Media Asia 寰亞

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

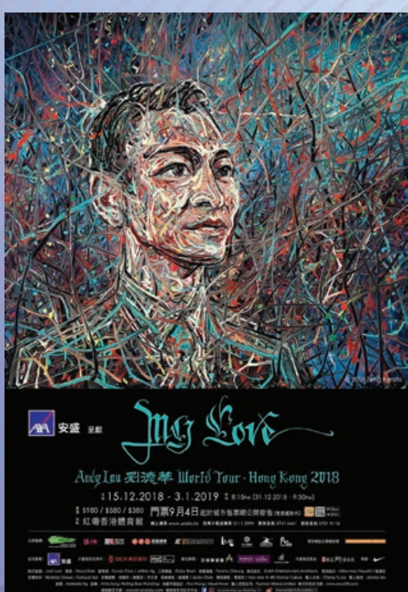
(Stock Code 股份代號：8075)

ANNUAL REPORT
年度報告

Year ended 31 July 2019
二零一九年七月三十一日止

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 GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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 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.*

CONTENTS

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
GEM of The Stock Exchange of Hong Kong Limited

Stock Code
8075

Board Lot
4,000 shares

WEBSITE
www.mediaasia.com

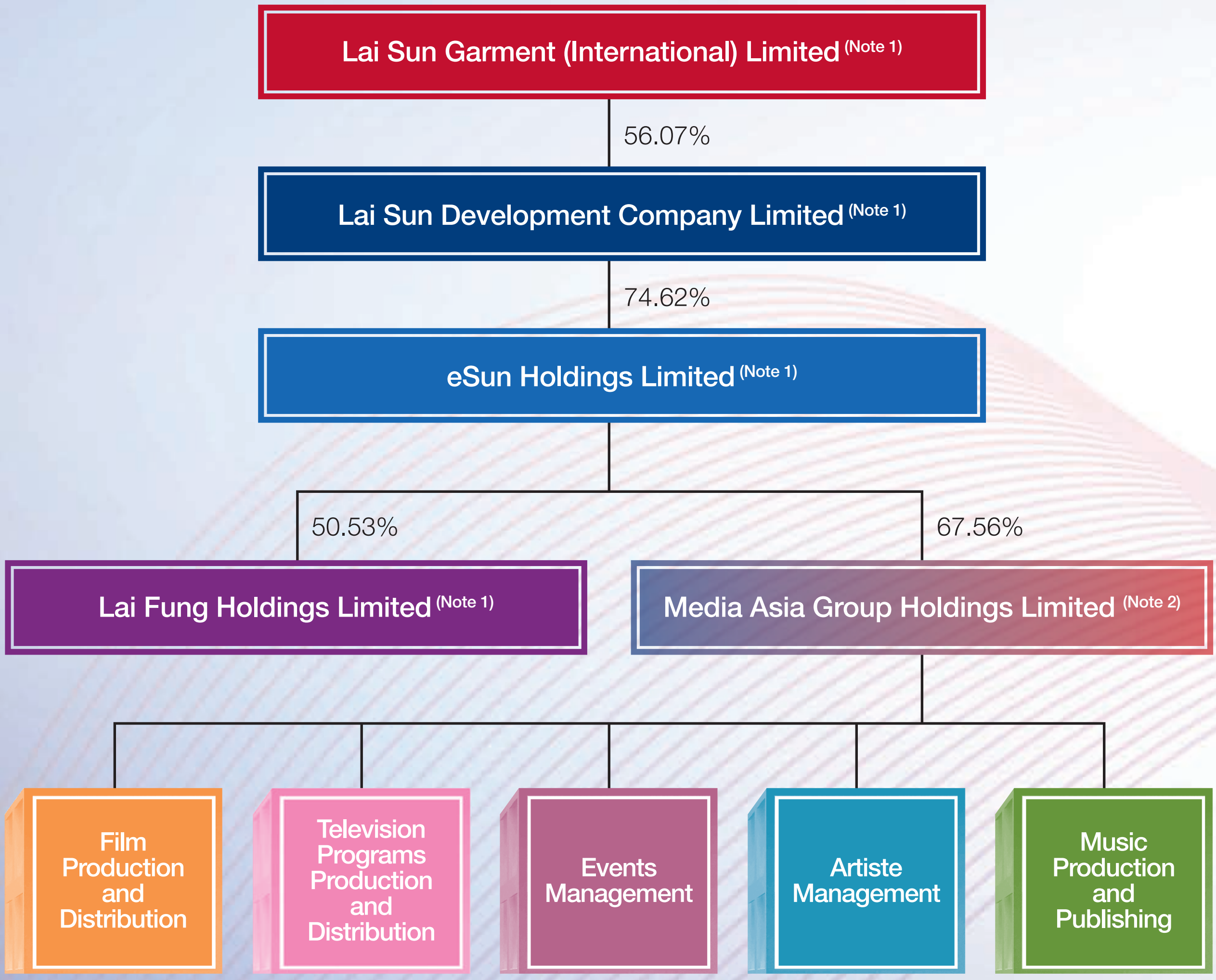
INVESTOR RELATIONS
Tel: (852) 2370 5825
Fax: (852) 2743 8459
E-mail: cosec@mediaasia.com

CORPORATE PROFILE

Media Asia Group Holdings Limited (the "**Company**") is a member of the Lai Sun Group. It was incorporated in the Cayman Islands on 29 February 2000 and redomiciled to Bermuda on 3 December 2009. Its ordinary shares have been listed and traded on GEM of The Stock Exchange of Hong Kong Limited since 31 May 2001.

The Company is the media and entertainment arm of the Lai Sun Group. The principal activities of the Company and its subsidiaries include film production and distribution; organisation, management and production of concerts and live performances; artiste management; production and distribution of television programs; music production and publishing; licensing of media contents; provision of consultancy services in planning and management of cultural, entertainment and live performance projects.

A simplified corporate structure of the Lai Sun Group as at 22 October 2019 is as follows:



Notes:

(1) Listed on the Main Board of The Stock Exchange of Hong Kong Limited

(2) Listed on GEM of The Stock Exchange of Hong Kong Limited

(3) The above chart excludes the 0.005% equity interest held by Lai Sun Development Company Limited in Lai Fung Holdings Limited

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				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**573,732**	489,931	562,913	520,443	712,418
Profit/(loss) before tax	**(142,269)**	(282,420)	(176,048)	(99,655)	29,501
Income tax expense	**(2,637)**	(1,781)	(2,413)	(2,582)	(4,883)
Profit/(loss) for the year attributable to owners of the Company and non-controlling interests	**(144,906)**	(284,201)	(178,461)	(102,237)	24,618

ASSETS AND LIABILITIES

	As at 31 July				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**1,085,246**	1,176,892	1,274,744	1,432,223	1,502,479
Total liabilities	**(878,087)**	(831,126)	(647,128)	(621,674)	(607,663)
Net assets	**207,159**	345,766	627,616	810,549	894,816

CHAIRMAN'S STATEMENT

Dr. LAM Kin Ngok, Peter
Chairman

OVERVIEW OF RESULTS

During the year ended 31 July 2019, the Company and its subsidiaries (the "**Group**") recorded a turnover of approximately HK$573,732,000, representing an increase of 17% from turnover of approximately HK$489,931,000 for the year ended 31 July 2018. The Group recorded a loss after tax of approximately HK$144,906,000 (2018: approximately HK$284,201,000) and a loss attributable to owners of the Company of approximately HK$147,056,000 (2018: approximately HK$273,503,000) during the year.

As at 31 July 2019, the Group's equity attributable to owners of the Company amounted to approximately HK$218,790,000 (2018: approximately HK$364,534,000) and the net asset value per share attributable to owners of the Company was HK10.2 cents (2018: HK17.1 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 2019 (2018: Nil).

PROSPECTS

In line with the Group's strategy to invest in original production of quality films with Chinese themes for the growing PRC market, our current production pipeline include "I'm Living It", a feature film produced by Cheang Pou Soi with Aaron Kwok and Miriam Yeung, "Knockout", an action film by director Roy Chow featuring Han Geng, "The Calling of a Bus Driver", a romance comedy film with Ivana Wong and director Patrick Kong, and "Septet: the Story of Hong Kong", an omnibus film produced by seven Hong Kong film masters including Johnnie To, Tsui Hark, Ann Hui, Patrick Tam, Sammo Hung, Yuen Woo-Ping and the memorable Ringo Lam.

A 52 episode romance drama series "New Horizon", starring Zheng Kai and Chen Chiao-en, is in the post-production stage. Projects under development include "Who Sell Bricks in Hong Kong", a 20 episode modern-day drama series tailor-made for Viu TV, featuring Ng Siu Hin, Fish Liew, Wu Tze Tung and Patrick Tam. The Group is in discussion with various Chinese portals and video web sites for new project development.

The exclusive distribution license of our music products with Tencent Music Entertainment (Shenzhen) Co., Ltd and Warner Music continue to provide stable income contribution to the Group. The Group is actively looking for new talent in Greater China and further co-operation with Asian artistes with an aim to build up a strong artiste roster.

The recent "FOLLOWMi Sammi Cheng World Tour - Hong Kong 2019", "EXO Planet#5 Tour 2019 Hong Kong" and "Along with Ekin Live Concert 2019" have 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 Tsai Chin, Yoga Lin and Leon Lai.

The continuing Sino-US trade war as well as protests in Hong Kong might weaken the entertainment consumption of the PRC and local markets respectively. To rise the challenge we will focus on producing high quality projects with proven track record and commercial viability.

Looking forward, we believe that the Group's integrated media platform comprising movies, TV programs, music, new media, artiste management and live entertainment put us in a strong position to capture the opportunities of China entertainment market by a balanced and synergistic approach and we will continue to explore cooperation and 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, 22 October 2019

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the year ended 31 July 2019, the Company and its subsidiaries (the "**Group**") recorded a turnover of approximately HK$573,732,000, representing an increase of 17% from turnover of approximately HK$489,931,000 for the year ended 31 July 2018. The increase in the turnover of the Group was mainly attributable to the increase in revenue from the Group's entertainment event business.

Cost of sales for the year ended 31 July 2019 increased to approximately HK$536,421,000 from approximately HK$473,913,000 for the previous financial year. Marketing expenses for the year ended 31 July 2019 was approximately HK$20,469,000 (2018: approximately HK$86,987,000). The decrease in the above-mentioned expenses was due to decrease in the number of large-scale films released during the year. Administrative expenses for the year ended 31 July 2019 was approximately HK$142,167,000 (2018: approximately HK$161,112,000). These expenses are under strict control by the Company's management. Other operating expenses decreased to approximately HK$21,289,000 (2018: approximately HK$24,290,000). Other operating expenses for the year ended 31 July 2019 mainly included impairment of advances and other receivables and exchange loss arising from the depreciation in Renminbi.

Finance costs decreased to approximately HK$15,786,000 for the year ended 31 July 2019 from approximately HK$24,921,000 for the year ended 31 July 2018. Finance costs in current year represented the interest expenses arising from the loans from an intermediate holding company and a fellow subsidiary.

The Group recorded a loss after tax of approximately HK$144,906,000 (2018: approximately HK$284,201,000) and a loss attributable to owners of the Company of approximately HK$147,056,000 (2018: approximately HK$273,503,000) during the year.

As at 31 July 2019, the Group's equity attributable to owners of the Company amounted to approximately HK$218,790,000 (2018: approximately HK$364,534,000) and the net asset value per share attributable to owners of the Company was HK10.2 cents (2018: HK17.1 cents).

BUSINESS REVIEW

Media and Entertainment Segment

Events management

During the year under review, the Group organised and invested in 109 (2018: 97) shows by popular local, Asian and internationally renowned artistes, including Andy Lau, Sammi Cheng, Ekin Cheng, Ivana Wong, Grasshopper, JJ Lin, Yoga Lin, EXO, Dong Hae & Eun Hyuk and MayDay. The total revenue from these businesses amounted to approximately HK$298,767,000.

Music

During the year under review, the Group released 14 (2018: 12) albums, including titles by Sammi Cheng, Grasshopper, Remus Choy, Andy Leung, Tang Siu Hau and Feanna Wong. Turnover from music publishing and recording was approximately HK$28,666,000.

Artiste management

During the year under review, the Group recorded a turnover of approximately HK$8,806,000 from artiste management. The Group currently has 27 artistes under its management.

BUSINESS REVIEW *(continued)*

Film and TV Program Segment

Film production and distribution

During the year under review, a total of 2 films produced/invested by the Group were theatrically released, namely "Kung Fu Monster" and "Dead Pigs". Turnover from the licence fee income and distribution commission income of films was approximately HK$50,765,000.

TV program production and distribution

During the year under review, the Group recorded a turnover of approximately HK$186,728,000 from TV program licence fee, distribution commission and sale of TV program products.

CAPITAL STRUCTURE

As at 31 July 2019, the Group's equity attributable to owners of the Company decreased by 40% to approximately HK$218,790,000 (as at 31 July 2018: approximately HK$364,534,000). Total assets amounted to approximately HK$1,085,246,000 (as at 31 July 2018: approximately HK$1,176,892,000) included current assets amounting to approximately HK$988,797,000 (as at 31 July 2018: approximately HK$1,066,319,000). Current liabilities were approximately HK$878,087,000 (as at 31 July 2018: approximately HK$531,126,000). Net asset value per share attributable to owners of the Company as at 31 July 2019 was approximately HK10.2 cents (as at 31 July 2018: approximately HK17.1 cents). Current ratio was approximately 1.1 (as at 31 July 2018: approximately 2.0).

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations with internal resources, loan from an intermediate holding company and loan from a fellow subsidiary. As at 31 July 2019, the Group has unsecured and interest-bearing loans with an outstanding principal amount of approximately of HK$300,000,000 (as at 31 July 2018: HK$300,000,000). As at 31 July 2019, the Group had no unutilised letter of credit facility (as at 31 July 2018: Nil).

LIQUIDITY AND FINANCIAL RESOURCES *(continued)*

As at 31 July 2019, the Group's cash and cash equivalents decreased to approximately HK$334,996,000 (as at 31 July 2018: approximately HK$429,983,000) of which around 40% was denominated in Hong Kong dollar, around 45% was denominated in Renminbi ("**RMB**") and around 15% was denominated in United States dollar, Macanese pataca and Korean won 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 2019, the Group did not have any bank loans, overdrafts or any other borrowing. No interests have been capitalised during the year ended 31 July 2019.

As at 31 July 2019, the gearing ratio of the Group, being the total borrowings to shareholders' equity attributable to the owners of the Company, was approximately 137% (as at 31 July 2018: 82%).

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 2019, the Group had no outstanding foreign currency hedge contracts (as at 31 July 2018: 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 33 to the consolidated financial statement.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 July 2019 (as at 31 July 2018: Nil).

