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 2020
二零二零年七月三十一日止

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.

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

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CORPORATE INFORMATION

PLACE OF INCORPORATION

Incorporated in the Cayman Islands and continued in Bermuda

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Au Hoi Fung
Ng Chi Ho, Dennis
Poon Kwok Hing, Albert

AUDIT COMMITTEE

Ng Chi Ho, Dennis *(Chairman)*
Au Hoi Fung
Poon Kwok Hing, Albert

NOMINATION COMMITTEE

Poon Kwok Hing, Albert *(Chairman)*
Au Hoi Fung
Lui Siu Tsuen, Richard
Ng Chi Ho, Dennis
Yip Chai Tuck

REMUNERATION COMMITTEE

Ng Chi Ho, Dennis *(Chairman)*
Au Hoi Fung
Lui Siu Tsuen, Richard
Poon Kwok Hing, Albert
Yip Chai Tuck

AUTHORISED REPRESENTATIVES

Lui Siu Tsuen, Richard
Wong Lai Chun

COMPLIANCE OFFICER

Lui Siu Tsuen, Richard

COMPANY SECRETARY

Wong Lai Chun

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

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

A simplified corporate structure of the Lai Sun Group as at 19 October 2020 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*

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				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**364,773**	573,732	489,931	562,913	520,443
Loss before tax	**(187,332)**	(142,269)	(282,420)	(176,048)	(99,655)
Income tax credit/(expense)	**61**	(2,637)	(1,781)	(2,413)	(2,582)
Loss for the year attributable to owners of the Company and non-controlling interests	**(187,271)**	(144,906)	(284,201)	(178,461)	(102,237)

ASSETS AND LIABILITIES

	As at 31 July				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**879,337**	1,085,246	1,176,892	1,274,744	1,432,223
Total liabilities	**(854,331)**	(878,087)	(831,126)	(647,128)	(621,674)
Net assets	**25,006**	207,159	345,766	627,616	810,549

CHAIRMAN'S STATEMENT

Dr. LAM Kin Ngok, Peter
Chairman

OVERVIEW OF RESULTS

During the year ended 31 July 2020, the Company and its subsidiaries (the "**Group**") recorded a turnover of approximately HK$364,773,000, representing a decrease of 36% from turnover of approximately HK$573,732,000 for the year ended 31 July 2019. The Group recorded a loss after tax of approximately HK$187,271,000 (2019: approximately HK$144,906,000) and a loss attributable to owners of the Company of approximately HK$178,169,000 (2019: approximately HK$147,056,000) during the year.

As at 31 July 2020, the Group's equity attributable to owners of the Company amounted to approximately HK$40,237,000 (2019: approximately HK$218,790,000) and the net asset value per share attributable to owners of the Company was HK1.9 cents (2019: HK10.2 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 2020 (2019: Nil).

PROSPECTS

The outbreak of novel coronavirus further weakens the entertainment consumption of the PRC and local markets. To rise the challenge we will focus on producing high quality projects with proven track record as well as commercial viability and tightening the cost control procedure.

The Group continues to invest in original production of quality films with Chinese themes. Our recent release "I'm Living It", a feature film produced by Cheang Pou Soi with Miriam Yeung and Aaron Kwok, has achieved satisfactory box office and earned good public praises amid this pandemic environment. The film has received 10 nominations in the 39th Hong Kong Film Awards and congratulations to Cheung Tat Ming who just won the Best Supporting Actor in the 39th Hong Kong Film Awards for his performance in this movie.

Our current production pipeline include "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 "Modern Dynasty", a 30 episode modern-day drama series tailor-made for Alibaba's Youku platforms. The Group is in discussion with various Chinese portals and video web sites for new project development in TV drama production.

The exclusive distribution licence 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.

Several concerts of the Group are postponed due to the health concerns. The Group will continue to work with prominent local and Asian artistes for concert promotion and upcoming events including concerts of Tsai Chin, Yoga Lin and Leon Lai will be held next year in the hope of recovery of the pandemic situation.

