), Mr. Ng Chi Ho, Dennis and Mr. 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.

BOARD COMMITTEES *(continued)*

(1) Audit Committee (continued)

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, the review of the Company's financial controls, risk management and internal control systems, and the review and monitoring of the auditor's 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 authorities, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

The Audit Committee held five meetings during the Year. It reviewed the audited annual results of the Group for the year ended 31 July 2016, 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 risk management policy, the risk assessment report and the internal control review reports on the Company prepared by an independent professional advisor as well as the proposal for internal control system review for the three years ending 31 July 2020, and put forward relevant recommendations to the Board.

On 18 October 2017, 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 auditor of the Company (the "**Independent Auditor**"). It also reviewed this corporate governance report and an internal control review report on the Company prepared by an independent professional advisor.

(2) Nomination Committee

On 16 October 2012, the Board established a Nomination Committee which currently comprises three INEDs, namely Mr. Zhang Xi (Chairman), Mr. Chan Chi Yuen and Mr. Ng Chi Ho, Dennis and two executive Directors, namely Mr. Lui Siu Tsuen, Richard and Mr. 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 authorities, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

BOARD COMMITTEES *(continued)*

(2) Nomination Committee (continued)

During the Year, the Nomination Committee held one meeting. It reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board, assessed the independence of the INEDs and recommended the re-election of the retired Directors at the 2016 annual general meeting. On 18 October 2017, the Nomination Committee also reviewed the structure, size and composition of the Board, assessed the independence of the INEDs and recommended the re-election of the retired Directors at the 2017 annual general meeting.

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.

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 Mr. Chan Chi Yuen (Chairman), Mr. Ng Chi Ho, Dennis and Mr. Zhang Xi and two executive Directors, namely Mr. Lui Siu Tsuen, Richard and Mr. 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 authorities, 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. It also deliberated on matters relating to the payment of discretionary bonuses to and the review of the remuneration packages of certain executive Directors.

INDEPENDENT AUDITOR'S REMUNERATION

The remuneration in respect of the audit and non-audit services provided by the Independent Auditor, Ernst & Young to the Group for the Year amounted to HK$2,146,000 and HK$609,200 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 results and financial position 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 Auditor about its reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" contained in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The main features of the risk management and internal control systems are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage its risks across business operations.

The Group has established a risk management framework, which consists of the Board, the Audit Committee and the risk management taskforce. The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems.

The Group has formulated and adopted risk management policy in providing direction in identifying, evaluating and managing significant risks. At least on an annual basis, the risk management taskforce identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritises the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

In addition, the Group has engaged an independent professional advisor to assist the Board and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

Risk management report and internal control report are submitted to the Audit Committee and the Board at least once a year. The Board had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the GEM Listing Rules. The Board considers the Group's risk management and internal control systems are effective and adequate throughout the Year.

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

Procedures and Internal Controls for the Handling and Dissemination of Inside Information

The Group complies with the requirements of Securities and Futures Ordinance (the "**SFO**") and the GEM Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

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 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:

11th Floor, 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.

SHAREHOLDERS' RIGHTS *(continued)*

(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 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 maintain 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.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Each of the executive directors of the Company named below holds directorship in a number of subsidiaries of the Company and certain of the Company's 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**"), and their subsidiaries. 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**"). LSG is the ultimate holding company of LSD, which in turn is the controlling shareholder of eSun, the ultimate holding company of the Company and Lai Fung.

Dr. Lam Kin Ngok, Peter, *GBS*, aged 60, 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, the shares of which are listed and traded on the Main Board of the Stock Exchange. Dr. Lam was an executive director of eSun from 15 October 1996 to 13 February 2014 and the chairman and executive director of Lai Fung from 25 November 1993 to 31 October 2012. Dr. Lam has extensive experience in the property development and investment, hospitality, media and entertainment businesses. Dr. Lam holds an Honorary Doctorate from The Hong Kong Academy for Performing Arts.

Currently, Dr. Lam is the chairman of the Hong Kong Tourism Board and an ex officio member of the Hong Kong Trade Development Council. He is also a member of the 12th National Committee of the Chinese People's Political Consultative Conference and the vice chairman of the Committee for Liaison with Hong Kong, Macau, Taiwan and Overseas Chinese. In addition, Dr. Lam is the chairman of Hong Kong Chamber of Films Limited, 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 Lantau Development Advisory Committee, an honorary chairman of Federation of HK Jiangsu Community Organisations, the president of Hong Kong Association of Cultural Industries Limited and the chairman of Hong Kong Cultural Development Research Institute Limited. On 26 July 2017, Dr. Lam was re-appointed a member of Aviation Development and Three-runway System Advisory Committee for a term of two years with effect from 1 August 2017.

Mr. Chan Chi Kwong, aged 57, was appointed an executive director of the Company with effect from 16 June 2011 and is in charge of media and entertainment operations of the Company and its subsidiaries (the "**Group**"). Mr. Chan is a member of the Executive Committee of the Company. He was elected to become the chairman of International Federation of the Phonographic Industry (Hong Kong Group) Limited on 31 October 2016. Mr. Chan graduated from the University of Warwick in England with a Bachelor of Science degree in Management Sciences. He has over 26 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

EXECUTIVE DIRECTORS *(continued)*

HK$300,644 per month from the Group and such other remuneration and discretionary bonus as may be determined by the board of directors of the Company (the "**Board**") from time to time with reference to the performance of the Company, his duties and responsibilities and time allocated to the Company as well as the prevailing market conditions.

Mr. Chan has not held any other directorships in listed public companies in the last three years and does not have any relationships with other directors, senior management, substantial shareholders or controlling shareholders of the Company.

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. As at the date of this annual report, Mr. Chan does not have any interests in the shares of the Company 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**").

Mr. Lui Siu Tsuen, Richard, aged 61, was appointed an executive director of the Company with effect from 16 June 2011. He is also a member of the Executive Committee, the Nomination Committee and the Remuneration Committee of the Company. 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). 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 31 years of experience in property investment, corporate finance and media and entertainment businesses. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and The Chartered Institute of Management Accountants, United Kingdom. He holds a Master of Business Administration degree from The University of Adelaide in Australia.

Mr. Yip Chai Tuck, aged 43, was appointed an executive director of the Company on 21 July 2014. He is a member of the Executive Committee, the Nomination Committee and the Remuneration Committee of the Company. He is also the chief executive officer of LSG and an executive director of eSun. He has extensive experience in corporate advisory, business development and investment banking. Prior to joining the Company, Mr. Yip was a managing director and head of mergers and acquisitions for China of Goldman Sachs. 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 50, was appointed an independent non-executive director of the Company in September 2009. Mr. Chan is the chairman of both the Audit Committee and the Remuneration Committee of the Company and a member of the Nomination Committee of the Company. He holds a Bachelor degree with honours in Business Administration and a Master of Science degree in Corporate Governance and Directorship. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants in the United Kingdom and an associate member of The Institute of Chartered Accountants in England and Wales. Mr. Chan is a practising certified public accountant and has extensive experience in financial management, corporate finance and corporate governance.

Mr. Chan is currently an executive director of e-Kong Group Limited, Noble Century Investment Holdings Limited and Royal Century Resources Holdings Limited (formerly known as Kate China Holdings Limited), an independent non-executive director of Affluent Partners Holdings Limited, Asia Energy Logistics Group Limited, China Baoli Technologies Holdings Limited, Leyou Technologies Holdings Limited, New Times Energy Corporation Limited and U-RIGHT International Holdings Limited. Mr. Chan was an executive director of South East Group Limited (currently known as China Minsheng Drawin Technology Group Limited from December 2013 to July 2015) and Co-Prosperity Holdings Limited (from December 2014 to October 2015), and an independent non-executive director of Jun Yang Financial Holdings Limited (from January 2005 to October 2017). The issued shares of all the aforesaid companies are listed and traded on the Stock Exchange.

There is a service contract between the Company and Mr. 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$12,500 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.

Saved as disclosed above, Mr. Chan has not held any other directorships in listed public companies in the last three years and does not have any relationships with other directors, senior management, substantial shareholders or controlling shareholders of the Company.

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 in the shares of the Company 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(continued)*

Mr. Ng Chi Ho, Dennis, aged 59, was appointed an independent non-executive director of the Company with effect from 3 October 2011. Mr. Ng is a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. Mr. Ng holds a Bachelor of Commerce degree from The University of New South Wales, Australia and is a chartered accountant of The 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, an independent non-executive director of China City Infrastructure Group Limited and Kirin Group Holdings Limited, and the company secretary of MEIGU Technology Holding Group Limited. Mr. Ng was an independent non-executive director of Sunrise (China) Technology Group Limited (currently known as KOALA Financial 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 48, was appointed an independent non-executive director of the Company in September 2009. Mr. Zhang is a member of both the Audit Committee and the Remuneration Committee of the Company and the chairman of the Nomination Committee of the Company. Mr. Zhang graduated with a Bachelor's degree in Science (Electrical Engineering) from Shanghai Jiao Tong University in July 1991 and obtained an International Master degree in Business Administration from York University in Canada in 1998. Mr. Zhang is currently a Chartered Financial Analyst (CFA) charterholder. He has over 15 years of experience in the financial sector.

Mr. Zhang is currently an executive director of China Investment Fund International Holdings Limited (formerly known as China Investment Fund Company Limited) and was an independent non-executive director of Asia Energy Logistics Group Limited (from March 2006 to July 2016). The issued shares of the aforesaid companies are listed and traded on the Stock Exchange.

There is a service contract between the Company and Mr. Zhang which is renewed on a biennial basis and is determinable by either the Company or Mr. Zhang 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. Zhang 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. Zhang is entitled to receive a director's fee of HK$12,500 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.

Saved as disclosed above, Mr. Zhang has not held any other directorships in listed public companies in the last three years and does not have any relationships with other directors, senior management, substantial shareholders or controlling shareholders of the Company. As at the date of this annual report, Mr. Zhang does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

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

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 2017 (the "**Year**").

PRINCIPAL ACTIVITIES

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

Particulars of the Company's principal subsidiaries as at 31 July 2017 are set out in note 36 to the consolidated financial statements.