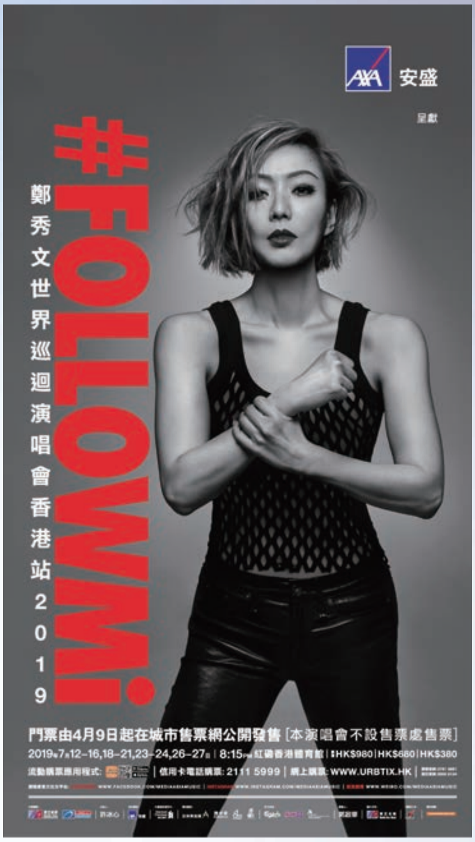
EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 31 July 2019, the Group had 163 (as at 31 July 2018: 174) employees. Staff costs, including directors' emoluments for the year ended 31 July 2019, amounted to approximately HK$97,995,000 (2018: approximately HK$100,655,000). 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 publishes its third Environmental, Social and Governance ("**ESG**") report which encapsulates the ESG management approach, strategies and performance of the Company and its subsidiaries (the "**Group**") in accordance with the ESG Reporting Guide in Appendix 20 of the Rules Governing the Listing of Securities on GEM published by The Stock Exchange of Hong Kong Limited. Unless otherwise specified, this report covers ESG management and performance of the Group from 1 August 2018 to 31 July 2019.

This report has been approved by the management team and the board of directors of the Company (the "**Board**").



ESG GOVERNANCE

The management team is equipped with respective expertise in environmental, health and safety issues. They are responsible for the formulation of ESG policies and procedures to manage relevant ESG risks for their respective business sectors and assist the Board to oversee the management of ESG issues in business operations.

STAKEHOLDER ENGAGEMENT

The Company maintains regular communication channels with stakeholders in daily operations. To further understand the priorities of ESG issues in different business sectors from stakeholders' perspectives, the Company has previously engaged an independent consultant to conduct stakeholder engagement online surveys. With reference to the results of the online surveys, ESG issues were ranked and prioritised in terms of their importance to stakeholders and the Company's business development for materiality analysis.

MATERIALITY ANALYSIS

Through the stakeholder engagement exercise, management reviews and industry analysis, the Group identified the most material ESG issues in each business sector and prioritised its resources in managing these issues. This year, the list of issues was further reviewed by analysing the latest industry practices and verified by the management. Issues that are considered most material are indicated in the following table:

MATERIALITY ANALYSIS *(continued)*

<table>
<tr><th colspan="2">ESG Aspects</th><th>ESG Issues</th><th>The Group</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>The environment and natural resources</td><td></td></tr>
<tr><td rowspan="9">Social</td><td rowspan="4">Employment and labour practices</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 rights</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

To minimise the negative environmental impact from its business operations, the Group sets up environmental management policies which aim at improving the performance in emissions, energy consumption, waste management, resources use, and impact to the environment. All relevant laws and regulations on environmental protection are observed and addressed in environmental management strategies of the Group. In the reporting year, there are no recordable non-compliance cases of environmental laws and regulations.

Environmental Management and Air Emissions

The Group is aware of the environmental impact of its business operations. It, therefore, manages emissions proactively by applying various abatement procedures. Through various control measures at both Group level and all business sectors, the Group endeavours to minimise the amount of air and greenhouse gas emissions, wastewater discharges and waste generations in its business activities.

Waste Management

To manage and minimise waste generation in the daily operations, the Group formulated waste management plan as a guidance on waste reduction, reuse, sorting and recycling. Various types of wastes are categorised into recyclables and non-recyclables, and where feasible, recycling bins are set up in office areas and properties to collect the recyclable waste. While the Group encourages the reuse of resources, non-recyclable waste is disposed through qualified waste management companies, in particular, electronic waste or other hazardous waste is managed according to relevant laws and regulations.

Resources Management and Conservation

The Group encourages all business sectors to have conscious management when consuming natural resources, such as electricity, fuel, and water sources, etc. In general, the Group supports all business sectors to implement initiatives in recycling and resources saving.

Co-existence with the Natural Environment

The Group recognises the importance of balancing its business development and the associated environmental impacts. It seeks to reduce businesses' negative impacts to the environment by setting up various policies and guidelines applying across all the business sectors of the Group.

OVERALL APPROACH ON EMPLOYMENT

Employment

The Group strives to be an equal opportunity employer and adopts various human resources management practices to retain talent and create a better working environment. Employee benefits, including compensation and dismissal, recruitment, working hours, leave management, prevention on sexual harassment and its expectations to employees' conduct and behaviour are outlined in the staff handbook. Other employee benefits, such as mandatory provident fund, enrolment to medical or commercial insurance scheme for respective eligible employees, social security and housing fund, are also implemented in respective region. Employees who have been working with the Group for over twelve months of services are eligible to apply for tuition scheme to receive training and development subsidy and sponsorship.

The Group has also signed the Good Employer Charter of the Labour Department. The Charter sets out pledges that goes beyond legal requirements, covering employment aspects including employee care, work-life balance, employee benefits and employee communications.

The Group observes and complies with Cap 57 Employment Ordinance, Cap 282 Employees' Compensation Ordinance and Cap 608 Minimum Wage Ordinance and in Mainland China, it complies with the Labour Law of the People's Republic of China and Labour Contract Law of the People's Republic of China (collectively, the "**PRC Labour Laws**"). Relevant terms and conditions of employment are outlined in the staff handbook for staff's reference.

The Group endeavours to promote equal opportunities and non-discrimination in the employment practices. The Group complies with Cap 480 Sex Discrimination Ordinance, Cap 487 Disability Discrimination Ordinance, Cap 527 Family Status Discrimination Ordinance and Cap 602 Race Discrimination Ordinance (collectively, the "**Ordinances**"). Based on the Ordinances, the Group has established policy to realise the commitment on equal opportunities and discrimination-free workplace. For complaints relating to workplace harassment, the complaints will be addressed and handled in a confidential and professional manner to protect the rights of the victim. Through the increase of awareness and comprehensive policy and grievance mechanisms, the Group aims at minimising the risk of discrimination and harassment in its workplace.

OVERALL APPROACH ON EMPLOYMENT *(continued)*

Employment (continued)

There are no non-compliance cases in the aforementioned employment laws and regulations during the reporting year.

Health and Safety

Employees' health and safety is of the utmost importance in the Group's operation. The Group strives to minimise potential occupational health and safety risks in its workplace. The management of each business sector continues to manage and control the health and safety risk exposure in the business operations. Meanwhile, measures and controls are in place to ensure employees in the premises are safe from health and safety hazards. The Group will continue to identify and mitigate potential health and safety risks in its business operations and maintain zero tolerance to work-related incidents and fatalities.

There are no non-compliance cases in Cap 509 Occupational Safety and Health Ordinance in Hong Kong operation, and Work Safety Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Occupational Diseases in Mainland China during the reporting year.

Development and Training

The Group's development is largely count on its people assets, hence the Group arranges various internal and external development programmes and provides career development opportunities to its employees. Employees with over twelve months of services with the Group can apply for the tuition scheme, regardless of the business sectors they are working in. The tuition scheme sponsors the employees to pursue further training and development courses relating to their positions and scope of work. The Group also provides subsidised courses to help its employees to attain professional and personal aspirations.

Labour Standards

The Group strives to uphold labour rights for its employees. In Hong Kong, the Group observes and complies with Cap 57B Employment of Children Regulations and Cap 57C Employment of Young Persons (Industry) Regulations. It strictly prohibits to engage child labour and forced labour in all business operations.

In Mainland China, the Group is in full compliance with the PRC Labour Laws and Provisions on the Prohibition of Using Child Labour which forbids the use of child labour of ages under 16 and any unlawful way of forced labour. Forced overtime work is prohibited. In case of required overtime work, workers will be paid according to relevant legal requirements. The above requirements also apply to the Group's contractors across all regions.

There are no non-compliance cases in the aforementioned laws and regulations in Hong Kong and Mainland China during the reporting year.

Employee Welfare

In addition to legal requirements, the Group understands the importance of well-maintained employee relations to business development. Therefore, the Group provides value-added staff benefits and well-being programmes for its employees. In Hong Kong, the Company organises monthly "Lunch Talk" sessions on occupational safety, health talks, work-out exercise classes and various interest classes. The Group also organises film screening events and large scale annual events such as group annual dinner party and one-day leisure tour for employees with their family and friends. During the reporting year, the Group also arranged a pre-view day site visit to Novotown Lionsgate Entertainment World which is the latest Lai Sun Group's project opened in July 2019.

OVERALL APPROACH ON EMPLOYMENT *(continued)*

Employee Welfare (continued)

In Mainland China, the Group organised various team building and well-being programmes for its employees, including annual dinner party, birthday celebration, interest classes, sports activities, fitness programmes, voluntary well-being seminar and leisure tours during the reporting year. The Group also prepares gifts for its employees to express care and gratitude.

These activities benefit employees and help them to achieve work-life balance. These are also good opportunities for team building and bonding with other colleagues.

OVERALL APPROACH ON MANAGING OPERATING PRACTICES

The Company endeavours to become a more sustainable company by dedicated management of its operating practices. These include data protection and privacy, service excellence, intellectual property rights and integrity and discipline.

Data Protection and Privacy

The privacy rights of the clients remain at the forefront of the Group's operation. The Group is committed to protecting the privacy rights of its clients and complies with Cap 486 Personal Data (Privacy) Ordinance. A personal information collection statement is provided to the data provider on or before personal particulars are collected at all times, to ensure that the data provider has shown consent. This measure has been communicated to its business partners and clients.

During the reporting year, there are no non-compliance cases in the aforementioned laws and regulations in Hong Kong.

Service Excellence

The Group builds its business foundation by offering high quality cultural and entertainment products and events to its customers. Hence, it has invested significantly in gatekeeping the quality of its films, television programs and music productions delivered to its audience and customers. The project management team also closely monitors the production process of live shows so as to provide the best live experience to all its audience.

OVERALL APPROACH ON MANAGING OPERATING PRACTICES *(continued)*

Intellectual Property Rights

The Group highly respects intellectual property rights in its businesses and appropriate security measures and confidentiality agreements are in place to ensure intellectual property rights are protected. Its legal team is responsible for reviewing the agreements on collaborations with third parties across all business segments and within the Group so as to minimise the chance of infringement.

The intellectual property rights of all creative works are vital to the Group's business. The Group also follows all relevant intellectual property laws and regulations, including but not limited to Cap 559 Trade Marks Ordinance, Cap 528 Copyright Ordinance and Cap 544 Prevention of Copyright Piracy Ordinance. In the Group's production process, it ensures the producers and their team of films, television programs and music productions understand the procedures to clear the rights for any creative works prior to using or referencing such. The Group will take immediate action to clear the rights or address relevant issues in case there is any perceived infringement. During the reporting year, there are no non-compliance cases in the aforementioned laws and regulations.

Integrity and Discipline

The Group values integrity, fairness and discipline and its employees are required to uphold ethics and integrity and strictly adhere to rules and procedures in accordance with Cap 201 Prevention of Bribery Ordinance in Hong Kong and Criminal Law of the People's Republic of China and Law of the People's Republic of China on Anti-Corruption and Bribery in Mainland China. The Group makes it a high priority to prevent any cases of fraud or corruption in any of its business segments. During the reporting year, there are no non-compliance cases in the aforementioned laws and regulations in Hong Kong and Mainland China.

In order to steer clear from potential risks for corruption, the Group has clear definition of "advantages" and there is an outline of relevant procedures for its employees to handle any presents or gifts involved in the business in a proper manner. "Advantages" should be declared when handling any presents or gifts involved in the business. Anyone in violation of the Group's policy and procedures would be penalised, while those who violate relevant government ordinances would be subject to legal consequences.

A whistleblowing procedure is in place as a monitoring system to maintain integrity and discipline among all levels of the Company. People who discover any inappropriate act or violation of Cap 201 Prevention of Bribery Ordinance are encouraged to report to the management level for immediate investigation into the case.

OVERALL APPROACH ON COMMUNITY DEVELOPMENT

The Group believes that making good use of its resources to give back to the society is a way to fulfil its social responsibility. Its focuses of community service development are to offer local employment opportunity and youth education, and to provide assistance to aided family and the disabled. Through collaborations with local charities, the Group helps those communities in need.

For example, the Group purchases festive food products, such as fair-trade mooncakes, for its employees in Hong Kong from local social enterprises to demonstrate its support in promoting environmental protection, creating local job opportunities and utilising local craftsmanship.

OVERALL APPROACH ON COMMUNITY DEVELOPMENT *(continued)*

The Group also supports exercise for good initiatives. During the reporting year, the Group sponsored Konica Minolta Green Concert cum Grand Cycle Challenge Prix. The event combined cycling with power generation to promote environmental protection while raising fund for charitable organisations. The Group also formed a team to participate the event.

To support the youth for career planning and development in Hong Kong, the Group offers internship placements for secondary school students through Yuen Long District Secondary School Students Summer Internship Programme. While equipping themselves with technical skills, students participating in the Summer Internship Programme can gain work experience and establish their self-confidence. Besides, the Group also organises career talks and classes on topics such as job hunting and office etiquette.

SUMMARY OF ENVIRONMENTAL PERFORMANCE

Reporting Scope [Note 1]	Unit	Total
Greenhouse gas emissions in total and intensity		
Direct GHG emissions (Scope 1) [Note 2]	tonnes CO_2e	26.18
Indirect GHG emissions (Scope 2) [Note 3]	tonnes CO_2e	159.78
Total GHG emissions	**tonnes CO_2e**	**185.96**
Total GHG emissions intensity	**tonnes CO_2e/m^2**	**0.01**
Direct and/or indirect energy consumption by type in total and intensity		
Electricity consumption	kWh	313,290 [Note 4]
Gasoline consumption for transportation	L	9,670 [Note 5]
Total energy consumption	**kWh**	**398,958**
Total energy consumption intensity	**kWh/m^2**	**22.01**

Note 1: The reporting scope of the summary of environmental performance includes the Group's major office in Wyler Centre. The total hazardous waste, non-hazardous waste and water consumption is managed by the central property management of the office building, and thus, they are not applicable for this report. The total packaging material used for finished products is not material for the Group, and thus, it is not applicable for this report.

Note 2: CO_2e emission from fuel is calculated based on the default factors provided by the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 edition)".

Note 3: CO_2e emission from electricity is calculated based on the default factors provided by the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 edition)".

Note 4: The Group's major office in Wyler Centre was renovated and expanded in late 2018, resulting in an increase in electricity consumption in the reporting year.

Note 5: The Group expanded its vehicle fleet for operation in late 2018, leading to an increase in gasoline consumption.

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 GEM (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 2019 (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 (the "**AGM**") of the Company held on 21 December 2018. 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 meetings, 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	7	4	2	1	1
Name of Directors	**Number of meetings attended/Number of meetings entitled to attend**				
Executive Directors					
Lam Kin Ngok, Peter	7/7	—	—	—	0/1
Chan Chi Kwong	7/7	—	—	—	0/1
Lui Siu Tsuen, Richard	7/7	—	2/2	1/1	1/1
Yip Chai Tuck	7/7	—	2/2	1/1	0/1
Independent Non-executive Directors					
Chan Chi Yuen	7/7	4/4	2/2	1/1	1/1
Ng Chi Ho, Dennis	7/7	4/4	2/2	1/1	1/1
Zhang Xi	7/7	4/4	2/2	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.