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 would like to thank Mr. Chan Chi Yuen and Mr. Zhang Xi who left the Board during the year for their valuable contribution to the Company. I am delighted to welcome Mr. Poon Kwok Hing, Albert and Mr. Au Hoi Fung who joined the Board as the Independent Non-executive Directors with effect from 24 April and 9 July 2020.

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

Lam Kin Ngok, Peter
Chairman

Hong Kong, 19 October 2020

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the year ended 31 July 2020, the Company and its subsidiaries (the "**Group**") recorded a turnover of approximately HK$364,773,000, representing a decrease of 36% from turnover of approximately HK$573,732,000 for the year ended 31 July 2019. The decrease in the turnover of the Group was mainly attributable to the decrease in revenue from the Group's entertainment event business.

Cost of sales for the year ended 31 July 2020 decreased to approximately HK$320,887,000 from approximately HK$536,421,000 for the previous financial year. The decrease in cost of sales was mainly due to the decrease in the number of events held during the year. Marketing expenses for the year ended 31 July 2020 was approximately HK$24,047,000 (2019: approximately HK$20,469,000). The increase in the marketing expenses was related to 5 films produced/invested by the Group theatrically released during the year. Administrative expenses for the year ended 31 July 2020 was approximately HK$138,419,000 (2019: approximately HK$142,167,000). These expenses are under strict control by the Company's management. Other operating expenses increased to approximately HK$62,421,000 (2019: approximately HK$21,289,000). Other operating expenses for the year ended 31 July 2020 mainly included: (i) impairment loss of right-of-use assets and property, plant and equipment, (ii) impairment loss of films and TV programs under production, (iii) impairment loss of advances and other receivables, and (iv) exchange loss arising from the depreciation in Renminbi.

Finance costs increased to approximately HK$17,756,000 for the year ended 31 July 2020 from approximately HK$15,786,000 for the year ended 31 July 2019. The increase in interest expenses is mainly due to the additional loan from an intermediate holding company and interest on lease liabilities upon adoption of HKFRS 16 from 1 August 2019.

The Group recorded a loss after tax of approximately HK$187,271,000 (2019: approximately HK$144,906,000) and a loss attributable to owners of the Company of approximately HK$178,169,000 (2019: approximately HK$147,056,000) during the year.

As at 31 July 2020, the Group's equity attributable to owners of the Company amounted to approximately HK$40,237,000 (2019: approximately HK$218,790,000) and the net asset value per share attributable to owners of the Company was HK1.9 cents (2019: HK10.2 cents).

BUSINESS REVIEW

Media and Entertainment Segment

Events management

During the year under review, the Group organised and invested in 39 (2019: 109) shows by popular local, Asian and internationally renowned artistes, including EXO, Ivana Wong, Miriam Yeung and Jan Lamb. The total revenue from these businesses amounted to approximately HK$68,372,000.

Music

During the year under review, the Group released 9 (2019: 14) albums, including titles by Sammi Cheng, Tang Siu Hau, Jay Fung, Chan Kin On and Nowhere Boys. Turnover from music publishing and recording was approximately HK$31,079,000.

Artiste management

During the year under review, the Group recorded a turnover of approximately HK$5,345,000 from artiste management. The Group currently has 23 artistes under its management.

BUSINESS REVIEW *(continued)*

Film and TV Program Segment

Film production and distribution

During the year under review, a total of 5 films produced/invested by the Group were theatrically released, namely "Bodies at Rest", "Fagara", "The Climbers", "A Witness Out of the Blue" and "Knockout". Turnover from the licence fee income and distribution commission income of films was approximately HK$140,976,000.

TV program production and distribution

During the year under review, the Group has recorded a turnover of approximately HK$119,001,000 from TV program licence fee income, distribution commission income and sale of TV program products.