RESULTS AND DIVIDENDS

Details of the results of the Group for the Year and the financial position of the Group as at 31 July 2017 are set out in the consolidated financial statements and their accompanying notes on pages 46 to 116.

The board of Directors (the "**Board**") does not recommend the payment of any dividend for the Year (2016: Nil).

DIRECTORS

The Directors who were in office 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

*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**"), Mr. Chan Chi Kwong ("**Mr. Chan**"), Mr. Chan Chi Yuen and Mr. Zhang Xi will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company (the "**AGM**").

Details of the retiring Directors proposed for re-election at the AGM required to be disclosed 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 "Biographical Details of Directors" on pages 26 to 29 of this annual report and the section headed "Directors' Interests in Securities" in this report.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical particulars of the existing Directors are set out on pages 26 to 29 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 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

Pursuant to bye-law 164(1) of the Bye-laws, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they might incur or sustain by 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 TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 30 to the consolidated financial statements, during the Year, no Directors or 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 its 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 four executive Directors, namely, Dr. Lam Kin Ngok, Peter ("**Dr. Lam**"), Mr. Chan, Mr. Lui Siu Tsuen, Richard ("**Mr. Lui**") and Mr. Yip Chai Tuck (the "**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.

The Interested Directors held shareholding interests and/or other interests and/or directorships in companies/entities in the group of eSun which engage in the businesses including the development, operation of and investment in media and entertainment, music production and distribution, the investment in and production and distribution of television programs, films and video format products and cinema operation.

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 "Directors' Interests in Securities" and "Share Option Scheme" in this report and in note 27 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 in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 July 2017, 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 of the Company				
	Number of shares		Number of underlying shares		
Name of Directors	**Corporate interests**	**Personal interests**	**Corporate interests**	**Total**	**Approximate percentage of issued shares** *(Note 1)*
Lam Kin Ngok, Peter	1,443,156,837 *(Note 2(a))*	–	218,340,611 *(Note 2(a))*	1,661,497,448 *(Note 2(b))*	77.78%
Chan Chi Yuen	–	172,500	–	172,500	0.01%

(2) Interests in Associated Corporations

(a) eSun

	Long positions in shares and underlying shares of eSun				
	Number of shares		Share options		
Name of Directors	**Corporate interests**	**Personal interests**	**Personal interests**	**Total**	**Approximate percentage of issued shares**
Lam Kin Ngok, Peter	551,040,186 *(Note 3)*	2,794,443	1,243,212 *(Note 4)*	555,077,841	37.21%
Chan Chi Kwong	–	–	1,500,000 *(Note 5)*	1,500,000	0.10%
Lui Siu Tsuen, Richard	–	–	3,729,636 *(Note 6)*	3,729,636	0.25%

DIRECTORS' INTERESTS IN SECURITIES *(continued)*

(2) Interests in Associated Corporations (continued)

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

	Long positions in shares and underlying shares of Lai Fung				
	Number of shares		Share options		
Name of Director	Corporate interests	Personal interests	Personal interests	Total	Approximate percentage of issued shares
Lam Kin Ngok, Peter	8,274,270,422 *(Note 7)*	—	16,095,912 *(Note 8)*	8,290,366,334	50.91%

Notes:

*(1) The number of issued shares of the Company (the "**Shares**") as at 31 July 2017 (that is, 2,136,056,825 Shares) has been used for the calculation of the approximate percentage.*

*(2) (a) The Shares were owned by Perfect Sky Holdings Limited ("**Perfect Sky**"), a wholly-owned subsidiary of eSun. 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 pursuant to a subscription agreement dated 17 April 2015.*

1,415,132,837 Shares owned by Perfect Sky were pledged as security under a share mortgage dated 21 September 2016 pursuant to a facility agreement of eSun.

*(b) eSun was the Company's ultimate holding company. As at 31 July 2017, eSun was indirectly owned as to approximately 36.94% by Lai Sun Development Company Limited ("**LSD**"). LSD was approximately 61.74% directly and indirectly owned by Lai Sun Garment (International) Limited ("**LSG**"). LSG was approximately 12.53% (excluding share option) owned by Dr. Lam and approximately 29.46% 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.*

(3) 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.

(4) 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.

(5) On 18 January 2013, Mr. Chan 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.

(6) On 18 January 2013, Mr. Lui 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.

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

(8) 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.

DIRECTORS' INTERESTS IN SECURITIES *(continued)*

Save as disclosed above, as at 31 July 2017, 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 (the "**Share Option Scheme**") which will remain in force for 10 years commencing from the adoption date, details of which are set out in note 27 to the consolidated financial statements.

In compliance with Chapter 23 of the GEM Listing Rules, the Shareholders resolved at the annual general meeting of the Company held on 11 December 2015 to refresh the scheme limit under the Share Option Scheme, allowing the Company to grant options to subscribe for up to a total of 213,605,682 Shares, representing 10% of the issued Shares at the date of passing the relevant resolution. The refreshment of the scheme limit was also approved by the shareholders of eSun at the annual general meeting of eSun held on 11 December 2015 pursuant to the requirements of Rule 17.01(4) of the Rules Governing the Listing of Securities on the Stock Exchange and Rule 23.01(4) of the GEM Listing Rules.

No share options had been granted under the Share Option Scheme since its adoption. As at the date of this report, the Company might grant options under the Share Option Scheme to subscribe for a maximum of 213,605,682 Shares, representing 10% of the issued Shares.

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed in the section headed "Continuing Connected Transactions" of this report and note 30 to the consolidated financial statements, 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 2017, 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	1,443,156,837	218,340,611	1,661,497,448 *(Note 2)*	77.78%
Lai Sun Development Company Limited	Interest of controlled corporations	1,443,156,837	218,340,611	1,661,497,448 *(Note 2)*	77.78%
eSun Holdings Limited	Interest of controlled corporation	1,443,156,837	218,340,611	1,661,497,448 *(Note 2)*	77.78%
Taiwan Mobile Co., Ltd.	Interest of controlled corporations	43,668,122	267,973,164 *(Note 3(a))*	311,641,286 *(Note 3(b))*	14.59%
Wealth Media Technology Co., Ltd.	Interest of controlled corporations	43,668,122	267,973,164 *(Note 3(a))*	311,641,286 *(Note 3(b))*	14.59%
TFN Media Co., Ltd.	Beneficial owner	–	267,973,164 *(Note 3(a))*	267,973,164	12.55%
Fubon Financial Holding Co., Ltd.	Interest of controlled corporation	99,187,500	72,969,432 *(Note 4(a))*	172,156,932 *(Note 4(b))*	8.06%
Fubon Financial Holding Venture Capital Corp.	Beneficial owner	99,187,500	72,969,432 *(Note 4(a))*	172,156,932	8.06%
Ming Tone Co., Ltd.	Interest of controlled corporations	99,187,500	72,969,432 *(Note 5(a))*	172,156,932 *(Note 5(b))*	8.06%
Wealth Media Co., Ltd.	Interest of controlled corporations	99,187,500	72,969,432 *(Note 5(a))*	172,156,932 *(Note 5(b))*	8.06%
Cheng Ting Co., Ltd.	Interest of controlled corporations	99,187,500	72,969,432 *(Note 5(a))*	172,156,932 *(Note 5(b))*	8.06%
Cheng Hao Co., Ltd.	Interest of controlled corporations	99,187,500	72,969,432 *(Note 5(a))*	172,156,932 *(Note 5(b))*	8.06%
Kbro Co., Ltd.	Interest of controlled corporation	99,187,500	72,969,432 *(Note 5(a))*	172,156,932 *(Note 5(b))*	8.06%
Kbro Media Co., Ltd.	Beneficial owner	99,187,500	72,969,432 *(Note 5(a))*	172,156,932	8.06%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES *(continued)*

Long Position in the Shares (continued)

Notes:

(1) The number of issued Shares as at 31 July 2017 (that is, 2,136,056,825 Shares) has been used for the calculation of the approximate percentage.

(2) LSG, LSD and eSun were deemed to be interested in the same 1,661,497,448 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**") pursuant to a subscription agreement dated 17 April 2015.*

*(b) MOMO.COM Inc. ("**MOMO.COM**", interested in 43,668,122 Shares) and TFN Media were owned as to approximately 44.38% and 100% by Wealth Media Technology Co., Ltd. ("**WMT**") respectively. WMT was wholly-owned by Taiwan Mobile Co., Ltd. ("**TMC**"). Therefore, WMT and TMC were deemed to be interested in 43,668,122 Shares owned by MOMO.COM and 267,973,164 underlying Shares owned by TFN Media pursuant to Part XV of the SFO.*

*(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 2017, 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.

CONTINUING CONNECTED TRANSACTIONS

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

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(1) Theatrical Film Distribution Agreement

On 25 July 2016, Media Asia Film Distribution (HK) Limited ("**MAFD**"), a wholly-owned subsidiary of the Company, entered into the theatrical film distribution agreement (the "**Theatrical Film Distribution Agreement**") with Intercontinental Film Distributors (H.K.) Limited ("**IFDL**") and Perfect Advertising & Production Company Limited ("**PAPC**"). Pursuant to the Theatrical Film Distribution Agreement, MAFD shall grant to IFDL an exclusive licence to exploit the theatrical rights in the pictures (as defined in the Theatrical Film Distribution Agreement) in cinemas and other places of exhibition (including cinemas operated by Multiplex Cinema Limited, a non-wholly owned subsidiary of eSun) in Hong Kong and Macau; and IFDL shall use PAPC for promotion and advertising services on terms and conditions set out in the Theatrical Film Distribution Agreement.

The term of the Theatrical Film Distribution Agreement commenced on 1 August 2016 and will continue until 31 July 2019. Film rental for each picture will be paid to MAFD after (a) paying IFDL the distribution fee, being 10% of the film rental; (b) reimbursing IFDL the distribution costs approved by MAFD and actually incurred; and (c) paying PAPC the promotion and advertising fee, being 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.

Each of IFDL and PAPC is indirectly owned as to 85% by eSun, a controlling Shareholder, and therefore is a connected person of the Company under the GEM Listing Rules. Accordingly, the transactions contemplated under the Theatrical Film Distribution Agreement constituted CCTs of the Company under the GEM Listing Rules.