Mr. Zhang Xi will retire by rotation as Director at the forthcoming AGM and, being eligible, offer himself for re-election. Mr. Zhang has served on the Board for over 10 years. Being a long-serving Director, he has developed an in-depth understanding of the Company's operations and business, and has expressed objective views and given independent guidance to the Company over the years. There is no empirical evidence that the long service of Mr. Zhang would impair his independent judgement. The Board is satisfied that Mr. Zhang will continue to have the required character and experience to fulfill the role of an INED and considers that the re-election of Mr. Zhang as an INED at the forthcoming AGM is in the best interest of the Company and the Shareholders as a whole.

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.

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

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.

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.

(a) Duties of the Audit Committee

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 (i) to develop and review the Company's policies and practices on corporate governance; (ii) to review and monitor the training and continuous professional development of the Directors and senior management; (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct and compliance manual applicable to employees and the Directors; and (v) to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

The terms of reference setting out the Audit Committee's authorities, duties and responsibilities are available on the websites of the Company and GEM of the Stock Exchange ("**GEM**").

(b) Work performed by the Audit Committee

The Audit Committee held four meetings during the Year. It reviewed (i) the audited annual results of the Group for the year ended 31 July 2018, the unaudited quarterly and interim results of the Group for the Year and other matters related to the financial and accounting policies and practice; (ii) the risk management report and the internal control review reports on the Company prepared by an independent professional advisor and put forward relevant recommendations to the Board; and (iii) the revised terms of reference to incorporate and reflect the amendment of the CG Code effective on 1 January 2019.

BOARD COMMITTEES *(continued)*

(1) Audit Committee (continued)

(b) Work performed by the Audit Committee (continued)

On 22 October 2019, 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 the reports on risk management and an internal control 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.

(a) Duties of the Nomination Committee

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 to the Board on any proposed changes, the appointment or re-appointment of Directors and succession planning for Directors, 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 implement and review policies for the nomination of Directors (the "**Nomination Policy**") and the diversity of Board members (the "**Board Diversity Policy**").

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

(b) Work performed by the Nomination Committee

During the Year, the Nomination Committee held two meetings. It reviewed (i) 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 2018 AGM; and (ii) the Nomination Policy and the revised terms of reference to incorporate the amendment of the CG Code effective on 1 January 2019 before submission to the Board for approval.

On 22 October 2019, the Nomination Committee 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 2019 AGM.

BOARD COMMITTEES *(continued)*

(2) Nomination Committee (continued)

(c) Board Diversity Policy

The Company has adopted the Board Diversity 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 Board Diversity 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 Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

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

(d) Nomination Policy

On 14 March 2019, the Company adopted the Nomination Policy setting out the criteria to identify and select candidate for appointment or re-appointment of a Director, which include the candidate's reputation for integrity, accomplishment and experience that are relevant to the Company's businesses, commitment in respect of available time and relevant interest, diversity perspectives set out in the Board Diversity Policy, independence requirements under Rule 5.09 of the GEM Listing Rules (for INED only) and other relevant factors as the Board or the Nomination Committee may determine from time to time.

The Nomination Policy also sets out the procedures on the identification, evaluation and nomination of suitable candidate to the Board, which shall be responsible for such appointment or re-appointment ultimately and, where applicable, subject to the approval of the Shareholders in general meeting.

BOARD COMMITTEES *(continued)*

(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.

(a) Duties of the Remuneration Committee

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 GEM.

(b) Work performed by the Remuneration Committee

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.

On 22 October 2019, the Remuneration Committee reviewed the proposal on the increase of Directors' fee for Board's consideration.

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$2,222,000 and HK$597,000 respectively. The non-audit services mainly consisted of tax compliance and other advisory, review and 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. The design and implementation of internal controls are to identify weakness for improvement. The independent professional advisor reports to the Audit Committee for identified weakness and proposed recommendation on a timely basis to ensure prompt remediation actions are taken.

Risk management report and internal control review 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.

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 Future 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.

(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 AGM 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 maintaining on-going dialogue with the Shareholders as follows:

(a) corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued in printed form and are available on the GEM website at www.hkgem.com 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 GEM 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.

DIVIDEND POLICY

On 14 March 2019, the Company adopted a dividend policy (the "**Dividend Policy**") setting out the principles and guidelines for the Board to determine (a) whether dividends are to be declared and paid, and (b) the level of dividend to be paid to the Shareholders.

The Board may from time to time determine and pay to the Shareholders such interim dividends as it considers appropriate, and recommend the payment of final dividends which are required to be approved by the Shareholders in general meetings of the Company. The declaration or recommendation of any dividend will take into consideration a number of factors, including but not limited to the Group's financial performance, business strategies and operations, retained earnings and distributable reserves and liquidity position as well as general economic conditions and any other factors that the Board may consider appropriate. Subject to the Company's bye-laws and the laws of Bermuda, dividends may be paid in cash or be distributed and satisfied wholly or partly in the form of shares of the Company that the Board considers appropriate. The Company does not have any pre-determined dividend ratio.

The Board will regularly review and, when necessary, update, amend and/or modify the Dividend Policy.

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 the Company while both eSun and LSD are the intermediate holding companies of the Company and Lai Fung.

Dr. Lam Kin Ngok, Peter, *GBS*, aged 62, was appointed an executive director and the Chairman of the Company with effect from 16 June 2011. He 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. He 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 Trade Development Council. He is also a standing committee member of the 13th National Committee of the Chinese People's Political Consultative Conference. In addition, Dr. Lam is the chairman of Hong Kong Chamber of Films Limited, life honorable president 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 vice chairman of Friends of Hong Kong Association Limited, a director of Hong Kong-Vietnam Chamber of Commerce Limited, an honorary chairman of Federation of HK Jiangsu Community Organisations, the president of Hong Kong Association of Cultural Industries Limited, the chairman of Hong Kong Cultural Development Research Institute Limited, a non-official member of each of the Trade and Industry Advisory Board and the Lantau Development Advisory Committee, and a member of the board of West Kowloon Cultural District Foundation Limited (a wholly-owned subsidiary of West Kowloon Cultural District Authority).

The Company and Dr. Lam have entered into a service contract with no fixed term but such contract is determinable by either the Company or Dr. Lam 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, Dr. Lam 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. Dr. Lam presently receives a director's fee of HK$15,000 per month from the Company which is determined by the board of directors of the Company (the "**Board**") from time to time with reference to the performance of the Company, his duties and responsibilities and time allocated to the Company as well as the prevailing market conditions.

Saved as disclosed above, Dr. Lam 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.

EXECUTIVE DIRECTORS *(continued)*

As at the date of this annual report, Dr. Lam is deemed to be interested in 1,443,156,837 shares of the Company. Save as disclosed above, Dr. Lam does not have any other 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 Dr. Lam'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 GEM of the Stock Exchange (the "**GEM Listing Rules**").

Mr. Chan Chi Kwong, aged 59, 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 since 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 28 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 AGM and will also be eligible for re-election at future AGMs. Mr. Chan presently receives a director's fee of HK$15,000 per month from the Company, a salary of HK$320,510 per month from the Group and such other remuneration and discretionary bonus as may be determined by the Board from time to time with reference to the performance of the Company, his duties and responsibilities and time allocated to the Company as well as the prevailing market conditions.

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 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. 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.

EXECUTIVE DIRECTORS *(continued)*

Mr. Lui Siu Tsuen, Richard, aged 63, was appointed an executive director of the Company with effect from 16 June 2011. He is also a member of the Executive Committee, the Nomination Committee and the Remuneration Committee of the Company. Mr. Lui 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 convenor of Multi-media and Culture Committee of The Chinese Manufacturers' Association of Hong Kong for a term of three years up to 31 December 2020.

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 33 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 45, 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 52, 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 Hong Kong Chaoshang Group Limited (formerly known as Noble Century Investment Holdings Limited) and Royal Century Resources Holdings Limited, an independent non-executive director of Asia Energy Logistics Group Limited, Leyou Technologies Holdings Limited and New Times Energy Corporation Limited. Mr. Chan was an executive director of Great Wall Belt & Road Holdings Limited (from June 2015 to October 2019), an independent non-executive director of Jun Yang Financial Holdings Limited (currently known as Power Financial Group Limited from January 2005 to October 2017), U-RIGHT International Holdings Limited (currently known as Fullsun International Holdings Group Co., Limited from November 2010 to December 2017), Affluent Partners Holdings Limited (from December 2016 to September 2018) and China Baoli Technologies Holdings Limited (from April 2006 to September 2019). The issued shares of all the aforesaid companies are listed and traded on the Stock Exchange.

Mr. Ng Chi Ho, Dennis, aged 61, 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 an independent non-executive director of China City Infrastructure Group Limited, Kirin Group Holdings Limited and L&A International Holdings Limited and the company secretary of MEIGU Technology Holding Group Limited. He was a non-executive director of My Heart Bodibra Group Limited (from December 2018 to April 2019). The issued shares of all the aforesaid companies are listed and traded on the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(continued)*

Mr. Zhang Xi, aged 50, was appointed an independent non-executive director of the Company in September 2009. He 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 17 years of experience in the financial sector.

Mr. Zhang is currently an executive director of China Ding Yi Feng Holdings Limited (formerly known as China Investment Fund International Holdings Limited), the issued shares of which 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$15,000 per month which is determined by the Board from time to time with reference to the performance of the Company, his duties and responsibilities and time allocated to the Company as well as the prevailing market conditions.

Mr. Zhang has served on the Board for over 10 years. Being a long-serving director, Mr. Zhang has developed an in-depth understanding of the Company's operations and business, and has expressed objective views and given independent guidance to the Company over the years. There is no empirical evidence that the long service of Mr. Zhang would impair his independent judgement. The Board is satisfied that Mr. Zhang will continue to have the required character and experience to fulfill the role of an independent non-executive director of the Company and considers that the re-election of Mr. Zhang as an independent non-executive director at the forthcoming AGM is in the best interest of the Company and its shareholders as a whole.

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 2019 (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 2019 are set out in note 37 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 2019 are set out in the consolidated financial statements and their accompanying notes on pages 49 to 132.

The board of Directors (the "**Board**") does not recommend the payment of any dividend for the Year (2018: 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**"), Dr. Lam Kin Ngok, Peter ("**Dr. Lam**"), Mr. Chan Chi Kwong ("**Mr. Chan**") 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 GEM (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 29 to 33 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 29 to 33 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 32 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 or any of its holding companies, 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, 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.

Save as disclosed above, none of the Directors, the controlling Shareholder and their respective close associates competes or may compete with the businesses 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 29 to the consolidated financial statements, at no time during the Year was the Company or any of its holding companies, 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 2019, 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 of the Company			
	Number of shares			Approximate
Name of Directors	**Corporate interests**	**Personal interests**	**Total**	**percentage of issued shares** *(Note 1)*
Lam Kin Ngok, Peter	1,443,156,837 *(Note 2)*	–	1,443,156,837	67.56%
Chan Chi Yuen	–	172,500	172,500	0.01%

(2) Interests in Associated Corporations

*(a) Lai Sun Garment (International) Limited ("**LSG**")*

	Long positions in shares and underlying shares of LSG				
	Number of shares		Share options		Approximate
Name of Directors	**Corporate interests**	**Personal interests**	**Personal interests**	**Total**	**percentage of issued shares**
Lam Kin Ngok, Peter	113,891,650 *(Note 3)*	48,441,476	708,575 *(Note 4)*	163,041,701	42.14%
Lui Siu Tsuen, Richard	–	185,600	–	185,600	0.05%

DIRECTORS' INTERESTS IN SECURITIES *(continued)*

(2) *Interests in Associated Corporations (continued)*

(b) *Lai Sun Development Company Limited ("**LSD**")*

Long positions in shares and underlying shares of LSD

Name of Directors	Number of shares: Corporate interests	Number of shares: Personal interests	Share options: Personal interests	Total	Approximate percentage of issued shares
Lam Kin Ngok, Peter	340,023,572 *(Note 5)*	429,232	417,308 *(Note 6)*	340,870,112	56.21%
Lui Siu Tsuen, Richard	—	—	104,000 *(Note 7)*	104,000	0.02%

(c) *eSun*

Long positions in shares and underlying shares of eSun

Name of Director	Number of shares: Corporate interests	Number of shares: Personal interests	Share options: Personal interests	Total	Approximate percentage of issued shares
Lam Kin Ngok, Peter	1,113,260,072 *(Note 8)*	2,794,443	—	1,116,054,515	74.81%

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

Long positions in shares and underlying shares of Lai Fung

Name of Director	Number of shares: Corporate interests	Number of shares: Personal interests	Share options: Personal interests	Total	Approximate percentage of issued shares
Lam Kin Ngok, Peter	165,502,573 *(Note 9)*	—	321,918 *(Note 10)*	165,824,491	50.65%

DIRECTORS' INTERESTS IN SECURITIES *(continued)*

Notes:

*(1) The number of issued shares of the Company (the "**Shares**") as at 31 July 2019 (that is, 2,136,056,825 Shares) has been used for the calculation of the approximate percentage.*

*(2) The Shares were owned by Perfect Sky Holdings Limited ("**Perfect Sky**"), a wholly-owned subsidiary of eSun.*

*As at 31 July 2019, eSun was indirectly owned as to approximately 74.62% by LSD. LSD was approximately 56.07% directly and indirectly owned by LSG. LSG was approximately 12.52% (excluding share option) owned by Dr. Lam and approximately 29.44% owned by Wisdoman Limited ("**Wisdoman**") which was in turn 100% beneficially owned by Dr. Lam. Therefore, Dr. Lam was deemed to be interested in the 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 interests in Wisdoman as described in Note (2) above, Dr. Lam was deemed to be interested in such LSG shares owned directly by Wisdoman.

(4) On 18 January 2013 and 19 June 2017, Dr. Lam was granted share options by LSG to subscribe (after the adjustments for the rights issue effective on 7 February 2014 (if applicable) and share consolidation effective on 15 August 2017 of LSG) for 375,242 and 333,333 LSG shares at the respective exercise prices of HK$6.05 and HK$15 per share with the respective exercise periods from 18 January 2013 to 17 January 2023 and from 19 June 2017 to 18 June 2027.

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

(6) On 18 January 2013, Dr. Lam was granted share options by LSD to subscribe (after the adjustments for the rights issue effective on 17 February 2016 and share consolidation effective on 15 August 2017 of LSD) for 417,308 LSD shares at an exercise price of HK$16.1 per share with an exercise period from 18 January 2013 to 17 January 2023.

(7) On 18 January 2013, Mr. Lui was granted share options by LSD to subscribe (after the adjustments for the rights issue effective on 17 February 2016 and share consolidation effective on 15 August 2017 of LSD) for 104,000 LSD shares at an exercise price of HK$16.1 per share with an exercise period from 18 January 2013 to 17 January 2023.