The annual cap under the Theatrical Film Distribution Agreement for the Year was HK$7,456,000. The aggregate amount of the CCTs under the Theatrical Film Distribution Agreement for the Year was approximately HK$1,773,000.

(2) Film Library Licence Agreements

On 31 July 2014, the Company (as licensee) entered into the film library licence agreements with Media Asia Distribution Ltd. ("**MAD(BVI)**") and Media Asia Distribution (HK) Limited ("**MAD(HK)**") as the licensors and eSun as the designated representative of the licensors respectively (collectively the "**Film Library Licence Agreements**") for a period of three years commenced on 1 August 2014 and expired on 31 July 2017.

Pursuant to the Film Library Licence Agreements, the respective licensors had agreed that, subject to any third party rights in certain withheld films which were subsisting at the commencement of the Film Library Licence Agreements, the Company would be the exclusive licensee worldwide (except Hong Kong for some films) of any rights owned by, acquired by or exclusively licensed to MAD(BVI) and MAD(HK).

The Company paid to eSun as the designated representative of the licensors 85% of all net receipts earned by the Company in respect of any exploitation of the rights granted to the Company.

eSun was a controlling Shareholder and each of MAD(BVI) and MAD(HK) was a subsidiary of eSun and therefore each of them was a connected person of the Company under the GEM Listing Rules. Accordingly, the transactions contemplated under the Film Library Licence Agreements constituted CCTs of the Company under the GEM Listing Rules.

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(2) Film Library Licence Agreements (continued)

The annual cap under the Film Library Licence Agreements for the Year was HK$24,000,000. The aggregate amount paid and payable to eSun under the Film Library Licence Agreements for the Year was approximately HK$22,126,000.

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

On 14 February 2014, LSG, LSD, eSun, Lai Fung and the Company entered into a memorandum of agreement (the "**Memorandum of Agreement**") to record the basis for governing the transactions with regard to the letting and/or licensing of premises (the "**Letting Transactions**") for a period of three years commenced on 1 August 2014 and expired on 31 July 2017.

Pursuant to the Memorandum of Agreement, each of the Letting Transactions was governed by a written agreement on normal commercial terms and the rental or fees payable and/or receivable was fixed by reference to the prevailing market or comparable rental or fees, including property management fees.

Dr. Lam was the chairman and an executive director of the Company and hence a connected person of the Company under the GEM Listing Rules. LSG and LSD were associates of Dr. Lam as he was the controlling shareholder of LSG and LSD was a subsidiary of LSG. LSG and LSD were therefore connected persons of the Company. Accordingly, the Letting Transactions between the Group, the LSG group and the LSD group constituted CCTs of the Company.

The Company had adopted a cap of HK$4,000,000 for the Year in respect of the Letting Transactions with the LSG group and LSD group. Rental and management fee paid or payable to LSD group for the Year was approximately HK$3,331,000.

The INEDs of the Company have reviewed the CCTs listed above and confirmed that they have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Ernst & Young, the Company's independent auditor, was engaged to report on the CCTs in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "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 has issued a letter to the Board in accordance with Rule 20.54 of the GEM Listing Rules confirming that nothing has come to its attention that causes it to believe the CCTs listed 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 annual caps as set by the Company.

BUSINESS REVIEW

A fair review of the business of the Group during the Year, including an analysis of the Group's development, performance and position using financial key performance indicators, a discussion on the Group's future development, principal risks and uncertainties that the Group may be facing and the important events affecting the Group that have occurred since the Year end are provided in the "Chairman's Statement" and "Management Discussion and Analysis" set out on pages 6 to 7 and pages 8 to 11 of this annual report respectively. Details about the Group's financial risk management are set out in note 34 to the consolidated financial statements.

Discussion on the Group's environmental policies and performance, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the "Environmental, Social and Governance Report" and "Corporate Governance Report" on pages 12 to 16 and pages 17 to 25 of this annual report respectively.

The above discussions form part of this report.

CONVERTIBLE NOTES

Details of the convertible notes issued by the Company are set out in note 24 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme set out in note 27 to the consolidated financial statements and the convertible notes set out in note 24 to the consolidated financial statements, the Group has not entered into any equity-linked agreements during the Year.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Year are set out in note 26 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Under the Companies Act 1981 of Bermuda (as amended), 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.

At 31 July 2017, the Company did not have reserves available for distribution. However, the Company's share premium account, in the amount of HK$633,661,000, 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$409,000.

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 years 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 38.2% of the Group's total revenue and revenue from the largest customer included therein amounted to approximately 11.6%.

Purchase from the Group's five largest suppliers accounted for less than 30% of the Group's total purchases for the Year.

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 customers of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SUFFICIENCY OF 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 during the Year and up to the date 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 AUDITOR

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

On behalf of the Board

Lam Kin Ngok, Peter
Chairman

Hong Kong, 19 October 2017

INDEPENDENT AUDITOR'S 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)

OPINION

We have audited the consolidated financial statements of Media Asia Group Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 46 to 116, which comprise the consolidated statement of financial position as at 31 July 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 July 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Amortisation and impairment for Film and TV program products and films and TV programs under production	
As at 31 July 2017, the Group had films and TV programs under production and film and TV program products of approximately HK$463,155,000 and HK$85,221,000, respectively. Films and TV programs under production are accounted for on a project-by-project basis and are stated at cost less any impairment losses. Upon completion and release, these films and TV programs under production are reclassified as film and TV program products. Film and TV program products are stated at cost less estimated residual values, accumulated amortisation and any impairment losses and are amortised based on the proportion of actual revenues earned during the year to total estimated projected revenues. The accounting for the rate of amortisation and/or impairment of films and TV programs under production and film and TV program products requires significant management judgement and are directly affected by management's estimates of projected revenues as further detailed in note 3(a). Based on information available on the results of films and TV programs under production and film and TV program products, management reviews and updates the estimated projected revenues and related cash flows at least at the end of each reporting period. Such change in estimations may result in a change in the rate of amortisation and/or the impairment of the carrying values of the assets to their recoverable amounts. This could have a significant impact on the Group's financial performance. Related disclosures are included in notes 2.3, 3, 14 and 18 to the financial statements.	**Amortisation of film and TV program products** We evaluated management's assessment of amortisation method for film and TV program products based on our understanding of the Group's business model and industry practice. We assessed management's processes for estimating projected revenues by obtaining evidence to support management's judgements and assumptions for estimating future cash flows. **Impairment of film and TV program products and films and TV programs under production** We evaluated management's impairment assessment for film and TV program products and films and TV programs under production, including the identification of any impairment indicators. We assessed the methodology used by management in determining the recoverable amounts of film and TV program products and films and TV programs under production when impairment indicators existed. We assessed management's processes for estimating projected revenues and related cash flows of the relevant film and TV program products and films and TV programs under production by obtaining evidence to support management's judgements and assumptions for estimating future cash flows. We performed a sensitivity analysis on certain key assumptions for projected revenues and related cash flows.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of other receivables in relation to films and TV programs	
As at 31 July 2017, the Group had other receivables for films and TV programs of approximately HK$127,577,000 which were included in the Group's prepayments, deposits and other receivables. The Group assesses at the end of each reporting period whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors, 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 fully recovered. The identification of impairment of receivables requires the use of significant management's judgements and estimates. Related disclosures are included in notes 2.3, 3 and 20 to the financial statements.	We evaluated management's assessment in relation to the impairment of other receivables for films and TV programs including any impairment indicators of these receivables. Our assessment included reference, for significant debtors, to the ageing of the receivables, subsequent settlements, the past collection history and the current creditworthiness.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Kam Yee.

Ernst & Young
Certified Public Accountants

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

19 October 2017

CONSOLIDATED INCOME STATEMENT

Year ended 31 July 2017

	Notes	2017 HK$'000	2016 HK$'000
TURNOVER	5	562,913	520,443
Cost of sales		(461,797)	(365,534)
Gross profit		101,116	154,909
Other income	5	7,956	5,805
Marketing expenses		(104,423)	(73,724)
Administrative expenses		(125,773)	(139,061)
Other operating gains		4,865	8,495
Other operating expenses		(2,887)	(40,149)
LOSS FROM OPERATING ACTIVITIES		(119,146)	(83,725)
Finance costs	6	(24,338)	(22,255)
Share of profits and losses of joint ventures		(32,563)	6,349
Share of profit and loss of an associate		(1)	(24)
LOSS BEFORE TAX	7	(176,048)	(99,655)
Income tax expense	9	(2,413)	(2,582)
LOSS FOR THE YEAR		(178,461)	(102,237)
Attributable to:			
Owners of the Company		(169,955)	(95,546)
Non-controlling interests		(8,506)	(6,691)
		(178,461)	(102,237)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	11		
Basic and diluted (HK cents)		(7.96)	(4.48)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 July 2017

	Note	**2017** **HK$'000**	2016 HK$'000
LOSS FOR THE YEAR		**(178,461)**	(102,237)
OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS			
Exchange differences on translation of foreign operations		**(4,579)**	(5,382)
Release of foreign currency translation reserve upon disposal of a subsidiary	31	**–**	91
OTHER COMPREHENSIVE LOSS TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX		**(4,579)**	(5,291)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(183,040)**	(107,528)
Attributable to:			
Owners of the Company		**(174,496)**	(100,773)
Non-controlling interests		**(8,544)**	(6,755)
		(183,040)	(107,528)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 July 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**8,462**	10,462
Film and TV program products	14	**85,221**	83,721
Film rights	15	**2,170**	1,389
Investments in joint ventures	16	**12,953**	47,788
Investment in an associate	17	**19,343**	19,350
Prepayments, deposits and other receivables	20	**42,032**	24,902
Total non-current assets		**170,181**	187,612
CURRENT ASSETS			
Films and TV programs under production	18	**463,155**	450,913
Trade receivables	19	**26,581**	78,522
Prepayments, deposits and other receivables	20	**212,376**	265,203
Cash and cash equivalents	21	**402,451**	449,973
Total current assets		**1,104,563**	1,244,611
CURRENT LIABILITIES			
Trade payables	22	**597**	2,926
Accruals and other payables	23	**286,589**	235,723
Deposits received		**76,380**	125,617
Convertible notes	24	**274,163**	—
Tax payable		**9,399**	7,583
Total current liabilities		**647,128**	371,849
NET CURRENT ASSETS		**457,435**	872,762
TOTAL ASSETS LESS CURRENT LIABILITIES		**627,616**	1,060,374
NON-CURRENT LIABILITIES			
Convertible notes	24	**—**	249,825
Net assets		**627,616**	810,549

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 July 2017

	Notes	2017 HK$'000	2016 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	26	21,361	21,361
Reserves	28	616,948	791,444
		638,309	812,805
Non-controlling interests		(10,693)	(2,256)
Total equity		627,616	810,549

Lam Kin Ngok, Peter
Director

Lui Siu Tsuen, Richard
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 July 2017

	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
		Attributable to owners of the Company								
At 1 August 2015		20,924	614,032	95,191	76,296	1,137	90,774	898,354	(3,538)	894,816
Loss for the year		–	–	–	–	–	(95,546)	(95,546)	(6,691)	(102,237)
Other comprehensive income/(loss) for the year:										
Exchange differences on translation of foreign operations		–	–	–	–	(5,318)	–	(5,318)	(64)	(5,382)
Release of foreign currency translation reserve upon disposal of a subsidiary	31	–	–	–	–	91	–	91	–	91
Total comprehensive loss for the year		–	–	–	–	(5,227)	(95,546)	(100,773)	(6,755)	(107,528)
Partial conversion of the Specific Mandate Convertible Notes	24(ii)	437	19,629	–	(4,842)	–	–	15,224	–	15,224
Deemed acquisition of a subsidiary	37	–	–	–	–	–	–	–	3,746	3,746
Capital contributions from non-controlling shareholders		–	–	–	–	–	–	–	4,291	4,291
At 31 July 2016 and 1 August 2016		**21,361**	**633,661#**	**95,191#**	**71,454#**	**(4,090)#**	**(4,772)#**	**812,805**	**(2,256)**	**810,549**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**(169,955)**	**(169,955)**	**(8,506)**	**(178,461)**
Other comprehensive loss for the year:										
Exchange differences on translation of foreign operations		**–**	**–**	**–**	**–**	**(4,541)**	**–**	**(4,541)**	**(38)**	**(4,579)**
Total comprehensive loss for the year		**–**	**–**	**–**	**–**	**(4,541)**	**(169,955)**	**(174,496)**	**(8,544)**	**(183,040)**
Deemed acquisition of additional interest in a subsidiary	37	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,760)**	**(3,760)**
Capital contributions from non-controlling shareholders		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,867**	**3,867**
At 31 July 2017		**21,361**	**633,661#**	**95,191#**	**71,454#**	**(8,631)#**	**(174,727)#**	**638,309**	**(10,693)**	**627,616**

\# These reserve accounts comprise the consolidated reserves of HK$616,948,000 (2016: HK$791,444,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 July 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(176,048)**	(99,655)
Adjustments for:			
Finance costs	6	**24,338**	22,255
Share of profits and losses of joint ventures		**32,563**	(6,349)
Share of profit and loss of an associate		**1**	24
Interest income	5	**(1,756)**	(2,149)
Loss on disposal of a subsidiary	7	**—**	91
Loss/(gain) on disposal of items of property, plant and equipment	7	**(10)**	5
Write-off of items of property, plant and equipment	7	**25**	—
Gain on dissolution of a joint venture	7	**—**	(355)
Depreciation	7	**4,300**	3,970
Amortisation of film and TV program products	7	**223,569**	128,270
Amortisation of film rights	7	**1,350**	4,079
Impairment of film rights	7	**599**	—
Impairment of films and TV programs under production	7	**82,754**	3,042
Impairment of trade receivables	7	**5**	7,450
Impairment of advances and other receivables	7	**2,857**	6,501
Reversal of impairment of advances and other receivables	7	**(1,966)**	(751)
Foreign exchange differences, net	7	**(305)**	23,682
		192,276	90,110
Additions of films and TV programs under production	18	**(318,546)**	(384,943)
Additions of film and TV program products	14	**(1,148)**	(524)
Additions of film rights	15	**(2,730)**	(4,506)
Decrease/(increase) in trade receivables		**51,936**	(57,171)
Decrease in prepayments, deposits and other receivables		**34,806**	80,678
Increase/(decrease) in trade payables		**(2,329)**	1,245
Increase/(decrease) in accruals and other payables		**50,866**	(46,467)
Increase/(decrease) in deposits received		**(49,237)**	59,340
Cash used in operations		**(44,106)**	(262,238)
Hong Kong taxes paid		**—**	(4,664)
Overseas taxes paid		**(597)**	(1,452)
Net cash flows used in operating activities		**(44,703)**	(268,354)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 July 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Deemed acquisition of a subsidiary	37	–	11,363
Disposal of a subsidiary	31	–	(3,516)
Proceeds from dissolution of a joint venture	16	–	4,257
Interest received		**1,756**	2,149
Deemed acquisition of additional interest in a subsidiary	37	**(3,760)**	–
Proceeds on disposal of items of property, plant and equipment		**10**	–
Purchases of items of property, plant and equipment	12	**(2,334)**	(4,324)
Dividend received from a joint venture	16	–	800
Repayment from joint ventures		**1,440**	2,466
Repayment from an associate		**6**	6
Net cash flows from/(used in) investing activities		**(2,882)**	13,201
CASH FLOW FROM A FINANCING ACTIVITY			
Capital contributions from non-controlling shareholders and net cash flow from a financing activity		**3,867**	4,291
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(43,718)**	(250,862)
Cash and cash equivalents at beginning of year		**449,973**	722,002
Effect of foreign exchange rate changes		**(3,804)**	(21,167)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**402,451**	449,973
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**300,433**	391,907
Time deposits with original maturity of less than three months when acquired and readily convertible into known amounts of cash	21	**102,018**	58,066
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**402,451**	449,973

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 36 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 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

The 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.

2. BASIS OF PREPARATION *(continued)*

Basis of consolidation (continued)

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to HKAS 40	*Transfers of Investment Property*[2]
Amendments to HKFRS 12 included in *Annual Improvements 2014-2016 Cycle*	*Disclosure of Interests in Other Entities*[1]
Amendments to HKFRS 1 included in *Annual Improvements 2014-2016 Cycle*	*First-time Adoption of Hong Kong Financial Reporting Standards*[2]
Amendments to HKAS 28 included in *Annual Improvements 2014-2016 Cycle*	*Investments in Associates and Joint Ventures*[2]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[2]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[3]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but is available for adoption

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 financial performance and financial position.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill (continued)

If the business combination is achieved in stages, the previously held equity interest is remeasured to fair value at its acquisition date and any resulting gain or loss is recognised in the income statement.

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 is measured at fair value with changes in fair value recognised in the income statement. 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 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 period 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.

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation (continued)

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

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

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

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 any impairment losses. Film rights, less accumulated impairment losses, are amortised based on the proportion of actual revenues earned during the year to total estimated projected revenues. Additional amortisation/impairment loss is made if future estimated projected revenues are adversely different from the previous estimation. Estimated projected revenues and related cash flows are reviewed at least at the end of each reporting period.

Film and TV program products are stated at cost less estimated residual value, accumulated amortisation and any impairment losses and are amortised based on the proportion of actual revenues earned during the year to total estimated projected revenues. Cost of film and TV program products, accounted for on a project-by-project basis, includes production costs, costs of services, direct labour costs, facilities and raw materials consumed in the creation of a film or TV program.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Films and TV programs under production include production costs, costs of services, direct labour costs, facilities and raw materials consumed in the creation of films or TV programs. Upon completion and release, 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 estimates used to determine the recoverable amount and the carrying amount exceeds the recoverable amount.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, and loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

Subsequent measurement

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

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.

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 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets (continued)

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 using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

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

Derecognition of financial assets

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets (continued)

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.

Subsequent measurement

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

Loans and borrowings

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

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

Convertible notes

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

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

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

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

(c) 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;

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

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

(i) 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest, because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits (continued)

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 grants

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

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional 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 translation 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).

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies (continued)

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.

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 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax (continued)

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

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

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

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

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 rules and regulations of the People’s Republic of China (the “PRC”).

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (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; and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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 and TV program products and films and TV programs under production*

Films and TV programs under production are accounted for on a project-by-project basis and are stated at cost less any impairment losses. Film and TV program products are stated at cost less estimated residual value, accumulated amortisation and any impairment losses and are amortised based on the proportion of actual revenues earned during the year to total estimated projected revenues. Additional amortisation/impairment is made if estimated projected revenues are adversely 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 films and TV programs, anticipated performance in the home entertainment, television and other ancillary markets, and/or 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 the estimated projected revenues and related cash flows at least at the end of each reporting period. Such change in revenue estimations may result in a change in the rate of amortisation and/or impairment of the carrying amounts of the assets to their recoverable amounts. This could have a significant impact on the Group's financial performance. The carrying amount of film and TV program products and films and TV programs under production are disclosed in notes 14 and 18 to the financial statements, respectively.

(b) *Impairment of receivables*

The Group assesses at the end of each reporting period whether there is any objective evidence that a loan/receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors, 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 receivables and impairment of receivables in the year in which such estimate has been changed. The carrying amounts of receivables are disclosed in notes 19 and 20 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, album sales and distribution and licence 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 resource 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 (2016: Nil).