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

(9) By virtue of his deemed controlling shareholding interests in LSD and eSun as described in Note (2) above, Dr. Lam was deemed to be interested in 17,167 Lai Fung shares held by a wholly-owned subsidiary of LSD and 165,485,406 Lai Fung shares owned indirectly by eSun.

(10) On 18 January 2013, Dr. Lam was granted share options by Lai Fung to subscribe (after the adjustment for the share consolidation effective on 15 August 2017 of Lai Fung) for 321,918 Lai Fung shares at an exercise price of HK$11.4 per share with an exercise period from 18 January 2013 to 17 January 2023.

Save as disclosed above, as at 31 July 2019, 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 29 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 number 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 number of the issued Shares.

CONTROLLING SHAREHOLDERS' INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed in the section headed "Continuing Connected Transactions" of this report and note 32 to the consolidated financial statements, at no time during the Year had the Company or any of its subsidiaries, and any of the controlling Shareholders or their subsidiaries entered into any contract of significance or any contract of significance for the provision of services by any of the controlling Shareholders or their subsidiaries to the Company or any of its subsidiaries.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 July 2019, the interests and short positions of the persons, other than Directors, in the Shares and 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	Approximate percentage of issued Shares *(Note 1)*
Lai Sun Garment (International) Limited	Interest of controlled corporations	1,443,156,837 *(Note 2)*	67.56%
Lai Sun Development Company Limited	Interest of controlled corporations	1,443,156,837 *(Note 2)*	67.56%
eSun Holdings Limited	Interest of controlled corporation	1,443,156,837 *(Note 2)*	67.56%

Notes:

(1) *The number of issued Shares as at 31 July 2019 (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 1,443,156,837 Shares held by Perfect Sky. Please refer to Note (2) as shown in the section headed "Directors' Interests in Securities" above for further details.*

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES *(continued)*

Save as disclosed above, as at 31 July 2019, 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:

(1) *Music Catalogue Distribution Agreement*

On 13 December 2017, the Company (as licensee) entered into the music catalogue distribution agreement (the "**Music Catalogue Distribution Agreement**") with Capital Artists Limited ("**CAL**"), East Asia Music (Holdings) Limited ("**EAM**") and Fortunate Sound Limited ("**FSL**") (as licensors), pursuant to which the Company was appointed as the distributor of and licensed with the rights to distribute the Works and the Karaoke Music Videos (as defined in the Music Catalogue Distribution Agreement) in the PRC for a period of three years from 1 April 2018 to 31 March 2021.

In consideration of the Company providing the services to the licensors in accordance with the terms contained in the Music Catalogue Distribution Agreement, the Company will be entitled to retain 15% of the gross revenue as the distribution fee.

eSun is a controlling Shareholder and each of CAL, EAM and FSL is a wholly-owned subsidiary of eSun and therefore each of them is a connected person of the Company under the GEM Listing Rules. Accordingly, the transactions contemplated under the Music Catalogue Distribution Agreement constituted CCTs of the Company under the GEM Listing Rules.

The annual cap and the aggregate amount of the CCTs under the Music Catalogue Distribution Agreement for the Year were HK$7,900,000 and approximately HK$7,097,000 respectively.

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

On 31 July 2017, 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 2017 and expiring on 31 July 2020.

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

Each of LSG, LSD and eSun is the controlling Shareholder whereas Lai Fung is an indirect non-wholly-owned subsidiary of each of LSG, LSD and eSun, all of them are therefore connected persons of the Company under the GEM Listing Rules. Accordingly, the Letting Transactions between the Group and the LSG Group (which includes LSG, LSD, eSun, Lai Fung and their respective subsidiaries but excluding the Group) constituted CCTs of the Company.

CONTINUING CONNECTED TRANSACTIONS *(continued)*

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

The Company had adopted a cap amount of HK$5,500,000 for the Year in respect of the Letting Transactions with the LSG Group. Rental and management fee paid or payable to the LSG Group for the Year was approximately HK$3,666,000.

(3) Film Library Licence Agreements

On 28 July 2017, the Company (as licensee) and eSun entered into the supplemental agreements with each of Media Asia Distribution Ltd. ("**MAD(BVI)**") and Media Asia Distribution (HK) Limited ("**MAD(HK)**") as the licensors to renew and supplement two film library licence agreements (collectively the "**Film Library Licence Agreements**"), both dated 31 July 2014 and entered into among the said parties, for a period of three years from 1 August 2017 to 31 July 2020 with similar terms.

Pursuant to the Film Library Licence Agreements (as supplemented), the respective licensors have agreed that, subject to any third party rights in certain films which are subsisting at the commencement of the Film Library Licence Agreements, the Company is granted with the exclusive right to exploit in the territory specified of any rights owned by, acquired by or exclusively licensed to MAD(BVI) and MAD(HK) in any film listed in the schedules of the Film Library Licence Agreements (as supplemented).

The Company shall pay to eSun as the designated representative of the licensors 100% of the net receipts as royalties on a quarterly basis. The net receipts are determined by deducting from the gross receipts received by the Company from the exploitation of the rights granted: (a) 15% of the gross receipts, being the commission retained by the Company; (b) costs and disbursements actually incurred by the Company; and (c) all taxes, costs and expenses incurred by the Company in connection with the gross receipts or for the transmission of payments.

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

The annual cap and the aggregate amount paid and payable to eSun under the Film Library Licence Agreements (as supplemented) for the Year were HK$21,000,000 and approximately HK$11,303,000 respectively.

(4) 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 granted 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 used PAPC for promotion and advertising services on terms and conditions set out in the Theatrical Film Distribution Agreement.

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(4) Theatrical Film Distribution Agreement (continued)

The term of the Theatrical Film Distribution Agreement commenced on 1 August 2016 and continued until 31 July 2019. Film rental for each picture was 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 was insufficient to pay the distribution costs and/or the promotion and advertising fee for that picture, MAFD would reimburse IFDL of such shortfall.

Each of IFDL and PAPC was indirectly owned as to 95% by eSun, a controlling Shareholder, and therefore was a connected person of the Company under the GEM Listing Rules. Accordingly, the transactions conducted 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$14,613,000. The aggregate amount of the CCTs under the Theatrical Film Distribution Agreement for the Year was approximately HK$63,000.

The INEDs 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 10 of this annual report respectively. Details about the Group's financial risk management are set out in note 35 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 11 to 17 and pages 18 to 28 of this annual report respectively.

The above discussions form part of this report.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme set out in note 29 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 28 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 2019, 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 no donations for charitable or other purposes.

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 45.3% of the Group's total revenue and revenue from the largest customer included therein amounted to approximately 27.9%.

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, 22 October 2019

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 49 to 132, which comprise the consolidated statement of financial position as at 31 July 2019, 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 2019, 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
Impairment of film and TV program products and films and TV programs under production	
As at 31 July 2019, the Group had films and TV programs under production and film and TV program products of approximately HK$408,842,000 and HK$35,139,000, respectively. The assessment of whether there is any impairment of films and TV programs under production and film and TV program products requires significant accounting judgements and estimates and is directly affected by, among others, management's estimates of the costs to be incurred to complete production, projected revenues and related future cash flows of the relevant asset, as appropriate, as further detailed in note 3(a) to the financial statements. Based on both internal and external market information available on the films and TV programs under production and film and TV program products, management reviews and revises the estimated costs to be incurred to complete production, projected revenues and related future cash flows of the relevant asset, as appropriate, to assess whether there are any indicators of impairment or reversal of impairment at least at the end of each reporting period. Any change in estimations may result in a change in the impairment of the assets. This could have an impact on the Group's financial performance. Related disclosures are included in notes 2.3, 3, 14 and 15 to the consolidated financial statements.	We evaluated management's impairment assessment for film and TV program products and films and TV programs under production at 31 July 2019, including the identification of any indicators of impairment or reversal of impairment. 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. We reviewed management's analysis of the main artistes and directors' recent works of films and TV programs, the production plan of the films and TV programs and/or other relevant information. We also evaluated management's target market and business plan with reference to market situation. We assessed management's processes and assumptions for estimating the recoverable amounts of the relevant film and TV program products and films and TV programs under production by evaluating, among others, management's judgements and assumptions for estimating costs to be incurred to complete production, projected revenues and related future cash flows of the relevant asset, as appropriate.

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 the 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

22 October 2019

CONSOLIDATED INCOME STATEMENT

Year ended 31 July 2019

	Notes	2019 HK$'000	2018 HK$'000
TURNOVER	5	**573,732**	489,931
Cost of sales		**(536,421)**	(473,913)
Gross profit		**37,311**	16,018
Other income	5	**10,519**	11,118
Marketing expenses		**(20,469)**	(86,987)
Administrative expenses		**(142,167)**	(161,112)
Other operating gains		**13,333**	2,468
Other operating expenses		**(21,289)**	(24,290)
LOSS FROM OPERATING ACTIVITIES		**(122,762)**	(242,785)
Finance costs	6	**(15,786)**	(24,921)
Share of profits and losses of joint ventures		**(4,153)**	924
Share of profit and loss of an associate		**432**	(15,638)
LOSS BEFORE TAX	7	**(142,269)**	(282,420)
Income tax expense	9	**(2,637)**	(1,781)
LOSS FOR THE YEAR		**(144,906)**	(284,201)
Attributable to:			
Owners of the Company		**(147,056)**	(273,503)
Non-controlling interests		**2,150**	(10,698)
		(144,906)	(284,201)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	11		
Basic and diluted (HK cents)		**(6.88)**	(12.80)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 July 2019

	2019 HK$'000	2018 HK$'000
LOSS FOR THE YEAR	**(144,906)**	(284,201)
OTHER COMPREHENSIVE INCOME/(LOSS) THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT IN SUBSEQUENT PERIODS		
Exchange differences on translation of foreign operations	**1,493**	(11)
Release of foreign currency translation reserve upon disposal of subsidiaries (note 33)	**(15)**	—
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**1,478**	(11)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(143,428)**	(284,212)
Attributable to:		
Owners of the Company	**(145,744)**	(273,775)
Non-controlling interests	**2,316**	(10,437)
	(143,428)	(284,212)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 July 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**2,890**	4,096
Film and TV program products	14	**35,139**	40,453
Film and TV program rights	14	**147**	1,871
Investments in joint ventures	16	**19,505**	14,511
Investment in an associate	17	**—**	3,705
Prepayments, deposits and other receivables	20	**29,342**	45,937
Other financial assets	18	**9,426**	—
Total non-current assets		**96,449**	110,573
CURRENT ASSETS			
Films and TV programs under production and film investments	15	**417,308**	469,611
Trade receivables	19	**78,726**	47,943
Prepayments, deposits and other receivables	20	**146,418**	118,782
Other financial assets	18	**11,349**	—
Cash and cash equivalents	21	**334,996**	429,983
Total current assets		**988,797**	1,066,319
CURRENT LIABILITIES			
Trade payables	22	**3,798**	4,975
Accruals and other payables	23	**300,257**	253,467
Deposits received	23	**262,533**	263,154
Loan from an intermediate holding company	25	**100,000**	—
Loan from a fellow subsidiary	26	**200,000**	—
Tax payable		**11,499**	9,530
Total current liabilities		**878,087**	531,126
NET CURRENT ASSETS		**110,710**	535,193
TOTAL ASSETS LESS CURRENT LIABILITIES		**207,159**	645,766
NON-CURRENT LIABILITIES			
Loan from the ultimate holding company	25	**—**	100,000
Loan from a related party	26	**—**	200,000
Total non-current liabilities		**—**	300,000
Net assets		**207,159**	345,766

	Notes	2019 HK$'000	2018 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	28	**21,361**	21,361
Reserves	30	**197,429**	343,173
		218,790	364,534
Non-controlling interests		**(11,631)**	(18,768)
Total equity		**207,159**	345,766

Lam Kin Ngok, Peter
Director

Lui Siu Tsuen, Richard
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 July 2019

		Attributable to owners of the Company								
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Foreign currency translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 August 2017		21,361	633,661	95,191	71,454	(8,631)	(174,727)	638,309	(10,693)	627,616
Loss for the year		–	–	–	–	–	(273,503)	(273,503)	(10,698)	(284,201)
Other comprehensive income/(loss) for the year:										
Exchange differences on translation of foreign operations		–	–	–	–	(272)	–	(272)	261	(11)
Total comprehensive loss for the year		–	–	–	–	(272)	(273,503)	(273,775)	(10,437)	(284,212)
Redemption of TFN Convertible Notes	24(i)	–	–	–	(30,951)	–	30,951	–	–	–
Redemption of Specific Mandate Convertible Notes	24(ii)	–	–	–	(40,503)	–	40,503	–	–	–
Capital contributions from a non-controlling shareholder		–	–	–	–	–	–	–	2,362	2,362
At 31 July 2018 and 1 August 2018		21,361	633,661[#]	95,191[#]	–[#]	(8,903)[#]	(376,776)[#]	364,534	(18,768)	345,766
Profit/(loss) for the year		–	–	–	–	–	(147,056)	(147,056)	2,150	(144,906)
Other comprehensive income/(loss) for the year:										
Exchange differences on translation of foreign operations		–	–	–	–	1,327	–	1,327	166	1,493
Release of foreign currency translation reserve upon disposal of subsidiaries	33	–	–	–	–	(15)	–	(15)	–	(15)
Total comprehensive income/(loss) for the year		–	–	–	–	1,312	(147,056)	(145,744)	2,316	(143,428)
Capital contributions from a non-controlling shareholder		–	–	–	–	–	–	–	858	858
Disposal of subsidiaries	33	–	–	–	–	–	–	–	3,963	3,963
At 31 July 2019		21,361	633,661[#]	95,191[#]	–[#]	(7,591)[#]	(523,832)[#]	218,790	(11,631)	207,159

\# These reserve accounts comprise the consolidated reserves of HK$197,429,000 (2018: HK$343,173,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 July 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(142,269)**	(282,420)
Adjustments for:			
Finance costs	6	**15,786**	24,921
Share of profits and losses of joint ventures		**4,153**	(924)
Share of profit and loss of an associate		**(432)**	15,638
Interest income	5	**(1,389)**	(2,479)
Gain on disposal of subsidiaries	7	**(4,720)**	—
Write-off of items of property, plant and equipment	7	**—**	481
Depreciation	7	**3,757**	5,340
Amortisation of film and TV program products	7	**69,137**	320,032
Amortisation of film and TV program rights	7	**3,484**	299
Impairment of films and TV programs under production	7	**64,310**	5,659
Impairment of trade receivables	7	**—**	281
Write-off of trade receivables	7	**90**	—
Impairment of advances and other receivables	7	**12,320**	15,917
Write-off of other receivables	7	**339**	—
Reversal of impairment of advances and other receivables	7	**(349)**	(34)
Foreign exchange differences, net	7	**6,755**	5,825
		30,972	108,536
Additions of films and TV programs under production and film investments	15	**(245,651)**	(292,849)
Additions of film and TV program products, net	14	**(2)**	927
Decrease in TV program products	14	**150,941**	—
Additions of film and TV program rights	14	**(1,760)**	—
Increase in other financial assets		**(9,426)**	—
Increase in trade receivables		**(30,873)**	(21,643)
Decrease/(Increase) in prepayments, deposits and other receivables		**(40,536)**	73,806
Increase/(decrease) in trade payables		**(1,177)**	4,378
Increase/(decrease) in accruals and other payables		**80,972**	(35,366)
Increase/(decrease) in deposits received		**(621)**	186,774
Cash generated from/(used in) operations		**(67,161)**	24,563
Hong Kong taxes paid		**(89)**	(376)
Overseas taxes paid		**(579)**	(1,274)
Net cash flows from/(used in) operating activities		**(67,829)**	22,913

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**1,389**	2,479
Proceeds on disposal of items of property, plant and equipment		**7**	—
Purchases of items of property, plant and equipment	12	**(2,616)**	(1,405)
Disposal of subsidiaries	33	**(5,372)**	—
Capital contributions to a joint venture		**(2,500)**	—
Dividend received from a joint venture		**1,000**	—
Advances to joint ventures		**(7,357)**	(476)
Repayment of an amount due from an associate		**4,137**	—
Net cash flows from/(used in) investing activities		**(11,312)**	598
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contributions from a non-controlling shareholder		**858**	2,362
Interest paid to an intermediate holding company		**(5,334)**	—
Interest paid to a fellow subsidiary		**(9,910)**	—
Redemption of TFN Convertible Notes	24(i)	**—**	(130,000)
Redemption of Specific Mandate Convertible Notes	24(ii)	**—**	(166,840)
Loan from the ultimate holding company		**—**	100,000
Loan from a related party		**—**	200,000
Net cash flows from/(used in) financing activities		**(14,386)**	5,522
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(93,527)**	29,033
Cash and cash equivalents at beginning of year		**429,983**	402,451
Effect of foreign exchange rate changes, net		**(1,460)**	(1,501)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**334,996**	429,983
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**334,996**	429,983

1. CORPORATE AND GROUP 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 GEM 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 37 to the financial statements.