Segment revenue/results:

	Media and entertainment		Film and TV program		Corporate		Consolidated	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Sales to external customers	**244,585**	300,652	**318,328**	219,791	**–**	–	**562,913**	520,443
Other income	**5,338**	3,004	**2,530**	1,169	**88**	1,632	**7,956**	5,805
Segment profit/(loss)	**26,822**	21,063	**(127,176)**	(82,412)	**(18,792)**	(22,640)	**(119,146)**	(83,989)
Loss on disposal of a subsidiary	**–**	(91)	**–**	–	**–**	–	**–**	(91)
Gain on dissolution of a joint venture	**–**	355	**–**	–	**–**	–	**–**	355
Finance costs							**(24,338)**	(22,255)
Share of profits and losses of joint ventures	**(5,768)**	2,737	**(26,795)**	3,612	**–**	–	**(32,563)**	6,349
Share of profit and loss of an associate	**–**	–	**(1)**	(24)	**–**	–	**(1)**	(24)
Loss before tax							**(176,048)**	(99,655)

4. OPERATING SEGMENT INFORMATION *(continued)*

Segment assets/liabilities:

	Media and entertainment		Film and TV program		Corporate		Consolidated	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Segment assets	**193,145**	298,846	**977,251**	989,024	**72,052**	77,215	**1,242,448**	1,365,085
Investments in joint ventures	**12,807**	20,547	**146**	27,241	**–**	–	**12,953**	47,788
Investment in an associate	**–**	–	**19,343**	19,350	**–**	–	**19,343**	19,350
Total assets							**1,274,744**	1,432,223
Segment liabilities	**109,270**	136,907	**251,426**	224,721	**2,870**	2,638	**363,566**	364,266
Unallocated liabilities							**283,562**	257,408
Total liabilities							**647,128**	621,674
Other segment information:								
Depreciation	**1,225**	825	**737**	439	**2,338**	2,706	**4,300**	3,970
Amortisation of film and TV program products	**–**	–	**223,569**	128,270	**–**	–	**223,569**	128,270
Amortisation of film rights	**–**	–	**1,350**	4,079	**–**	–	**1,350**	4,079
Write-off of items of property, plant and equipment	**–**	–	**–**	–	**25**	–	**25**	–
Impairment of film rights	**–**	–	**599**	–	**–**	–	**599**	–
Impairment of films and TV programs under production	**–**	–	**82,754**	3,042	**–**	–	**82,754**	3,042
Loss/(gain) on disposal of items of property, plant and equipment	**–**	–	**–**	5	**(10)**	–	**(10)**	5
Impairment of trade receivables	**5**	7,450	**–**	–	**–**	–	**5**	7,450
Impairment of advances and other receivables	**198**	558	**2,659**	5,943	**–**	–	**2,857**	6,501
Reversal of impairment of advances and other receivables	**(23)**	(751)	**(1,943)**	–	**–**	–	**(1,966)**	(751)
Additions of property, plant and equipment	**83**	3,783	**1,599**	66	**652**	475	**2,334**	4,324
Additions of film rights	**–**	–	**2,730**	4,506	**–**	–	**2,730**	4,506
Additions of film and TV program products	**–**	–	**1,148**	524	**–**	–	**1,148**	524
Additions of films and TV programs under production	**–**	–	**318,546**	384,943	**–**	–	**318,546**	384,943

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

	Hong Kong		Mainland China		Macau		Others		Consolidated	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Revenue:										
Sales to external customers	**198,502**	118,381	**301,762**	328,867	**24,811**	31,322	**37,838**	41,873	**562,913**	520,443
Assets:										
Segment assets										
– non-current assets	**143,755**	89,361	**25,608**	96,399	**–**	–	**818**	1,852	**170,181**	187,612
– current assets	**695,709**	962,098	**392,738**	271,184	**1,364**	1,212	**14,752**	10,117	**1,104,563**	1,244,611
Total assets									**1,274,744**	1,432,223
Other information:										
Additions of property, plant and equipment	**697**	525	**1,637**	2,780	**–**	–	**–**	1,019	**2,334**	4,324
Additions of film rights	**2,730**	4,506	**–**	–	**–**	–	**–**	–	**2,730**	4,506
Additions of film and TV program products	**1,007**	524	**141**	–	**–**	–	**–**	–	**1,148**	524
Additions of films and TV programs under production	**191,580**	368,433	**126,966**	16,510	**–**	–	**–**	–	**318,546**	384,943

Information about major customers

Revenue from two (2016: two) customers, each of whom accounted for revenue exceeding 10% of the Group's total revenues, amounted to approximately HK$127,009,000 for the year ended 31 July 2017 (2016: HK$167,700,000).

5. TURNOVER AND OTHER INCOME

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

	2017 HK$'000	2016 HK$'000
Turnover		
Entertainment event income	173,082	236,375
Album sales, licence income and distribution commission income from music publishing and licensing	46,401	44,269
Artiste management fee income	25,102	20,008
Distribution commission income and licence fee income from film and TV program products and film rights	318,328	219,791
	562,913	520,443
Other income		
Interest income	1,756	2,149
Government grants *	979	596
Commission and handling fee income of entertainment events	5,221	3,060
	7,956	5,805

* 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:

	2017 HK$'000	2016 HK$'000
Interest on:		
— TFN Convertible Notes (note 24(i))	10,561	9,640
— Specific Mandate Convertible Notes (note 24(ii))	13,777	12,615
	24,338	22,255

7. LOSS BEFORE TAX

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

	Notes	2017 HK$'000	2016 HK$'000
Cost of film and TV program products, film rights and licence rights		**311,520**	153,071
Cost of artiste management services and services for entertainment events provided		**150,166**	212,357
Cost of inventories sold		**111**	106
Total cost of sales		**461,797**	365,534
Depreciation	12	**4,300**	3,970
Amortisation of film and TV program products #	14	**223,569**	128,270
Amortisation of film rights #	15	**1,350**	4,079
Minimum lease payments under operating leases in respect of land and buildings incurred for:			
Entertainment events #		**5,159**	5,121
Others		**14,027**	12,294
Contingent rents incurred for entertainment events #		**17,742**	2,996
Total operating lease payments		**36,928**	20,411
Auditor's remuneration		**2,146**	2,146
Employee benefit expense (including directors' emoluments (note 8)):			
Salaries, wages, bonuses and allowances		**94,053**	87,986
Pension scheme contributions		**4,652**	4,518
		98,705	92,504
Less: Capitalised in films and TV programs under production	18	**(31,939)**	(1,349)
		66,766	91,155

7. LOSS BEFORE TAX *(continued)*

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

	Notes	2017 HK$'000	2016 HK$'000
Loss ##/(gain) * on disposal of items of property, plant and equipment	12	**(10)**	5
Write-off of items of property, plant and equipment ##	12	**25**	—
Impairment of film rights #	15	**599**	—
Impairment of films and TV programs under production #	18	**82,754**	3,042
Impairment of trade receivables ##	19	**5**	7,450
Impairment of advances and other receivables ##	20	**2,857**	6,501
Reversal of impairment of advances and other receivables *	20	**(1,966)**	(751)
Loss on disposal of a subsidiary ##	31	**—**	91
Gain on dissolution of a joint venture *	16	**—**	(355)
Share of net income ##/(loss) * from entertainment events organised by the Group to co-investors		**(1,159)**	1,221
Share of net income from entertainment events organised by co-investors *		**(1,376)**	(7,037)
Foreign exchange losses ##/(gain) *, net		**(305)**	23,682

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

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

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

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) *Directors' emoluments*

Directors' emoluments for the year, disclosed pursuant to The Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "**GEM Listing Rules**") and section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

	2017 HK$'000	2016 HK$'000
Fees	810	814
Other emoluments:		
Salaries and allowances	4,513	3,844
Pension scheme contributions	33	31
	4,546	3,875
	5,356	4,689

	Fees HK$'000	Salaries and allowances HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Year ended 31 July 2017				
Executive Directors				
Lam Kin Ngok, Peter	120	–	–	120
Lui Siu Tsuen, Richard	120	–	–	120
Chan Chi Kwong	120	3,289	15	3,424
Yip Chai Tuck	–	1,224	18	1,242
	360	4,513	33	4,906
Independent Non-executive Directors				
Chan Chi Yuen	150	–	–	150
Zhang Xi	150	–	–	150
Ng Chi Ho, Dennis	150	–	–	150
	450	–	–	450
	810	4,513	33	5,356

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 2016				
Executive Directors				
Lam Kin Ngok, Peter	120	—	—	120
Lui Siu Tsuen, Richard	120	—	—	120
Chan Chi Kwong	120	2,699	13	2,832
Yip Chai Tuck	—	1,145	18	1,163
Yu Feng (note (i))	20	—	—	20
Choi Chiu Fai, Stanley (note (i))	20	—	—	20
	400	3,844	31	4,275
Independent Non-executive Directors				
Chan Chi Yuen	138	—	—	138
Zhang Xi	138	—	—	138
Ng Chi Ho, Dennis	138	—	—	138
	414	—	—	414
	814	3,844	31	4,689

Note:

(i) Resigned on 30 September 2015

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 (2016: one) director, details of whose emoluments are set out above. Details of the remuneration of the remaining four (2016: four) non-director, highest paid employees for the year are as follows:

	2017 **HK$'000**	2016 HK$'000
Salaries and allowances	**12,480**	13,957
Pension scheme contributions	**54**	54
	12,534	14,011

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

	Number of employees **2017**	2016
HK$2,500,001 to HK$3,000,000	**2**	2
HK$3,000,001 to HK$3,500,000	**1**	—
HK$3,500,001 to HK$4,000,000	**1**	1
HK$4,500,001 to HK$5,000,000	**—**	1
	4	4

9. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the 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.

	2017 HK$'000	2016 HK$'000
Provision for tax for the year		
Current — Hong Kong		
Charge for the year	**666**	210
Overprovision in prior years	**(15)**	(20)
Current — Elsewhere		
Charge for the year	**2,663**	2,396
Overprovision in prior years	**(901)**	(4)
Total tax expense for the year	**2,413**	2,582

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

	2017 HK$'000	2016 HK$'000
Loss before tax	**(176,048)**	(99,655)
Tax at the applicable tax rates	**(34,243)**	(19,686)
Adjustments in respect of current tax of previous years	**(916)**	(24)
Profits and losses attributable to joint ventures and an associate	**5,373**	(1,044)
Income not subject to tax	**(1,241)**	(4,897)
Expenses not deductible for tax	**6,975**	8,476
Utilisation of tax losses previously not recognised	**(5,403)**	(420)
Estimated tax losses not recognised	**23,893**	15,836
Others	**7,975**	4,341
Tax charge at the Group's effective rate	**2,413**	2,582

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 2017 (2016: Nil).

11. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to owners of the Company of approximately HK$169,955,000 (2016: HK$95,546,000) and the weighted average number of ordinary shares of approximately 2,136,056,000 (2016: approximately 2,133,671,000) in issue during the year.