In the opinion of the directors of the Company, as at 31 July 2018, the ultimate holding company of the Company was eSun Holdings Limited ("**eSun**") which is incorporated in Bermuda and whose shares are listed and traded on the Main Board of the Stock Exchange. In the opinion of the directors of the Company, with effect from 8 August 2018, Lai Sun Garment (International) Limited, which is incorporated in Hong Kong and whose shares are listed and traded on the Main Board of the Stock Exchange, has become the new ultimate holding company of the Company and eSun has become an intermediate holding company of the Company.

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, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except for certain financial assets which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 July 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

2. BASIS OF PREPARATION *(continued)*

Basis of consolidation (continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described 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 accumulated losses, 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 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

The nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 August 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 August 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 August 2018 is as follows:

	HKAS 39 measurement			HKFRS 9 measurement	
	Category	Amount HK$'000	Re-classification HK$'000	Amount HK$'000	Category
Financial assets					
Trade receivables	L&R[1]	47,943	—	47,943	AC[2]
Financial assets at fair value through profit or loss included in other financial assets and other assets	N/A	—	29,033	29,033	FVPL[3]
Financial assets included in prepayments, deposits and other receivables	L&R	67,104	(29,033)	38,071	AC
Cash and cash equivalents	L&R	429,983	—	429,983	AC
		545,030	—	545,030	

1 L&R: Loans and receivables
2 AC: Financial assets at amortised cost
3 FVPL: Financial assets at fair value through profit or loss

There has been no impact on the Group's classification and measurement of financial liabilities as the new requirements under HKFRS 9 only affect the classification and measurement of financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

Impairment

There was no significant impact for replacing the aggregate opening impairment allowances under HKAS 39 with the expected credit loss ("**ECL**") allowances under HKFRS 9 on the above financial assets as at 1 August 2018.

2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in note 5 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.3 to the financial statements.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 August 2018.

The Group has elected to recognise the cumulative effect of the initial application of HKFRS 15, if any, as an adjustment to the opening balance of accumulated losses as at 1 August 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Consideration received from customers in advance and deferred revenue

Before adoption of HKFRS 15, the Group recognised consideration received from customers in advance and deferred revenue under deposits received, and accruals and other payables, respectively. Upon the adoption of HKFRS 15, the amounts are classified as contract liabilities which are included in deposits received, and accruals and other payables.

Therefore, upon the adoption of HKFRS 15, the Group reclassified HK$212,715,000 and HK$24,528,000 from deposits received, and accruals and other payables to contract liabilities, respectively, as at 1 August 2018 in relation to the consideration received from customers in advance and deferred revenue as at 1 August 2018.

As at 31 July 2019, under HKFRS 15, HK$197,121,000 and HK$39,219,000 were reclassified from deposits received, and accruals and other payables to contract liabilities in relation to the consideration received from customers in advance and deferred revenue, respectively.

Other than as explained above, the adoption of 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 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about these HKFRSs that are expected to be applicable to the Group is described below.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

The Group will adopt HKFRS 16 from 1 August 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of accumulated losses at 1 August 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. Upon the adoption of HKFRS 16, the Group expects that certain amounts included in note 31(b) to the financial statements may need to be recognised as new right-of-use assets and lease liabilities. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. The Group will need to perform a more detailed analysis to determine the amount of new right-of-use assets and lease liabilities to be recognised arising from operating lease commitments upon the adoption of HKFRS 16, after taking into account the exemption of short-term leases and leases of low value assets, other practical expedients and reliefs chosen, and the effects of discounting.

Other than as disclosed above, the Group is in the process of making a detailed assessment of the impact of the new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's financial statements in the period of initial application.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates and joint ventures (continued)

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated income statement and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associates or joint 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*.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill

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

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

If the business combination is achieved in stages, the previously held equity interest is remeasured to fair value 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill (continued)

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.

Fair value measurement

The Group measures its derivative financial instruments and certain investments at fair value 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 and TV program rights, film and TV program products, films and TV programs under production, and film investments

Film and TV program rights are rights acquired or licensed from outsiders for exhibition/broadcasting and other exploitation of the films and TV programs.

Film and TV program rights are stated at cost less accumulated amortisation and any impairment losses. Film and TV program rights, less accumulated impairment losses, are amortised based on the proportion of actual revenues earned during the year to their total estimated projected revenues as an approximation of the consumption of their economic benefits. Additional adjustment to accumulated amortisation is made if the projected revenues are different from the previous estimation or to reflect the actual consumption of economic benefits, as appropriate. Estimated projected revenues and related future cash flows, and the amortisation method are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

Film and TV program products are stated at cost less accumulated amortisation and any impairment losses. The portion of film and TV program products to be recovered through use, less estimated residual value and accumulated impairment losses, are amortised based on the proportion of actual revenues earned during the year to their total estimated projected revenues as an approximation of the consumption of their economic benefits. Additional adjustment to accumulated amortisation is made if the projected revenues are different from the previous estimation or to reflect the actual consumption of economic benefits, as appropriate. Cost of film and TV program products, accounted for on a project-by-project basis, includes production costs, costs of services, direct labour costs, facilities and raw materials consumed in the creation of a film or TV program.

Films and TV programs under production include production costs, costs of services, direct labour costs, facilities and raw materials consumed in the creation of films or TV programs. Upon completion and available for commercial exploitation, 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.

The Group has certain investments in film projects which entitles the Group to receive a fixed and/or variable income based on the Group's investment amount and/or expected rate of return as specified in the respective film investment agreements. All film investments which give rise to cash flows that are not solely payments of principal and interest on the principal amount outstanding are stated at fair value through profit or loss.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 August 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 August 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or impaired.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 August 2018) (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group has certain investments in entertainment events which entitles the Group to receive a fixed and/or variable income based on the Group's investment amount and/or expected rate of return as specified in respective entertainment event agreements. All investments in entertainment events which give rise to cash flows that are not solely payments of principal and interest on the principal amount outstanding are stated at fair value through profit or loss.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the income statement when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Impairment of financial assets (policies under HKFRS 9 applicable from 1 August 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets (policies under HKFRS 9 applicable from 1 August 2018) (continued)

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

The Group applies the simplified approach in calculating ECLs for trade receivables. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under HKAS 39 applicable before 1 August 2018)

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 (policies under HKAS 39 applicable before 1 August 2018)

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 (policies under HKAS 39 applicable before 1 August 2018) (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 (policies under HKFRS 9 applicable from 1 August 2018 and policies under HKAS 39 applicable before 1 August 2018)

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 (policies under HKFRS 9 applicable from 1 August 2018 and policies under HKAS 39 applicable before 1 August 2018) (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 risks 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.

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

Financial liabilities (policies under HKFRS 9 applicable from 1 August 2018 and policies under HKAS 39 applicable before 1 August 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, 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 (policies under HKFRS 9 applicable from 1 August 2018 and policies under HKAS 39 applicable before 1 August 2018)

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 (policies under HKFRS 9 applicable from 1 August 2018 and policies under HKAS 39 applicable before 1 August 2018)

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.

Revenue recognition (applicable from 1 August 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition (applicable from 1 August 2018) (continued)

Revenue from contracts with customers (continued)

(a) Revenue from entertainment events organised by the Group is recognised when the events are completed;

(b) Income from films licensed to movie theatres is recognised when the films are exhibited;

(c) Licence income from films and TV programs licensed for a fixed fee or non-refundable guarantee under a non-cancellable contract is recognised where an assignment is granted to the licensee which permits the licensee to exploit those rights freely and where the Group has no remaining obligations to perform and when the materials have been delivered to licensee;

(d) 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 is recognised when the films and TV programs are available for showing or telecast;

(e) Sale of TV program products and albums are recognised when control of the asset is transferred to the customers, generally on delivery of the products or in accordance with the terms of the relevant agreements;

(f) Distribution commission income is recognised when the album, film materials or TV program materials have been delivered to the wholesalers, distributors and licensees;

(g) Album licence income and music publishing income are recognised when the license is used by the customer or the customer simultaneously receives and consumes the benefits provided by the Group in accordance with the terms of the relevant agreements; and

(h) Artiste management fee income, producer fee income and consultancy service income from entertainment events and TV programs and commission income and handling fee from entertainment events are recognised in the period in which the relevant services are rendered to the customer or the customer simultaneously receives and consumes the benefits provided by the Group.

Other income

(i) Interest income is recognised 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

(ii) Dividend income is recognised when the shareholder's right to receive payment has been established.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition (applicable before 1 August 2018)

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 gain 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 rights freely and where the Group has no remaining obligations to perform and when the 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 program materials 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)*

Contract liabilities (applicable from 1 August 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits (continued)

Share-based payments (continued)

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.

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 a 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies (continued)

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, an associate and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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, an associate and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Dividend income derived from the Company's subsidiaries and joint ventures 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 ESTIMATES

The preparation of the Group's financial statements requires management to make 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 accumulated amortisation and any impairment losses. The portions of film and TV program products to be recovered through use, less estimated residual value and accumulated impairment losses, are amortised based on the proportion of actual revenues earned during the year to their total estimated projected revenues as an approximation of the consumption of their economic benefits. Additional adjustment to accumulated amortisation is made if the projected revenues are different from the previous estimation or to reflect the actual consumption of economic benefits, as appropriate.

Management estimates the costs to be incurred to complete production and the total projected revenues and related future cash flows, as appropriate, of each film and TV program under production and each film and TV program product based on the historical cost, performance and cash flows of similar films and TV programs, incorporating factors such as the production plan, target market and business plan of films and TV programs, the past box office records and/or other relevant information of the main artistes and directors of the films and TV programs, the genre of the films and TV programs, anticipated performance in the theatrical, home entertainment, television and other ancillary markets, and/or agreements for future sales, licensing and other exploitation.

These estimated costs to be incurred to complete production, projected revenues and related future cash flows can change significantly due to a variety of factors. Based on both internal and external market information available on the films and TV programs under production and film and TV program products, management reviews and revises the estimated costs to be incurred to complete production, projected revenues and related future cash flows of the relevant asset, as appropriate, to assess whether there are any indicators of impairment or reversal of impairment at least at the end of each reporting period. Any change in consumption of economic benefits or estimations of costs to be incurred to complete production, projected revenues and related future cash flows may result in a change in the rate of amortisation and/or the impairment of the assets. This could have a significant impact on the Group's financial performance. The carrying amounts of film and TV program products and films and TV programs under production are disclosed in notes 14 and 15 to the financial statements, respectively.

3. SIGNIFICANT ACCOUNTING ESTIMATES *(continued)*

Estimation uncertainty (continued)

(b) Provision for expected credit losses on trade receivables and other receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments with shared risk characteristics. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 19 to the financial statements.

The loss allowances for other receivables are based on assumptions about risk of default and expected loss rates. The Group makes adjustment in making these assumptions and selecting the inputs to the ECL calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. A number of significant judgements are also required in applying the accounting requirements for measuring ECLs, such as:

– Determining criteria for a significant increase in credit risk;
– Identifying economic indicators for forward-looking measurement; and
– Estimating future cash flows for the other receivables.

The information about the provision for ECLs on the Group's other receivables is disclosed in note 20 to the financial statements.

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 the distribution and licence of music;

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

4. OPERATING SEGMENT INFORMATION *(continued)*

(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 tax payable and loans from an intermediate holding company/the ultimate holding company and a fellow subsidiary/a related party 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 (2018: Nil).

Segment revenue/results:

	Media and entertainment		Film and TV program		Corporate		Consolidated	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Sales to external customers	**336,239**	249,731	**237,493**	240,200	**–**	–	**573,732**	489,931
Other income	**7,192**	6,721	**2,775**	4,033	**552**	364	**10,519**	11,118
Segment profit/(loss)	**30,291**	31,505	**(140,669)**	(253,426)	**(17,104)**	(20,864)	**(127,482)**	(242,785)
Gain on disposal of subsidiaries	**–**	–	**4,720**	–	**–**	–	**4,720**	–
Finance costs							**(15,786)**	(24,921)
Share of profits and losses of joint ventures	**(2,567)**	1,833	**(1,586)**	(909)	**–**	–	**(4,153)**	924
Share of profit and loss of an associate	**–**	–	**432**	(15,638)	**–**	–	**432**	(15,638)
Loss before tax							**(142,269)**	(282,420)

4. OPERATING SEGMENT INFORMATION *(continued)*

Segment assets/liabilities:

	Media and entertainment		Film and TV program		Corporate		Consolidated	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Segment assets	**272,727**	192,237	**728,932**	915,214	**64,082**	51,225	**1,065,741**	1,158,676
Investments in joint ventures	**17,851**	14,507	**1,654**	4	**–**	–	**19,505**	14,511
Investment in an associate	**–**	–	**–**	3,705	**–**	–	**–**	3,705
Total assets							**1,085,246**	1,176,892
Segment liabilities	**182,896**	107,007	**377,925**	414,005	**5,767**	584	**566,588**	521,596
Unallocated liabilities							**311,499**	309,530
Total liabilities							**878,087**	831,126
Other segment information:								
Depreciation	**456**	1,186	**1,199**	1,957	**2,102**	2,197	**3,757**	5,340
Amortisation of film and TV program products	**–**	–	**69,137**	320,032	**–**	–	**69,137**	320,032
Amortisation of film and TV program rights	**–**	–	**3,484**	299	**–**	–	**3,484**	299
Write-off of items of property, plant and equipment	**–**	479	**–**	2	**–**	–	**–**	481
Impairment of films and TV programs under production	**–**	–	**64,310**	5,659	**–**	–	**64,310**	5,659
Impairment of trade receivables	**–**	271	**–**	10	**–**	–	**–**	281
Impairment of advances and other receivables	**3,173**	3,024	**9,147**	12,893	**–**	–	**12,320**	15,917
Reversal of impairment of advances and other receivables	**(34)**	(34)	**(315)**	–	**–**	–	**(349)**	(34)
Write-off of trade receivables	**90**	–	**–**	–	**–**	–	**90**	–
Write-off of other receivables	**–**	–	**339**	–	**–**	–	**339**	–
Additions of property, plant and equipment	**345**	53	**315**	1,311	**1,956**	41	**2,616**	1,405
Additions of film and TV program rights	**–**	–	**1,760**	–	**–**	–	**1,760**	–
Additions of film and TV program products, net	**–**	–	**2**	(927)	**–**	–	**2**	(927)
Additions of films and TV programs under production and film investments	**–**	–	**245,651**	292,849	**–**	–	**245,651**	292,849

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

	Hong Kong		Mainland China		Macau		Others		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue:										
Sales to external customers	**267,189**	206,701	**234,760**	226,271	**34,533**	25,162	**37,250**	31,797	**573,732**	489,931
Assets:										
Segment assets										
– non-current assets	**53,841**	75,600	**32,791**	34,892	**–**	–	**9,817**	81	**96,449**	110,573
– current assets	**449,227**	590,268	**513,319**	466,556	**12,986**	1,102	**13,265**	8,393	**988,797**	1,066,319
Total assets									**1,085,246**	1,176,892
Other information:										
Additions of property, plant and equipment	**2,264**	58	**79**	1,347	**–**	–	**273**	–	**2,616**	1,405
Additions of film and TV program rights	**1,760**	–	**–**	–	**–**	–	**–**	–	**1,760**	–
Additions of film and TV program products, net	**2**	(927)	**–**	–	**–**	–	**–**	–	**2**	(927)
Additions of films and TV programs under production and film investments	**70,832**	189,397	**174,819**	103,452	**–**	–	**–**	–	**245,651**	292,849

Information about major customers

Revenue from one (2018: one) customer which accounted for revenue exceeding 10% of the Group's total revenues amounted to approximately HK$159,945,000 for the year ended 31 July 2019 (2018: HK$65,007,000).