No adjustment had been made to the basic loss per share amounts presented for the years ended 31 July 2017 and 2016 in respect of a dilution as the impact of the TFN Convertible Notes and the Specific Mandate Convertible Notes outstanding during the years had an anti-dilutive effect on the basic loss per share amounts presented.

12. PROPERTY, PLANT AND EQUIPMENT

	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 2015	12,081	2,262	1,100	2,114	17,557
Additions	2,869	933	–	522	4,324
Disposal	–	–	–	(19)	(19)
Disposal of a subsidiary	–	–	–	(21)	(21)
Exchange realignment	(44)	(31)	–	(48)	(123)
At 31 July 2016 and 1 August 2016	14,906	3,164	1,100	2,548	21,718
Additions	1,334	32	–	968	2,334
Disposal	–	–	(514)	(17)	(531)
Write-off	(44)	–	–	–	(44)
Exchange realignment	11	2	–	15	28
At 31 July 2017	16,207	3,198	586	3,514	23,505
Accumulated depreciation:					
At 1 August 2015	3,849	1,121	946	1,505	7,421
Charge for the year	2,870	490	154	456	3,970
Disposal	–	–	–	(14)	(14)
Disposal of a subsidiary	–	–	–	(16)	(16)
Exchange realignment	(42)	(24)	–	(39)	(105)
At 31 July 2016 and 1 August 2016	6,677	1,587	1,100	1,892	11,256
Charge for the year	3,227	565	–	508	4,300
Disposal	–	–	(514)	(17)	(531)
Write-off	(19)	–	–	–	(19)
Exchange realignment	21	7	–	9	37
At 31 July 2017	9,906	2,159	586	2,392	15,043
Net carrying amount:					
At 31 July 2017	6,301	1,039	–	1,122	8,462
At 31 July 2016	8,229	1,577	–	656	10,462

13. GOODWILL

	HK$'000
Cost:	
At 1 August 2015, 31 July 2016, 1 August 2016 and 31 July 2017	3,477
Accumulated impairment:	
At 1 August 2015, 31 July 2016, 1 August 2016 and 31 July 2017	3,477
Net carrying amount:	
At 31 July 2017	–
At 31 July 2016	–

14. FILM AND TV PROGRAM PRODUCTS

	Total HK$'000
Cost:	
At 1 August 2015	394,407
Additions	524
Transfer from films and TV programs under production (note 18)	172,735
Exchange realignment	(3,903)
At 31 July 2016 and 1 August 2016	563,763
Additions	1,148
Transfer from films and TV programs under production (note 18)	225,315
Exchange realignment	(707)
At 31 July 2017	789,519
Accumulated amortisation and impairment:	
At 1 August 2015	353,498
Provided during the year	128,270
Exchange realignment	(1,726)
At 31 July 2016 and 1 August 2016	480,042
Provided during the year	223,569
Exchange realignment	687
At 31 July 2017	704,298
Net carrying amount:	
At 31 July 2017	85,221
At 31 July 2016	83,721

14. FILM AND TV PROGRAM PRODUCTS *(continued)*

In light of the circumstances of the film and TV industry, the Group regularly reviewed its film and TV program products to assess the marketability/future economic benefits of film and TV program products and the corresponding recoverable amounts. The estimated recoverable amount as at 31 July 2017 was determined based on the present value of expected future revenue and related cash flows 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 15% (2016: 15%).

15. FILM RIGHTS

	HK$'000
Cost:	
At 1 August 2015	27,433
Additions	4,506
Disposal	(2)
At 31 July 2016 and 1 August 2016	31,937
Additions	2,730
Write-off	(1,293)
At 31 July 2017	33,374
Accumulated amortisation and impairment:	
At 1 August 2015	26,471
Provided during the year	4,079
Disposal	(2)
At 31 July 2016 and 1 August 2016	30,548
Provided during the year	1,350
Impairment	599
Write-off	(1,293)
At 31 July 2017	31,204
Net carrying amount:	
At 31 July 2017	2,170
At 31 July 2016	1,389

16. INVESTMENTS IN JOINT VENTURES

	2017 HK$'000	2016 HK$'000
Share of net assets	**(17,760)**	15,635
Due from joint ventures	**30,713**	32,153
	12,953	47,788

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, except for an amount of HK$11,593,000 (2016: HK$11,708,000) due from a joint venture with interest bearing at The People's Bank of China Benchmark Loan Interest.

During the year ended 31 July 2016, 寰亞通盈信息諮詢(北京)有限公司, a joint venture of the Group, was dissolved. HK$4,257,000 in cash was refunded to the Group and a gain of dissolution of HK$355,000 (note 7) was recognised in income statement during the year ended 31 July 2016.

Details of the joint ventures are disclosed in note 37 to the financial statements.

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

上影寰亞

上影寰亞文化發展(上海)有限公司("上影寰亞"), which is considered 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:

	2017 HK$'000	2016 HK$'000
Cash and cash equivalents	**10,077**	35,130
Other current assets	**24,417**	45,111
Current assets	**34,494**	80,241
Non-current assets	**305**	5,303
Current liabilities	**(34,096)**	(30,647)
Non-current liabilities	**(37,990)**	(36,962)
Net assets/(liabilities)	**(37,287)**	17,935

16. INVESTMENTS IN JOINT VENTURES *(continued)*

上影寰亞 (continued)

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

	2017 HK$'000	2016 HK$'000
Proportion of the Group's ownership	50%	50%
The Group's share of net assets/(liabilities) of 上影寰亞	(18,643)	8,968
Amount due from 上影寰亞	18,789	18,273
The carrying amount of the Group's investments in the joint venture	146	27,241
Revenue	14,395	36,764
Cost of sales (including amortisation expense of HK$60,564,000 (2016: HK$13,789,000))	(60,564)	(13,789)
Other revenue (including interest income of HK$296,000 (2016: HK$905,000))	337	937
Expenses (including interest expense of HK$1,372,000 (2016: HK$1,446,000))	(9,195)	(12,606)
Income tax credit/(expense)	1,438	(4,082)
Profit/(loss) for the year	(53,589)	7,224
Other comprehensive loss for the year	(1,633)	(1,272)
Total comprehensive income/(loss) for the year	(55,222)	5,952
The Group's share of total comprehensive income/(loss) for the year	(27,611)	2,976

16. INVESTMENTS IN JOINT VENTURES *(continued)*

Player One

Player One Limited (formerly known as Playerone Entertainment Limited) and its subsidiary ("Player One"), which is considered a material joint venture of the Group, acts as the Group's key joint venture in event management in Hong Kong and is accounted for using the equity method.

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

	2017 HK$'000	2016 HK$'000
Cash and cash equivalents	15,615	7,186
Other current assets	1,570	2,320
Current assets	17,185	9,506
Non-current assets	594	—
Current liabilities	(9,414)	(6,054)
Non-current liabilities	(22,000)	(6,000)
Net liabilities	(13,635)	(2,548)
Proportion of the Group's ownership	50%	50%
The Group's share of net liabilities of Player One	(6,818)	(1,274)
Amount due from Player One	11,000	3,054
The carrying amount of the Group's investments in the joint venture	4,182	1,780
Revenue	35,871	2,046
Cost of sales	(59,725)	(2,131)
Other revenue	8,461	14
Expenses	(7,031)	(476)
Other operating gain	11,337	—
Loss and total comprehensive loss for the year	(11,087)	(547)
The Group's share of total comprehensive loss for the year	(5,544)	(274)

16. 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:

	2017 HK$'000	2016 HK$'000
Cash and cash equivalents	**23,382**	36,748
Other current assets	**13,283**	6,176
Current assets	**36,665**	42,924
Non-current assets	**257**	398
Current liabilities	**(27,956)**	(22,832)
Non-current liabilities	**–**	(10,000)
Net assets	**8,966**	10,490
Proportion of the Group's ownership	**50%**	50%
The Group's share of net assets of SQ	**4,483**	5,245
Amount due from SQ	**95**	10,000
The carrying amount of the Group's investments in the joint venture	**4,578**	15,245
Revenue	**3,737**	11,394
Cost of sales	**(491)**	(40)
Other revenue	**106**	215
Expenses	**(4,667)**	(4,643)
Income tax expense	**(209)**	(1,063)
Profit/(loss) and total comprehensive income/(loss) for the year	**(1,524)**	5,863
The Group's share of total comprehensive income/(loss) for the year	**(762)**	2,932

16. INVESTMENTS IN JOINT VENTURES *(continued)*

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

	2017 HK$'000	2016 HK$'000
The Group's share of profit for the year	538	79
The Group's share of other comprehensive loss for the year	(16)	(548)
The Group's share of total comprehensive profit/(loss) for the year	522	(469)
Dividend received	—	800
The Group's share of net assets of joint ventures	3,218	2,696
Amounts due from joint ventures	829	826
The carrying amounts of the Group's investments in the joint ventures	4,047	3,522

17. INVESTMENT IN AN ASSOCIATE

	2017 HK$'000	2016 HK$'000
Share of net liabilities	(80)	(79)
Due from an associate	19,423	19,429
	19,343	19,350

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 38 to the financial statements.

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

	2017 HK$'000	2016 HK$'000
Current assets	77,313	77,323
Non-current financial liabilities	(77,636)	(77,641)
Net liabilities	(323)	(318)

17. INVESTMENT IN AN ASSOCIATE *(continued)*

Reconciliation to the Group's investments in the associate:

	2017 HK$'000	2016 HK$'000
Proportion of the Group's ownership	25%	25%
The Group's share of net liabilities of the associate	(80)	(79)
Amount due from the associate	19,423	19,429
The carrying amounts of the Group's investments in an associate	19,343	19,350
Revenue	—	—
Loss and total comprehensive loss for the year	(5)	(95)
The Group's share of total comprehensive loss for the year	(1)	(24)

18. FILMS AND TV PROGRAMS UNDER PRODUCTION

	2017 HK$'000	2016 HK$'000
At beginning of the reporting period	450,913	246,265
Additions (including capitalisation of employee benefit expense of HK$31,939,000 (2016: HK$1,349,000) (note 7))	318,546	384,943
Transfer to film and TV program products (note 14)	(225,315)	(172,735)
Impairment#	(82,754)	(3,042)
Exchange realignment	1,765	(4,518)
At end of the reporting period	463,155	450,913

The impairment of films and TV programs under production was made based on the management's estimation of recoverable amount against the carrying amount.