5. TURNOVER AND OTHER INCOME

(a) An analysis of the Group's turnover is as follows:

	2019 HK$'000	2018 HK$'000
Revenue from contracts with customers		
Entertainment event income	**298,767**	194,306
Album sales, licence income and distribution commission income from music publishing and licensing	**28,666**	31,155
Artiste management fee income	**8,806**	24,270
Distribution commission income, licence fee income and sales from film and TV program products and film and TV program rights	**237,493**	240,200
	573,732	489,931

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 July 2019:

	Media and entertainment HK$'000	Film and TV program HK$'000	Total HK$'000
Timing at revenue recognition			
At a point in time	**323,741**	**237,493**	**561,234**
Over time	**12,498**	**—**	**12,498**
Total revenue from contracts with customers	**336,239**	**237,493**	**573,732**
Geographical markets			
Hong Kong	**256,023**	**11,166**	**267,189**
Mainland China	**34,967**	**199,793**	**234,760**
Macau	**34,525**	**8**	**34,533**
Others	**10,724**	**26,526**	**37,250**
Total revenue from contracts with customers	**336,239**	**237,493**	**573,732**

The revenue from contracts with customers recognised in the current reporting period that was included in contract liabilities at the beginning of the reporting period was HK$189,369,000.

5. TURNOVER AND OTHER INCOME *(continued)*

(b) An analysis of the Group's other income is as follows:

	2019 HK$'000	2018 HK$'000
Other income		
Bank interest income	1,389	2,479
Government grants *	1,077	200
Commission and handling fee income from entertainment events	7,366	6,479
Others	687	1,960
	10,519	11,118

* 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:

	2019 HK$'000	2018 HK$'000
Interest on:		
— TFN Convertible Notes (note 24(i))	—	8,849
— Specific Mandate Convertible Notes (note 24(ii))	—	13,828
— Loan from the ultimate holding company (note 32(a)(vii))	—	429
— Loan from a related party (note 32(a)(vii))	—	1,815
— Loan from an intermediate holding company (note 32(a)(vii))	5,369	—
— Loan from a fellow subsidiary (note 32(a)(vii))	10,417	—
	15,786	24,921

7. LOSS BEFORE TAX

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

	Notes	2019 HK$'000	2018 HK$'000
Cost of film and TV program products, film and TV program rights and licence rights		**290,412**	326,104
Cost of artiste management services and services for entertainment events provided		**246,009**	147,809
Total cost of sales		**536,421**	473,913
Depreciation	12	**3,757**	5,340
Amortisation of film and TV program products #	14	**69,137**	320,032
Amortisation of film and TV program rights #	14	**3,484**	299
Minimum lease payments under operating leases in respect of land and buildings incurred for:			
Entertainment events #		**5,733**	4,952
Others		**14,220**	16,050
Contingent rents incurred for entertainment events #		**39,007**	21,615
Total operating lease payments		**58,960**	42,617
Auditor's remuneration		**2,222**	2,146
Employee benefit expense (including directors' emoluments (note 8)):			
Salaries, wages, bonuses and allowances		**92,691**	95,729
Pension scheme contributions		**5,304**	4,926
		97,995	100,655
Less: Capitalised in films and TV programs under production	15	**(7,964)**	—
		90,031	100,655

7. LOSS BEFORE TAX *(continued)*

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

	Notes	**2019 HK$'000**	2018 HK$'000
Gain on disposal of subsidiaries*	33	**(4,720)**	—
Write-off of items of property, plant and equipment ##	12	**—**	481
Impairment of films and TV programs under production #	15	**64,310**	5,659
Impairment of trade receivables ##	19	**—**	281
Impairment of advances and other receivables ##	20	**12,320**	15,917
Reversal of impairment of advances and other receivables *	20	**(349)**	(34)
Write-off of trade receivables ##		**90**	—
Write-off of other receivables ##		**339**	—
Share of net gain from entertainment events organised by the Group to co-investors ##		**740**	309
Share of net gain from entertainment events organised by co-investors *		**(8,230)**	(1,675)
Foreign exchange losses, net ##		**6,755**	5,825

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 GEM 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:

	2019 **HK$'000**	2018 HK$'000
Fees	**810**	810
Other emoluments:		
Salaries and allowances	**4,732**	4,566
Pension scheme contributions	**33**	32
	4,765	4,598
	5,575	5,408

	Fees **HK$'000**	**Salaries and allowances** **HK$'000**	**Pension scheme contributions** **HK$'000**	**Total remuneration** **HK$'000**
Year ended 31 July 2019				
Executive Directors				
Lam Kin Ngok, Peter	120	–	–	120
Lui Siu Tsuen, Richard	120	–	–	120
Chan Chi Kwong	120	3,457	15	3,592
Yip Chai Tuck	–	1,275	18	1,293
	360	4,732	33	5,125
Independent Non-executive Directors				
Chan Chi Yuen	150	–	–	150
Zhang Xi	150	–	–	150
Ng Chi Ho, Dennis	150	–	–	150
	450	–	–	450
	810	4,732	33	5,575

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 2018				
Executive Directors				
Lam Kin Ngok, Peter	120	—	—	120
Lui Siu Tsuen, Richard	120	—	—	120
Chan Chi Kwong	120	3,351	14	3,485
Yip Chai Tuck	—	1,215	18	1,233
	360	4,566	32	4,958
Independent Non-executive Directors				
Chan Chi Yuen	150	—	—	150
Zhang Xi	150	—	—	150
Ng Chi Ho, Dennis	150	—	—	150
	450	—	—	450
	810	4,566	32	5,408

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

(b) *Employees' emoluments*

The five highest paid employees during the year included one (2018: one) director, details of whose emoluments are set out above. Details of the remuneration of the remaining four (2018: four) non-director, highest paid employees for the year are as follows:

	2019 HK$'000	2018 HK$'000
Salaries and allowances	**14,241**	11,306
Pension scheme contributions	**54**	48
	14,295	11,354

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

(b) *Employees' emoluments (continued)*

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

	Number of employees 2019	2018
HK$1,500,001 to HK$2,000,000	—	1
HK$2,000,001 to HK$2,500,000	1	1
HK$2,500,001 to HK$3,000,000	1	1
HK$3,000,001 to HK$3,500,000	—	—
HK$3,500,001 to HK$4,000,000	—	—
HK$4,000,001 to HK$4,500,000	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% (2018: 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.

	2019 HK$'000	2018 HK$'000
Provision for tax for the year		
Current — Hong Kong		
Charge for the year	2,078	415
Overprovision in prior years	(22)	(39)
Current — Elsewhere		
Charge for the year	581	1,537
Overprovision in prior years	—	(132)
Total tax expense for the year	2,637	1,781

9. INCOME TAX EXPENSE *(continued)*

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

	2019 HK$'000	2018 HK$'000
Loss before tax	(142,269)	(282,420)
Tax at the applicable tax rates	(29,926)	(46,361)
Lower tax rate enacted by local authority	—	(165)
Adjustments in respect of current tax of previous years	(22)	(171)
Profits and losses attributable to joint ventures and an associate	614	2,428
Income not subject to tax	(1,820)	(979)
Expenses not deductible for tax	3,743	7,136
Utilisation of tax losses previously not recognised	(4,217)	(6,570)
Estimated tax losses not recognised	30,339	46,754
Others	3,926	(291)
Tax charge at the Group's effective rate	2,637	1,781

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 2019 (2018: 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$147,056,000 (2018: HK$273,503,000) and the weighted average number of ordinary shares of approximately 2,136,056,000 (2018: approximately 2,136,056,000) in issue during the year.

The Group had no potential dilutive ordinary shares in issue during the year ended 31 July 2019. No adjustment had been made to the basic loss per share amount presented for the year ended 31 July 2018 in respect of a dilution as the impact of the TFN Convertible Notes and the Specific Mandate Convertible Notes outstanding during the year had an anti-dilutive effect on the basic loss per share amount 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 2017	16,207	3,198	586	3,514	23,505
Additions	1,202	15	–	188	1,405
Disposal	–	(12)	–	(23)	(35)
Write-off	(768)	(143)	–	(31)	(942)
Exchange realignment	(61)	(1)	–	(12)	(74)
At 31 July 2018 and 1 August 2018	16,580	3,057	586	3,636	23,859
Additions	2,052	118	242	204	2,616
Disposal of subsidiaries (note 33)	–	(8)	–	(409)	(417)
Disposal	–	–	–	(16)	(16)
Write-off	(2,814)	–	–	(31)	(2,845)
Exchange realignment	(67)	(19)	–	(24)	(110)
At 31 July 2019	15,751	3,148	828	3,360	23,087
Accumulated depreciation:					
At 1 August 2017	9,906	2,159	586	2,392	15,043
Charge for the year	4,210	445	–	685	5,340
Disposal	–	(12)	–	(23)	(35)
Write-off	(367)	(65)	–	(29)	(461)
Exchange realignment	(99)	(8)	–	(17)	(124)
At 31 July 2018 and 1 August 2018	13,650	2,519	586	3,008	19,763
Charge for the year	2,913	270	73	501	3,757
Disposal of subsidiaries (note 33)	–	(8)	–	(375)	(383)
Disposal	–	–	–	(9)	(9)
Write-off	(2,814)	–	–	(31)	(2,845)
Exchange realignment	(51)	(14)	–	(21)	(86)
At 31 July 2019	13,698	2,767	659	3,073	20,197
Net carrying amount:					
At 31 July 2019	2,053	381	169	287	2,890
At 31 July 2018	2,930	538	–	628	4,096

13. GOODWILL

	HK$'000
Cost:	
At 1 August 2017, 31 July 2018, 1 August 2018 and 31 July 2019	3,477
Accumulated impairment:	
At 1 August 2017, 31 July 2018, 1 August 2018 and 31 July 2019	3,477
Net carrying amount:	
At 31 July 2019	–
At 31 July 2018	–

14. FILM AND TV PROGRAM PRODUCTS AND RIGHTS

(a) Film and TV program products

	HK$'000
Cost:	
At 1 August 2017	789,519
Additions, net	(927)
Transfer from films and TV programs under production (note 15)	276,014
Exchange realignment	(1,063)
At 31 July 2018 and 1 August 2018	1,063,543
Additions, net	2
Disposal of subsidiaries	(24)
Transfer from films and TV programs under production (note 15)	214,896
Sales of TV program products	(150,941)
Exchange realignment	(1,346)
At 31 July 2019	1,126,130
Accumulated amortisation and impairment:	
At 1 August 2017	704,298
Provided during the year	320,032
Exchange realignment	(1,240)
At 31 July 2018 and 1 August 2018	1,023,090
Provided during the year	69,137
Disposal of subsidiaries	(24)
Exchange realignment	(1,212)
At 31 July 2019	1,090,991
Net carrying amount:	
At 31 July 2019	35,139
At 31 July 2018	40,453

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

(a) *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 2019 was determined based on the present value of expected future revenues and related cash flows arising from the distribution and sublicensing of the film and TV program products and their residual values, which were derived from discounting the projected cash flows using a discount rate of 15% (2018: 15%).

(b) *Film and TV program rights*

	HK$'000
Cost:	
At 1 August 2017	33,374
Write-off	(25)
At 31 July 2018 and 1 August 2018	33,349
Additions	1,760
Write-off	(109)
At 31 July 2019	35,000
Accumulated amortisation and impairment:	
At 1 August 2017	31,204
Provided during the year	299
Write-off	(25)
At 31 July 2018 and 1 August 2018	31,478
Provided during the year	3,484
Write-off	(109)
At 31 July 2019	34,853
Net carrying amount:	
At 31 July 2019	147
At 31 July 2018	1,871

15. FILMS AND TV PROGRAMS UNDER PRODUCTION AND FILM INVESTMENTS

	Notes	2019 HK$'000	2018 HK$'000
Films and TV programs under production	(i)	**408,842**	469,611
Film investments, at fair value	(ii)	**8,466**	—
At end of the reporting period		**417,308**	469,611

Notes:

(i) Films and TV Programs under production

	2019 HK$'000	2018 HK$'000
At beginning of the reporting period	**469,611**	463,155
Additions (including capitalisation of employee benefit expense of HK$7,964,000 (2018: Nil) (note 7))	**237,060**	292,849
Transfer to film and TV program products (note 14)	**(214,896)**	(276,014)
Impairment #	**(64,310)**	(5,659)
Disposal of subsidiaries (note 33)	**(14,813)**	—
Exchange realignment	**(3,810)**	(4,720)
At end of the reporting period	**408,842**	469,611

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

(ii) Film investments, at fair value

	2019 HK$'000	2018 HK$'000
Film investments classified as financial assets at fair value through profit or loss		
At beginning of the reporting period	**—**	—
Additions	**8,591**	—
Exchange realignment	**(125)**	—
At end of the reporting period	**8,466**	—

16. INVESTMENTS IN JOINT VENTURES

	2019 HK$'000	2018 HK$'000
Share of net assets	**(19,041)**	(16,678)
Due from joint ventures	**38,546**	31,189
	19,505	14,511

The amounts due from joint ventures are unsecured, interest-free and repayable on demand 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$11,349,000 (2018: HK$11,502,000) due from a joint venture which bears interest at The People's Bank of China Benchmark Loan Interest Rate.

Details of the joint ventures are disclosed in note 38 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 the investment and production of 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 reconciled to the carrying amount in the financial statements:

	2019 HK$'000	2018 HK$'000
Cash and cash equivalents	**5,998**	2,762
Other current assets	**20,339**	14,953
Current assets	**26,337**	17,715
Non-current assets	**230**	232
Current liabilities	**(34,022)**	(25,362)
Non-current liabilities	**(39,914)**	(39,072)
Net liabilities	**(47,369)**	(46,487)

16. INVESTMENTS IN JOINT VENTURES *(continued)*

上影寰亞 (continued)

The following table illustrates the summarised financial information of 上影寰亞 reconciled to the carrying amount in the financial statements: *(continued)*

	2019 HK$'000	2018 HK$'000
Proportion of the Group's ownership	**50%**	50%
The Group's share of net liabilities of 上影寰亞	**(19,761)**	(19,337)
Amount due from 上影寰亞	**19,761**	19,337
The carrying amount of the Group's investment in the joint venture	**–**	–
Revenue	**1,146**	23,274
Cost of sales (including amortisation expense of HK$4,884,000 (2018: HK$10,130,000))	**(4,884)**	(10,130)
Other revenue (including interest income of HK$49,000 (2018: HK$95,000))	**49**	106
Expenses (including interest expense of HK$1,375,000 (2018: HK$1,444,000))	**2,174**	(22,399)
Income tax expense	**–**	(483)
Loss for the year	**(1,515)**	(9,632)
Other comprehensive income for the year	**633**	432
Total comprehensive loss for the year	**(882)**	(9,200)
The Group's share of total comprehensive loss for the year	**(424)**	(694)

The Group discontinued recognising its share of losses of 上影寰亞 because the share of losses of 上影寰亞 exceeded the Group's interest in 上影寰亞 and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of 上影寰亞 for the current year and cumulatively were HK$17,000 (2018: HK$3,907,000) and HK$3,924,000 (2018: HK$3,907,000), respectively.

16. INVESTMENTS IN JOINT VENTURES *(continued)*

Player One

Player One Limited and its subsidiaries ("**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 reconciled to the carrying amount in the financial statements:

	2019 **HK$'000**	2018 HK$'000
Cash and cash equivalents	**17,906**	13,286
Other current assets	**592**	279
Current assets	**18,498**	13,565
Non-current assets	**287**	364
Current liabilities	**(13,306)**	(6,348)
Non-current liabilities	**(22,000)**	(22,000)
Net liabilities	**(16,521)**	(14,419)
Proportion of the Group's ownership	**50%**	50%
The Group's share of net liabilities of Player One	**(8,261)**	(7,210)
Amount due from Player One	**16,812**	11,000
The carrying amount of the Group's investment in the joint venture	**8,551**	3,790
Revenue	**203**	7,619
Cost of sales	**(139)**	(4,271)
Other revenue	**1**	94
Expenses	**(2,233)**	(3,450)
Other operating gains/(losses)	**66**	(776)
Loss and total comprehensive loss for the year	**(2,102)**	(784)
The Group's share of total comprehensive loss for the year	**(1,051)**	(392)

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 reconciled to the carrying amount in the financial statements:

	2019 **HK$'000**	2018 HK$'000
Cash and cash equivalents	**13,828**	21,110
Other current assets	**480**	366
Current assets	**14,308**	21,476
Non-current assets	**747**	951
Current liabilities	**(7,818)**	(14,664)
Net assets	**7,237**	7,763
Proportion of the Group's ownership	**50%**	50%
The Group's share of net assets of SQ and the carrying amount of the Group's investment in the joint venture	**3,619**	3,882
Revenue	**2,684**	2,601
Cost of sales	**(525)**	(469)
Other income (including interest income of HK$92,000 (2018: HK$103,000))	**92**	103
Expenses	**(2,777)**	(3,437)
Income tax expense	**—**	—
Loss and total comprehensive loss for the year	**(526)**	(1,202)
The Group's share of total comprehensive loss for the year	**(263)**	(601)

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:

	2019 HK$'000	2018 HK$'000
The Group's share of profit/(loss) for the year	**(2,098)**	2,826
The Group's share of other comprehensive loss for the year	**(27)**	(57)
The Group's share of total comprehensive income/(loss) for the year	**(2,125)**	2,769
The Group's share of net assets of joint ventures	**5,362**	5,987
Amounts due from joint ventures	**1,973**	852
The carrying amounts of the Group's investments in the joint ventures	**7,335**	6,839

17. INVESTMENT IN AN ASSOCIATE

	2019 HK$'000	2018 HK$'000
Share of net liabilities	**(15,286)**	(15,718)
Due from an associate	**15,286**	19,423
	–	3,705

The amount due from an associate, ProM Rococo Limited ("**ProM**"), is unsecured, interest-free and repayable on demand 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 39 to the financial statements.

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

	2019 HK$'000	2018 HK$'000
Non-current assets	**–**	5,024
Current assets	**648**	1,434
Current liabilities	**–**	(1,295)
Non-current liabilities	**(73,498)**	(77,636)
Net liabilities	**(72,850)**	(72,473)

17. INVESTMENT IN AN ASSOCIATE *(continued)*

The following table illustrates the summarised financial information of ProM reconciled to the carrying amount in the financial statements: *(continued)*

	2019 HK$'000	2018 HK$'000
Proportion of the Group's ownership	**25%**	25%
The Group's share of net liabilities of the associate	**(15,286)**	(15,718)
Amount due from the associate	**15,286**	19,423
The carrying amount of the Group's investment in an associate	**—**	3,705
Revenue	**6,482**	4,174
Cost of sales	**(5,330)**	(70,855)
Expenses	**(1,529)**	(5,473)
Other operating gain	**—**	4
Loss and total comprehensive loss for the year	**(377)**	(72,150)
The Group's share of total comprehensive income/(loss) for the year	**432**	(15,638)

The Group recognised the share of net liabilities of the associate under the equity method of accounting, adjusted for the Group's right of first recoupment of certain assets of the associate pursuant to the co-investment agreement. The amounts of the Group's unrecognised share of losses of ProM for the current year and cumulatively were HK$526,000 (2018: HK$2,400,000) and HK$2,926,000 (2018: HK$2,400,000), respectively.

18. OTHER FINANCIAL ASSETS

	2019 HK$'000	2018 HK$'000
Designated at fair value through profit or loss upon initial recognition		
Unlisted investment, at fair value	**20,775**	—
Less: current portion	**(11,349)**	—
Non-current portion	**9,426**	—

The above unlisted investments were investments in preference shares and debt instruments.

19. TRADE RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	**86,485**	55,702
Impairment	**(7,759)**	(7,759)
	78,726	47,943

The Group's trading terms with its customers are mainly on credit and payment in advance is normally required for licensing income and sales of products. 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, as of the end of the reporting period, based on the payment due date and net of loss allowances is as follows:

	2019 HK$'000	2018 HK$'000
Neither past due nor impaired	**25,268**	38,458
1 to 90 days past due	**48,687**	4,971
Over 90 days past due	**4,771**	4,514
	78,726	47,943

Movements in the loss allowance for impairment of trade receivables are as follows:

	2019 HK$'000	2018 HK$'000
At beginning of the reporting period	**7,759**	7,478
Impairment loss recognised	**—**	281
At end of the reporting period	**7,759**	7,759

19. TRADE RECEIVABLES *(continued)*

Impairment under HKFRS 9 for the year ended 31 July 2019

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with shared risk characteristics. The reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix analysed by the payment due date:

As at 31 July 2019

		Past due		
	Current	1 to 365 days	Over 365 days	Total
Expected credit loss rate	**0%**	**0%**	**100%**	**9%**
Gross carrying amount (HK$'000)	**25,268**	**53,458**	**7,759**	**86,485**
Expected credit losses (HK$'000)	**—**	**—**	**7,759**	**7,759**

Impairment under HKAS 39 for the year ended 31 July 2018

Included in the above provision for impairment of trade receivables, which was measured based on incurred credit losses under HKAS 39, as at 31 July 2018 was a provision for individually impaired trade debtors of HK$7,759,000 with a gross carrying amount before provision of HK$7,759,000. The individually impaired trade receivables as at 31 July 2018 related to customers that were in default in settlements and no portion of the receivables was expected to be recovered.

The ageing analysis of the trade receivables as at 31 July 2018 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2018 HK$'000
Neither past due nor impaired	38,458
Less than 1 month past due	4,971
1 to 3 months past due	4,514
	47,943

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

19. TRADE RECEIVABLES *(continued)*

Impairment under HKAS 39 for the year ended 31 July 2018 (continued)

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2019 HK$'000	2018 HK$'000
Prepayments, deposits and advances for artiste management, music production, and film and TV program production		**185,305**	189,033
Prepayments, deposits and other receivables		**24,404**	15,677
Other assets	(i)	**17,899**	—
	(ii)	**227,608**	204,710
Impairment	(iii)	**(51,848)**	(39,991)
		175,760	164,719
Portion classified as current portion		**(146,418)**	(118,782)
Non-current portion		**29,342**	45,937

Notes:

(i) Other assets represented investments in entertainment events of HK$17,899,000 (2018: Nil) as at 31 July 2019 which is classified as financial assets at fair value through profit or loss.

(ii) Included in prepayments, deposits and other receivables as at 31 July 2019 are advances of HK$7,377,000 (2018: HK$7,476,000) due from film owners for the Group's investments in film projects. The advances are unsecured, repayable within the next twelve months and with a fixed guarantee return of 16.5% (2018: 16.5%) on the principle amount.

Included in prepayments, deposits and other receivables as at 31 July 2018 was an amount due from an associate of HK$1,295,000 which was fully settled during the year ended 31 July 2019. The balance was unsecured, interest-free and had no fixed terms of repayment.

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

Notes: *(continued)*

(iii) The movements in the loss allowance for impairment of advances and other receivables are as follows:

	2019 HK$'000	2018 HK$'000
At beginning of the reporting period	**39,991**	29,842
Impairment loss recognised	**12,320**	15,917
Impairment loss reversed	**(349)**	(34)
Write-off	**—**	(5,762)
Exchange realignment	**(114)**	28
At end of the reporting period	**51,848**	39,991

The ECLs as at 31 July 2019 are estimated by applying a credit risk approach with reference to the historical loss record of the Group as at 31 July 2019. The loss allowance is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

As at 31 July 2018, included in the above loss allowance for impairment of advances and other receivables was an allowance for individually impaired receivables of HK$39,991,000, with a gross carrying amount of HK$43,614,000. Except for the above impaired balances, none of the above assets was either past due or impaired and there was no history of default.

21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represented cash and bank balances.

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ("**RMB**") amounted to HK$150,889,000 (2018: HK$292,370,000). The conversion of RMB-denominated cash and bank balances into foreign currencies and the remittance of such balances denominated in foreign currencies 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:

	2019 HK$'000	2018 HK$'000
Less than 30 days	**680**	4,838
31 to 60 days	**16**	62
61 to 90 days	**—**	12
Over 90 days	**3,102**	63
	3,798	4,975

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

23. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

(a) *Accruals and other payables*

	Notes	2019 HK$'000	2018 HK$'000
Accruals and other payables	(i)	**261,038**	253,467
Contract liabilities	(c)	**39,219**	—
		300,257	253,467

Note:

(i) Included in accruals and other payables as at 31 July 2019 are amounts due to fellow subsidiaries, joint ventures and an intermediate holding company of HK$70,065,000 (2018: HK$29,422,000), HK$1,627,000 (2018: HK$1,627,000), and HK$2,065,000 (2018: Nil), respectively. The balances are unsecured, interest-free and repayable on demand.

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

(b) *Deposits received*

	Note	2019 HK$'000	2018 HK$'000
Receipts in advance		**65,412**	263,154
Contract liabilities	(c)	**197,121**	—
		262,533	263,154

(c) *Contract liabilities*

As at 31 July 2019, the Group's total contract liabilities of HK$236,340,000 (1 August 2018: HK$237,243,000) represented consideration received in advance from customers and deferred revenue. All the remaining performance obligations are a part of contracts that have an original expected duration of one year or less.

24. CONVERTIBLE NOTES

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.

(i) *TFN Convertible Notes*

The TFN Convertible Notes were redeemed on 14 May 2018. Upon redemption, liability component of HK$130,000,000 of the TFN Convertible Notes was repaid by cash and equity component of HK$30,951,000 of the TFN Convertible Notes was transferred from the capital reserve to accumulated losses. Interest charged for the TFN Convertible Notes for the year ended 31 July 2018 was HK$8,849,000.

(ii) *Specific Mandate Convertible Notes*

The Specific Mandate Convertible Notes were redeemed on 3 July 2018. Upon redemption, liability component of HK$166,840,000 of the Specific Mandate Convertible Notes was repaid by cash and equity component of HK$40,503,000 of the Specific Mandate Convertible Notes was transferred from the capital reserve to accumulated losses. Interest charged for the Specific Mandate Convertible Notes for the year ended 31 July 2018 was HK$13,828,000.

25. LOAN FROM AN INTERMEDIATE HOLDING COMPANY/THE ULTIMATE HOLDING COMPANY

The balance represented a loan from eSun. The balance is unsecured, interest-bearing at the 3-month Hong Kong Interbank Offered Rate ("**HIBOR**") plus 3.3% per annum and repayable on 3 July 2020.

26. LOAN FROM A FELLOW SUBSIDIARY/A RELATED PARTY

The balance represented a loan from Hibright Limited ("**Hibright**"), a wholly-owned subsidiary of Lai Sun Development Company Limited ("**LSD**"). The balance is unsecured, interest-bearing at the 3-month HIBOR plus 3.3% per annum and repayable on 11 May 2020.

LSD was a substantial shareholder of eSun as at 31 July 2018 and had become an intermediate holding company of the Company since 8 August 2018. Accordingly, the loan from Hibright was presented as a loan from a fellow subsidiary as at 31 July 2019 and a loan from a related party as at 31 July 2018.

27. DEFERRED TAX

The Group has tax losses arising in Hong Kong of approximately HK$608,388,000 (2018: HK$532,011,000) 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$117,018,000 (2018: HK$84,857,000) 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 2019, 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$5,432,000 (2018: HK$4,799,000) at 31 July 2019.

28. SHARE CAPITAL

	2019		2018	
	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

Share options

Details of the Company's share option scheme and the share options granted under the scheme are included in note 29 to the financial statements.

29. 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.

29. 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 2019 and 31 July 2018.

30. 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.

31. COMMITMENTS

(a) *Capital commitments*

At 31 July 2018, the Group had capital commitments for acquisition of items of property, plant and equipment of HK$1,119,000.

(b) *Operating lease commitments — lessee*

At 31 July 2019, the Group leased certain of its office premises under operating lease arrangements. Leases for properties are negotiated for terms ranging from one year to three years (2018: from one year to four years).