19. TRADE RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	34,059	86,006
Impairment	(7,478)	(7,484)
	26,581	78,522

19. TRADE RECEIVABLES *(continued)*

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:

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**8,107**	17,269
1 to 90 days past due	**11,145**	57,607
Over 90 days past due	**7,329**	3,646
	26,581	78,522

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

	2017 HK$'000	2016 HK$'000
At beginning of the reporting period	**7,484**	55
Impairment loss recognised	**5**	7,450
Write-off	**(11)**	(21)
At end of the reporting period	**7,478**	7,484

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade debtors of HK$7,478,000 (2016: HK$7,484,000) with a gross carrying amount before provision of HK$7,478,000 (2016: HK$7,484,000). 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.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2017 HK$'000	2016 HK$'000
Prepayments, deposits and advances for artiste management, music production, film and TV program production	(i)	**253,084**	307,947
Prepayments, deposits and other receivables		**31,166**	15,109
	(ii)	**284,250**	323,056
Impairment	(iii)	**(29,842)**	(32,951)
		254,408	290,105
Portion classified as current portion		**(212,376)**	(265,203)
Non-current portion		**42,032**	24,902

(i) Included in prepayments, deposits and other receivables as at 31 July 2017 are other receivables of HK$127,577,000 (2016: HK$170,102,000) for films and TV programs.

(ii) Included in prepayments, deposits and other receivables as at 31 July 2017 are advances of HK$7,535,000 (2016: HK$24,720,000) due from film owners for the Group's investment in film projects. The advances are unsecured, repayable within the next twelve months and with a fixed guarantee return of 16.5% (2016: 16.5%).

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

	2017 HK$'000	2016 HK$'000
At beginning of the reporting period	**32,951**	27,201
Impairment loss recognised	**2,857**	6,501
Impairment loss reversed	**(1,966)**	(751)
Write-off	**(4,000)**	—
At end of the reporting period	**29,842**	32,951

Included in the above provision for advances and other receivables is a provision for individually impaired receivables of HK$29,842,000 (2016: HK$32,951,000) with a gross carrying amount of HK$29,902,000 (2016: HK$33,283,000). The individually impaired advances and receivables related to the portions of advances and receivables that were not expected to be recovered.

21. CASH AND CASH EQUIVALENTS

	2017 HK$'000	2016 HK$'000
Cash and bank balances	**300,433**	391,907
Time deposits	**102,018**	58,066
Cash and cash equivalents	**402,451**	449,973

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to HK$266,876,000 (2016: HK$188,576,000). 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 mainly made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. Bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

22. TRADE PAYABLES

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

	2017 HK$'000	2016 HK$'000
Less than 30 days	**518**	2,900
31 to 60 days	**79**	12
61 to 90 days	**—**	14
	597	2,926

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

23. ACCRUALS AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Accruals and other payables	**286,589**	235,723

Included in accruals and other payable as at 31 July 2017, the amount due to a joint venture of HK$17,971,000 (2016: Nil) is unsecured, interest-free and has no fixed terms of repayment.

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

24. CONVERTIBLE NOTES

	Notes	2017 HK$'000	2016 HK$'000
TFN Convertible Notes	(i)	**121,151**	110,590
Specific Mandate Convertible Notes	(ii)	**153,012**	139,235
		274,163	249,825

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 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 holder 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 Holdings Limited, Fubon Financial Holding Venture Capital Corp., Kbro Media Co., Ltd., and MOMO.COM Inc. (collectively the "Subscribers") on 17 April 2015, 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$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.

24. CONVERTIBLE NOTES *(continued)*

(i) 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 on the basis of one offer share for every two existing shares at the subscription price of HK$0.30 per offer share (further details were disclosed in the Company's announcement dated 17 April 2015 and the prospectus of the Company dated 8 May 2015) (the "**Open Offer**"), 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 2017, 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 (the "**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.

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

24. CONVERTIBLE NOTES *(continued)*

(i) TFN Convertible Notes (continued)

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 2015	100,950	30,951	131,901
Interest charged during the year	9,640	—	9,640
At 31 July 2016 and 1 August 2016	110,590	30,951	141,541
Interest charged during the year	10,561	—	10,561
At 31 July 2017	121,151	30,951	152,102

(ii) Specific Mandate Convertible Notes

The Specific Mandate Convertible Notes were issued to the 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.

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

24. CONVERTIBLE NOTES *(continued)*

(ii) Specific Mandate Convertible Notes (continued)

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 2015	141,844	45,345	187,189
Partial conversion of convertible notes (note 26(a))	(15,224)	(4,842)	(20,066)
Interest charged during the year	12,615	—	12,615
At 31 July 2016 and 1 August 2016	139,235	40,503	179,738
Interest charged during the year	13,777	—	13,777
At 31 July 2017	153,012	40,503	193,515

Interest charged for the TFN Convertible Notes and the Specific Mandate Convertible Notes were calculated by applying effective interest rates of 9.5% (2016: 9.5%) per annum and 9.9% (2016: 9.9%) per annum, respectively, to the respective liability components.

25. DEFERRED TAX

The Group has tax losses arising in Hong Kong of approximately HK$298,305,000 (2016: HK$209,599,000) 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$54,422,000 (2016: HK$45,338,000) that will expire in one to five years for offsetting against future taxable profits.

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

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

At 31 July 2017, 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$2,764,000 (2016: HK$5,223,000) at 31 July 2017.

26. SHARE CAPITAL

	2017		2016	
	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	**2,136,056**	**21,361**	2,136,056	21,361

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

		2017		2016	
	Note	**Number of shares '000**	**Nominal value HK$'000**	Number of shares '000	Nominal value HK$'000
At beginning of the reporting period		**2,136,056**	**21,361**	2,092,388	20,924
Partial conversion of the Specific Mandate Convertible Notes	(a)	**–**	**–**	43,668	437
At end of the reporting period		**2,136,056**	**21,361**	2,136,056	21,361

Note:

(a) 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. Upon conversion, the liability component of approximately HK$15,224,000 and the equity component of approximately HK$4,842,000 of the Specific Mandate Convertible Notes were transferred and recognised as share capital of approximately HK$437,000 and share premium of approximately HK$19,629,000.

Share options

Details of the Company's share option scheme and the share options granted under the scheme are included in note 27 to the financial statements.

27. SHARE OPTION SCHEME

New Share Option Scheme

On 18 December 2012, the Company adopted a new share option scheme (the "New Share Option Scheme") which will remain in force for 10 years 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.

27. SHARE OPTION SCHEME *(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 2017 and 31 July 2016.

28. 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.

29. COMMITMENTS

Operating lease commitments

At 31 July 2017, 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 (2016: from one year to five years).

At 31 July 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 **HK$'000**	2016 HK$'000
Within one year	**5,864**	5,336
Within two to five years	**1,522**	1,283
	7,386	6,619

30. RELATED PARTY TRANSACTIONS

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

	Notes	2017 HK$'000	2016 HK$'000
Fellow subsidiaries:			
Rental expenses and building management fee	(i)	**924**	1,034
Artiste fee	(iii)	**295**	582
Film distribution commission income	(iv)	**3,905**	1,141
Film distribution fee	(v)	**459**	769
Promotion and advertising fee	(v)	**29**	55
Share of net income by the Group on concerts organised by fellow subsidiaries	(vi)	**–**	195
Sharing of corporate salaries on a cost basis allocated from		**8,291**	7,472
Sharing of administrative expenses on a cost basis allocated from		**1,052**	1,768
Sharing of corporate salaries on a cost basis allocated to		**12,927**	16,036
Sharing of administrative expenses on a cost basis allocated to		**2,221**	3,095
Disposal of a subsidiary	(vii)	**–**	2,833
Related companies:			
Rental expenses and building management fee*	(i)	**3,674**	3,238
Production fee#	(ii)	**2,290**	3,550
Interest income#	(ii)	**683**	715

* Lai Sun Development Company Limited ("LSD"), a major shareholder of eSun, and its subsidiaries.

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

Notes:

(i) The related companies are LSD and its subsidiaries. eSun, an associate of LSD, is the ultimate holding company of the Company. The Company is therefore also an associate of LSD. The rental expenses and building management fee were charged with reference to market rates.

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

(iii) During the year ended 31 July 2017, the Group paid artiste fee of HK$295,000 (2016: HK$582,000) to fellow subsidiaries for engaging artistes in the Group's events.

30. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes: *(continued)*

(iv) During the year ended 31 July 2017, the Group received a contract sum of HK$26,031,000 (2016: HK$7,604,000), 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$3,905,000 (2016: HK$1,141,000). The balance of HK$22,126,000 (2016: HK$6,463,000) was paid to eSun which was designated as the representative of fellow subsidiaries. The film distribution commission is charged in accordance with contractual terms.

(v) During the year ended 31 July 2017, the Group paid film distribution fee of HK$459,000 (2016: HK$769,000) 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$1,285,000 (2016: HK$2,590,000). The Group also paid promotion and advertising fee of HK$29,000 (2016: HK$55,000) 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$1,773,000 (2016: HK$3,414,000).

(vi) During the year ended 31 July 2016, the Group invested in concerts organised by its fellow subsidiaries and paid HK$2,034,000 to these fellow subsidiaries. The Group shared net income of HK$195,000. The investment costs in concerts and sharing of concert results were made in accordance with contractual terms.

(vii) 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 or disposal.

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 2017, 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 commitments due within one year as at 31 July 2017 were HK$625,000 (2016: HK$673,000). As at 31 July 2016, the total operating lease commitments due within two to five years were approximately HK$34,000.

(ii) During the years ended 31 July 2017 and 2016, 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 as at 31 July 2017 were HK$421,000 (2016: HK$747,000). As at 31 July 2016, the total operating lease commitments due within two to five years were approximately HK$311,000.

30. RELATED PARTY TRANSACTIONS *(continued)*

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

	2017 HK$'000	2016 HK$'000
Short term employee benefits	**12,526**	13,390
Post-employment benefits	**51**	49
	12,577	13,439

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

31. DISPOSAL OF A SUBSIDIARY

For the year ended 31 July 2016

Disposal of 寰亞演藝

On 29 February 2016, the Company entered into a share transfer agreement with eSun to transfer the entire equity interest in 寰亞演藝經紀(上海)有限公司 ("寰亞演藝") at a consideration of approximately HK$2,833,000.