At 31 July 2019, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2019 **HK$'000**	2018 HK$'000
Within one year	**7,213**	5,898
Within two to five years	**1,862**	1,987
	9,075	7,885

32. 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	2019 HK$'000	2018 HK$'000
Fellow subsidiaries:			
Rental expenses and building management fee	(i)	**3,545**	1,061
Artiste fee	(iii)	**100**	—
Film distribution commission income	(iv)	**2,114**	3,094
Film distribution fee	(v)	**9**	121
Promotion and advertising fee	(v)	**11**	45
Music distribution commission income	(vi)	**7,097**	2,447
Interest expenses	(vii)	**10,417**	—
Sharing of corporate salaries on a cost basis allocated from		**7,366**	8,612
Sharing of administrative expenses on a cost basis allocated from		**1,761**	1,614
Sharing of corporate salaries on a cost basis allocated to		**11,343**	13,565
Sharing of administrative expenses on a cost basis allocated to		**3,802**	6,364
Intermediate holding companies:			
Rental expenses and building management fee	(i)	**624**	—
Interest expenses	(vii)	**5,369**	—
Sharing of corporate salaries on a cost basis allocated from		**1,389**	—
Sharing of administrative expenses on a cost basis allocated from		**1,441**	—
Sharing of administrative expenses on a cost basis allocated to		**965**	—
The ultimate holding company:			
Rental expenses and building management fee	(i)	**122**	—
Interest expense	(vii)	**—**	429
Sharing of administrative expenses on a cost basis allocated to		**961**	—
Related parties:			
Rental expenses and building management fee*	(i)	**—**	3,697
Rental expenses#	(ii)	**240**	—
Service fee income#	(ii)	**300**	—
Production fee#	(ii)	**2,770**	2,790
Interest income#	(ii)	**688**	722
Interest expense*	(vii)	**—**	1,815

* LSD and its subsidiaries.

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

32. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes:

(i) During the year ended 31 July 2018, the related parties are LSD and its subsidiaries. eSun, an associate of LSD, was 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 rental expenses, service fee income, production fee and interest income were charged in accordance with contractual terms with the respective parties.

(iii) During the year ended 31 July 2019, the artiste fee of HK$100,000 (2018: Nil) was charged in accordance with contractual terms with the respective parties.

(iv) During the year ended 31 July 2019, the Group received a contract sum of HK$13,417,000 (2018: HK$18,419,000), net of direct expenses from licensing certain film rights and film products owned by fellow subsidiaries. The Group was entitled to film distribution commission income of HK$2,114,000 (2018: HK$3,094,000). The balance of HK$11,303,000 (2018: HK$15,325,000) 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 2019, the Group paid film distribution fee of HK$9,000 (2018: HK$121,000) 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$43,000 (2018: HK$594,000). The Group also paid promotion and advertising fee of HK$11,000 (2018: HK$45,000) 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$63,000 (2018: HK$761,000).

(vi) During the year ended 31 July 2019, the Group received distribution commission income of HK$7,097,000 (2018: HK$2,447,000) from licensing certain music rights owned by fellow subsidiaries. The music distribution commission is charged in accordance with the contractual terms.

(vii) During the year ended 31 July 2019, the interest expenses were charged at the 3-month HIBOR plus 3.3% per annum on loans from the intermediate holding company and a fellow subsidiary, of which details are set out in notes 25 and 26 to the financial statements, respectively. Interest expenses incurred to the intermediate holding company and the fellow subsidiary of HK$5,369,000 and HK$10,417,000, respectively, of which HK$464,000 and HK$2,322,000 respectively, remained unsettled and were included in "accruals and other payables" as at 31 July 2019. During the year ended 31 July 2018, the interest expenses were charged at the 3-month HIBOR plus 3.3% per annum on loans from the ultimate holding company and a related party, of which details are set out in notes 25 and 26 to the financial statements, respectively. Interest expenses incurred to the ultimate holding company and the related party of HK$429,000 and HK$1,815,000, respectively, remained unsettled and were included in "accruals and other payables" as at 31 July 2018.

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.

32. RELATED PARTY TRANSACTIONS *(continued)*

(b) Commitments with related parties:

(i) During the year ended 31 July 2019, a subsidiary of the Group, as the lessee, entered into tenancy agreements with an intermediate holding company and its subsidiary for leasing office premises for terms of two to three years. The total operating lease commitments due within one year as at 31 July 2019 was HK$533,000. During the years ended 31 July 2018, a subsidiary of the Group, as the lessee, entered into tenancy agreements with a major shareholder of eSun for leasing office premises for terms of two to three years. The total operating lease commitments due within one year and two to five years as at 31 July 2018 were HK$703,000 and HK$37,000, respectively.

(ii) During the years ended 31 July 2019 and 2018, certain subsidiaries of the Group, as the lessees, entered into tenancy agreements with fellow subsidiaries, for leasing office premises for terms of one to three years. The total operating lease commitments due within one year and two to five years as at 31 July 2019 were HK$930,000 (2018: HK$937,000) and HK$459,000 (2018: HK$1,407,000), respectively.

(iii) During the year ended 31 July 2019, a subsidiary of the Group, as the lessee, entered into a tenancy agreement with the ultimate holding company for leasing premises for terms of two years. The total operating lease commitments due within one year and two to five years as at 31 July 2019 were HK$112,000 (2018: Nil) and HK$5,000 (2018: Nil), respectively.

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

	2019 **HK$'000**	2018 HK$'000
Short term employee benefits	**14,545**	10,287
Post-employment benefits	**51**	50
	14,596	10,337

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

33. DISPOSAL OF SUBSIDIARIES

On 28 June 2019, the Company entered into a share transfer agreement with an independent third party (the "Purchaser") to sell 51% equity interest in group of 小猩猩文化傳媒（北京）有限公司 and its subsidiary ("Disposal Group") at a consideration of approximately HK$580,000. The disposal was completed on 11 July 2019.

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

	HK$'000
Property, plant and equipment	34
Cash and bank balances	5,372
Films and TV programs under production	14,813
Prepayments, deposits and other receivables	6,416
Accruals and other payables	(34,723)
Net liabilities disposed of	(8,088)
Non-controlling interests	3,963
Foreign currency translation reserve	(15)
	(4,140)
Gain on disposal of subsidiaries	4,720
Satisfied by:	
Consideration receivable from the Purchaser	580

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

	HK$'000
Cash consideration	—
Cash and bank balances disposal of	(5,372)
Net cash outflow in respect of the disposal of subsidiaries during the year ended 31 July 2019	(5,372)

34. FINANCIAL INSTRUMENTS BY CATEGORY AND FAIR VALUE HIERARCHY

(a) *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:

31 July 2019

Financial assets

	Financial assets at fair value through profit or loss HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000
Trade receivables	—	78,726	78,726
Financial assets included in prepayments, deposits and other receivables	17,899	64,909	82,808
Other financial assets	20,775	—	20,775
Film investments	8,466	—	8,466
Cash and cash equivalents	—	334,996	334,996
	47,140	478,631	525,771

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade payables	3,798
Financial liabilities included in accruals, other payables and deposits received	310,528
Loan from an intermediate holding company	100,000
Loan from a fellow subsidiary	200,000
	614,326

34. FINANCIAL INSTRUMENTS BY CATEGORY AND FAIR VALUE HIERARCHY *(continued)*

(a) *Financial instruments by category (continued)*

31 July 2018

Financial assets

	Loans and receivables HK$'000
Trade receivables	47,943
Financial assets included in prepayments, deposits and other receivables	67,104
Cash and cash equivalents	429,983
	545,030

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade payables	4,975
Financial liabilities included in accruals, other payables and deposits received	231,106
Loan from the ultimate holding company	100,000
Loan from a related party	200,000
	536,081

34. FINANCIAL INSTRUMENTS BY CATEGORY AND FAIR VALUE HIERARCHY

(continued)

(b) *Fair value hierarchy*

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 July 2019

	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
Financial assets at fair value through profit and loss:				
Other financial assets	–	–	20,775	20,775
Film investments	–	–	8,466	8,466
Other assets	–	–	17,899	17,899
	–	–	47,140	47,140

The Group did not have any financial liabilities measured at fair value at 31 July 2019. The Group did not have any financial assets and liabilities measured at fair value at 31 July 2018.

During the year, there were no transfer of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3 for financial assets (2018: Nil).

The Group has estimated the fair value of the above unlisted investments by using the latest available transaction prices or the discounted cash flow method.

34. FINANCIAL INSTRUMENTS BY CATEGORY AND FAIR VALUE HIERARCHY *(continued)*

(b) Fair value hierarchy (continued)

The movements in fair value measurements within Level 3 during the year are as follows:

	2019 HK$'000	2018 HK$'000
At beginning of the reporting period	**–**	–
Effect of adoption of HKFRS 9	**29,033**	–
At beginning of the reporting period (restated)	**29,033**	–
Increase in investment amount, net	**18,385**	–
Exchange realignment	**(278)**	–
At end of the reporting period	**47,140**	–

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise convertible notes, loans from an intermediate holding company/the ultimate holding company and a fellow subsidiary/a related party, 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, interest rate risk and liquidity 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.

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

Foreign currency risk (continued)

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 %	**Decrease in equity** HK$'000
31 July 2019		
If Hong Kong dollar weakens against RMB	**5**	**(6,266)**
31 July 2018		
If Hong Kong dollar weakens against RMB	5	(2,689)

35. 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.

Maximum exposure and year-end staging as at 31 July 2019

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 July 2019. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables*	–	–	–	86,485	86,485
Financial assets included in prepayments, deposits and other receivables					
– Normal**	64,254	–	–	–	64,254
– Doubtful**	–	–	48,834	–	48,834
Cash and cash equivalents					
– Not yet past due	334,996	–	–	–	334,996
	399,250	–	48,834	86,485	534,569

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Maximum exposure as at 31 July 2018

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

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

Credit risk (continued)

Maximum exposure as at 31 July 2018 (continued)

Since the Group traded only with recognised and creditworthy third parties, there was no requirement for collateral. Concentrations of credit risk were managed by customer/counterparty, by geographical region and by industry sector. There were 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 loans from an intermediate holding company/the ultimate holding company and a fellow subsidiary/a related party.

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/ (increase) in loss before tax HK$'000	Increase/ (decrease) in equity HK$'000
31 July 2019			
Loan from an intermediate holding company	**0.5**	**(500)**	**(500)**
Loan from a fellow subsidiary	**0.5**	**(1,000)**	**(1,000)**
	0.5	**(1,500)**	**(1,500)**
31 July 2018			
Loan from the ultimate holding company	0.5	(40)	(40)
Loan from a related party	0.5	(178)	(178)
	0.5	(218)	(218)

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

35. 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 2019				
Trade payables	**3,798**	**—**	**—**	**3,798**
Financial liabilities included in accruals, other payables and deposits received	**310,528**	**—**	**—**	**310,528**
Loan from an intermediate holding company	**105,380**	**—**	**—**	**105,380**
Loan from a fellow subsidiary	**208,316**	**—**	**—**	**208,316**
Total	**628,022**	**—**	**—**	**628,022**
31 July 2018				
Trade payables	4,975	—	—	4,975
Financial liabilities included in accruals, other payables and deposits received	231,106	—	—	231,106
Loan from the ultimate holding company	4,966	105,394	—	110,360
Loan from a related party	8,014	210,337	—	218,351
Total	249,061	315,731	—	564,792

Capital management

The Group's objectives for 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 2019, the consolidated cash and cash equivalents amounted to HK$334,996,000 (2018: HK$429,983,000).

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

Capital management (continued)

The only externally imposed capital requirement is that, for the Group to maintain its listing on the Stock Exchange, it has to maintain sufficient public float required under the GEM Listing Rules. The Group receives a report from the share 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 2019, 32.43% (2018: 32.43%) of the shares were in public hands.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**519,855**	582,431
CURRENT ASSETS		
Prepayments, deposits and other receivables	**235**	241
Cash and cash equivalents	**42,478**	34,735
Total current assets	**42,713**	34,976
CURRENT LIABILITIES		
Due to subsidiaries	**192,729**	113,793
Accruals and other payables	**3,717**	2,986
Loan from an intermediate holding company	**100,000**	—
Loan from a fellow subsidiary	**200,000**	—
Total current liabilities	**496,446**	116,779
NET CURRENT LIABILITIES	**(453,733)**	(81,803)
TOTAL ASSETS LESS CURRENT LIABILITIES	**66,122**	500,628
NON-CURRENT LIABILITIES		
Loan from the ultimate holding company	**—**	100,000
Loan from a related party	**—**	200,000
Total non-current liabilities	**—**	300,000
Net assets	**66,122**	200,628
EQUITY		
Issued capital	**21,361**	21,361
Reserves (note)	**44,761**	179,267
Total equity	**66,122**	200,628

36. 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 2017	633,661	95,191	71,454	(316,260)	484,046
Loss for the year and total comprehensive loss for the year	—	—	—	(304,779)	(304,779)
Redemption of TFN Convertible Notes (note 24(i))	—	—	(30,951)	30,951	—
Redemption of Specific Mandate Convertible Notes (note 24(ii))	—	—	(40,503)	40,503	—
At 31 July 2018 and 1 August 2018	**633,661**	**95,191**	**—**	**(549,585)**	**179,267**
Loss for the year and total comprehensive loss for the year	**—**	**—**	**—**	**(134,506)**	**(134,506)**
At 31 July 2019	**633,661**	**95,191**	**—**	**(684,091)**	**44,761**

Notes:

(i) Contributed surplus

The 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 represented 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.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company 2019	2018	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 and entertainment activity production
Media Asia Distribution (Beijing) Co., Ltd. △ *	PRC/ Mainland China	RMB50,000,000#	**100**	100	Film distribution
Media Asia Entertainment Limited	Hong Kong	HK$100	**100**	100	Entertainment activity production, and event and film investments
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 and event investments
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 and event investments
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

37. 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 2019	2018	Principal activities
Media Asia Talent Management Limited	Hong Kong	HK$1	100	100	Provision of artiste management services
Media Asia TV Program Distribution Limited	Hong Kong	HK$1	100	100	Licensing of television dramas
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 △ *	PRC/ Mainland China	HK$38,000,000#	100	100	Entertainment activity production

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

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

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

Except for Champ Universe Limited, 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 2019, the Group had unpaid capital contribution of approximately HK$105,845,000 (2018: HK$109,472,000) to subsidiaries.

38. 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
Media Cool Productions Limited	Hong Kong	Ordinary	35	Production and distribution of TV program

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

As at 31 July 2018, the Group had unpaid capital contribution of approximately HK$2,500,000 to a joint venture. The capital contribution of HK$2,500,000 was fully injected during the year ended 31 July 2019.

39. PARTICULARS OF AN ASSOCIATE

Particulars of the associate as at 31 July 2019 are as follows:

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

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

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 October 2019.

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 Meeting Rooms 1 and 2, Level B, Hong Kong Ocean Park Marriott Hotel, 180 Wong Chuk Hang Road, Aberdeen, Hong Kong on Friday, 20 December 2019 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 2019;

2. To re-elect the retiring directors of the Company 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 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 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 2019

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

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 and voting in person 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, 16 December 2019 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, Dr. Lam Kin Ngok, Peter, Mr. Chan Chi Kwong 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 GEM (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 2019.

(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 2020 (the "**Year 2020**"). Members should note that in practice, independent auditor's remuneration for the Year 2020 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 2020, Members' approval to delegate the authority to the Board to fix the independent auditor's remuneration for the Year 2020 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 2019.

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

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