The net assets of 寰亞演藝 at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	5
Prepayments, deposits and other receivables	209
Cash and cash equivalents	6,349
Accruals and other payables	(3,730)
Net assets disposed of	2,833
Release of foreign currency translation reserve	(91)
Loss on disposal of a subsidiary	91
Cash consideration	2,833

An analysis of the cash flows in respect of the disposal of 寰亞演藝 is as follows:

Cash consideration	2,833
Cash and cash equivalents disposed of	(6,349)
Net cash outflow in respect of the disposal of a subsidiary during the year ended 31 July 2016	(3,516)

32. 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

	2017 Loans and receivables HK$'000	2016 Loans and receivables HK$'000
Trade receivables	**26,581**	78,522
Financial assets included in prepayments, deposits and other receivables	**140,365**	220,779
Cash and cash equivalents	**402,451**	449,973
Due from joint ventures	**30,713**	32,153
Due from an associate	**19,423**	19,429
	619,533	800,856

Financial liabilities

	2017 Financial liabilities at amortised cost HK$'000	2016 Financial liabilities at amortised cost HK$'000
Trade payables	**597**	2,926
Financial liabilities included in accruals and other payables	**243,970**	197,043
Convertible notes	**274,163**	249,825
	518,730	449,794

33. FAIR VALUE HIERARCHY

Liabilities for which fair values are disclosed:

	Carrying amounts		Fair values	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Financial liabilities				
Convertible notes	**274,163**	249,825	**274,242**	250,120

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 2017 were 9.5% (2016: 9.5%) and 9.8% (2016: 9.8%), respectively.

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 2017 and 2016.

The Group did not have any financial liabilities measured at fair value as at 31 July 2017 and 2016.

Liabilities for which fair values are disclosed:

As at 31 July 2017

	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	**–**	**–**	**274,242**	**274,242**

As at 31 July 2016

	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	–	–	250,120	250,120

34. 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/ (decrease) in equity**
	%	HK$'000
31 July 2017		
If Hong Kong dollar weakens against RMB	5	(626)
31 July 2016		
If Hong Kong dollar weakens against RMB	5	753

34. 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 loss before tax and the Group's equity.

	Increase in interest rate (in percentage)	Decrease in loss before tax HK$'000	Increase in equity HK$'000
31 July 2017			
Time deposits	0.5	510	510

	Increase in interest rate (in percentage)	Decrease in loss before tax HK$'000	Increase in equity HK$'000
31 July 2016			
Time deposits	0.5	290	290

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

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

Liquidity risk

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

	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 2017				
Trade payables	**597**	**—**	**—**	**597**
Financial liabilities included in accruals and other payables	**243,970**	**—**	**—**	**243,970**
Convertible notes	**296,840**	**—**	**—**	**296,840**
Total	**541,407**	**—**	**—**	**541,407**
31 July 2016				
Trade payables	2,926	—	—	2,926
Financial liabilities included in accruals and other payables	197,043	—	—	197,043
Convertible notes	—	296,840	—	296,840
Total	199,969	296,840	—	496,809

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 2017, the consolidated cash and cash equivalents amounted to HK$402,451,000 (2016: HK$449,973,000).

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 2017, 32.43% (2016: 33.74%) of the shares were in public hands.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**874,492**	1,044,302
CURRENT ASSETS		
Prepayments, deposits and other receivables	**4,681**	229
Cash and cash equivalents	**54,133**	58,011
Total current assets	**58,814**	58,240
CURRENT LIABILITIES		
Due to subsidiaries	**152,722**	160,938
Accruals and other payables	**1,014**	716
Convertible notes	**274,163**	—
Total current liabilities	**427,899**	161,654
NET CURRENT LIABILITIES	**(369,085)**	(103,414)
TOTAL ASSETS LESS CURRENT LIABILITIES	**505,407**	940,888
NON-CURRENT LIABILITIES		
Convertible notes	**—**	249,825
Net assets	**505,407**	691,063
EQUITY		
Issued capital	**21,361**	21,361
Reserves (note)	**484,046**	669,702
Total equity	**505,407**	691,063

35. 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 2015	614,032	95,191	76,296	(9,171)	776,348
Loss for the year and total comprehensive loss for the year	—	—	—	(121,433)	(121,433)
Partial conversion of the Specific Mandate Convertible Notes (note 24(ii))	19,629	—	(4,842)	—	14,787
At 31 July 2016 and 1 August 2016	**633,661**	**95,191**	**71,454**	**(130,604)**	**669,702**
Loss for the year and total comprehensive loss for the year	**—**	**—**	**—**	**(185,656)**	**(185,656)**
At 31 July 2017	**633,661**	**95,191**	**71,454**	**(316,260)**	**484,046**

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 24 to the financial statements.

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company 2017	2016	Principal activities
Champ Universe Limited	Hong Kong	HK$1	**100**	100	Provision of management services
China Film Media Asia Audio Video Distribution Co., Ltd. *	PRC/ Mainland China	RMB10,000,000#	**70**	70	Film distribution
Lam & Lamb Entertainment Limited	Hong Kong	HK$1	**100**	100	Provision of artiste management services
Media Asia Distribution (Beijing) Co., Ltd. Δ *	PRC/ Mainland China	RMB50,000,000	**100**	100	Film distribution
Media Asia Entertainment Limited	Hong Kong	HK$100	**100**	100	Entertainment activity production and film investment
Media Asia Film Distribution (HK) Limited	Hong Kong	HK$1	**100**	100	Film distribution and licensing of films
Media Asia Film International Limited	British Virgin Islands	US$100	**100**	100	Film investment and production
Media Asia Film Production Limited	Hong Kong	HK$100	**100**	100	Investment holding and film production
Media Asia Music Limited	Hong Kong	HK$1	**100**	100	Music production and distribution
Media Asia Music Publishing Limited	Hong Kong	HK$100	**100**	100	Music publishing
Media Asia Performance Agency (Macao) Limited *	Macau	MOP25,000	**100**	100	Entertainment activity production
Media Asia Talent Management Limited	Hong Kong	HK$1	**100**	100	Provision of artiste management services

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company 2017	2016	Principal activities
Media Asia TV Program Distribution Limited	Hong Kong	HK$1	**100**	100	Licensing of television drama
Media Asia TV Program Production (HK) Limited	Hong Kong	HK$1	**70**	70	TV program production
Upper Triumph Limited *	British Virgin Islands	US$1	**100**	100	Entertainment activity production
寰亞文化傳播(中國)有限公司 Δ *	PRC/ Mainland China	HK$38,000,000#	**100**	100	Entertainment activity production

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

Δ 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, 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.

As at 31 July 2017, the Group had unpaid capital contribution of approximately HK$127,598,000 (2016: HK$156,353,000) to subsidiaries.

37. PARTICULARS OF JOINT VENTURES

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 (BVI) Limited	British Virgin Islands	Ordinary	50	Event supervising
Much Entertainment (HK) Limited	Hong Kong	Ordinary	50	Event supervising
Player One	Hong Kong	Ordinary	50	Event management
SQ	Hong Kong	Ordinary	50	Artiste management
SQ Workshop (BVI) Limited	British Virgin Islands	Ordinary	50	Artiste management
鼎紅文化傳播(上海)有限公司	PRC/ Mainland China	Paid-up capital	50	Artiste 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 2016, Hole in One repurchased and cancelled its certain shares. Accordingly, Hole in One ceased to be a 50%-owned joint venture of the Group and became a subsidiary of the Group with 66.7% equity interest held by the Group. Non-controlling interests of HK$3,746,000 was recognised. Net cash inflow in respect of the deemed acquisition of the subsidiary was HK$11,363,000.

During the year ended 31 July 2017, Hole in One further repurchased and cancelled its shares held by a non-controlling shareholder. Accordingly, Hole in One became a wholly-owned subsidiary of the Group. Net cash outflows in respect of the repurchase of shares were HK$3,760,000. Hole in One was deregistered after the repurchase of shares before 31 July 2017.

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

38. PARTICULARS OF AN ASSOCIATE

Particulars of the associate as at 31 July 2017 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.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19 October 2017.

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 Kellett Rooms II and III, 3rd Floor, The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong on Friday, 15 December 2017 at 9:15 a.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 auditor of the Company for the year ended 31 July 2017;

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

3. To re-appoint Ernst & Young, Certified Public Accountants as the independent auditor of the Company for the ensuing year and authorise the board of Directors to fix its 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;

   (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 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 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 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 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 at the date of passing this Resolution, and the said approval shall be limited accordingly; and

(c) for the purposes of this Resolution, "Relevant Period" means the period from the date of passing 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**") 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 at the date of passing this Resolution."

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

Hong Kong, 31 October 2017

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

Head Office and Principal Place of Business:
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 any adjournment thereof (as the case may be) and in default, the proxy will not be treated as valid. Completion and return of the form of proxy will not preclude Members from attending in person and voting at the AGM or any adjournment thereof 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 Monday, 11 December 2017 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 any adjournment thereof, 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 any adjournment thereof 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 will 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, Mr. Chan Chi Kwong, Mr. Chan Chi Yuen and Mr. Zhang Xi 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 "Biographical Details of Directors" of the annual report of the Company for the year ended 31 July 2017.

(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, Ernst & Young will be re-appointed the independent auditor of the Company for the year ending 31 July 2018 (the "**Year 2018**"). Members should note that in practice, independent auditor's remuneration for the Year 2018 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 auditor is being called upon to undertake in any given year. To enable the Company to charge the amount of such independent auditor's remuneration as operating expenses for the Year 2018, Members' approval to delegate the authority to the Board to fix the independent auditor's remuneration for the Year 2018 is required, and is hereby sought, at the AGM.

(7) A circular containing details regarding Resolutions Nos. 4 to 6 of this notice will be sent to Members together with the annual report of the Company for the year ended 31 July 2017.

(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 after 7:15 a.m. on the date of the AGM, the AGM will be postponed. 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 7:15 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 and television dramas production and distribution.

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、藝人管理及電視劇製作與發行。

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