CAPITAL STRUCTURE

As at 31 July 2020, the Group's equity attributable to owners of the Company decreased by 82% to approximately HK$40,237,000 (as at 31 July 2019: approximately HK$218,790,000). Total assets amounted to approximately HK$879,337,000 (as at 31 July 2019: approximately HK$1,085,246,000) included current assets amounting to approximately HK$817,782,000 (as at 31 July 2019: approximately HK$988,797,000). Current liabilities were approximately HK$498,974,000 (as at 31 July 2019: approximately HK$878,087,000). Net asset value per share attributable to owners of the Company as at 31 July 2020 was approximately HK1.9 cents (as at 31 July 2019: approximately HK10.2 cents). Current ratio was approximately 1.6 (as at 31 July 2019: approximately 1.1).

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations with internal resources, loans from an intermediate holding company and loan from a fellow subsidiary. As at 31 July 2020, the Group has unsecured and interest-bearing loans with an outstanding principal amount of approximately of HK$350,000,000 (as at 31 July 2019: HK$300,000,000) of which HK$50,000,000 and HK$300,000,000 were repayable on 31 October 2022 and 10 June 2023, respectively. As at 31 July 2020, the Group had no unutilised letter of credit facility (as at 31 July 2019: Nil).

LIQUIDITY AND FINANCIAL RESOURCES *(continued)*

As at 31 July 2020, the Group's cash and cash equivalents decreased to approximately HK$317,692,000 (as at 31 July 2019: approximately HK$334,996,000) of which around 32% was denominated in Hong Kong dollar, around 62% was denominated in Renminbi ("**RMB**") and around 6% was denominated in United States dollar, Macau Peso 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 2020, the Group did not have any bank loans, overdrafts or any other borrowing. No interests have been capitalised during the year ended 31 July 2020.

As at 31 July 2020, the gearing ratio of the Group, being the total borrowings to shareholders' equity attributable to the owners of the Company, was approximately 870% (as at 31 July 2019: 137%).

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 2020, the Group had no outstanding foreign currency hedge contracts (as at 31 July 2019: Nil).

MATERIAL ACQUISITION/DISPOSAL AND SIGNIFICANT INVESTMENTS

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

Details of the disposal of subsidiaries of the Group during the year ended 31 July 2019 are set out in note 33 to the financial statement.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 July 2020 (as at 31 July 2019: Nil).

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 31 July 2020, the Group had 136 (as at 31 July 2019: 163) employees. Staff costs, including directors' emoluments for the year ended 31 July 2020, amounted to approximately HK$91,756,000 (2019: approximately HK$97,995,000). 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 is delighted to publish its annual Environmental, Social and Governance ("**ESG**") report, summarising the ESG management approach, strategies and performance of the Company and its subsidiaries (together, the "**Group**") in accordance with the ESG Reporting Guide contained in Appendix 20 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited. Unless otherwise specified, this report covers the ESG management and performance of the Group from 1 August 2019 to 31 July 2020.

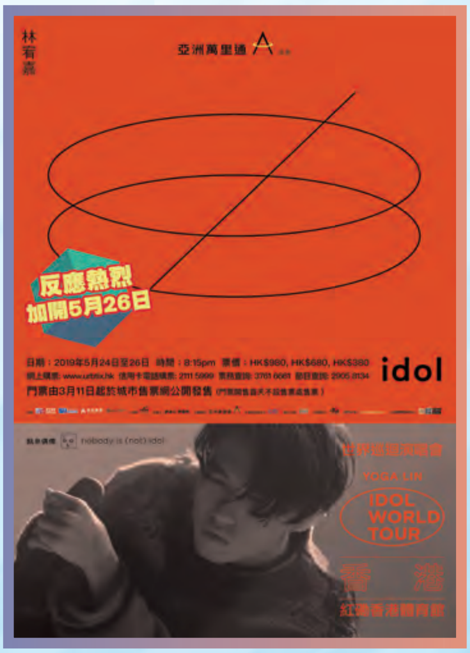
This report has been approved by the management team and the board of directors of the Company (the "**Board**").

ESG GOVERNANCE

The Group recognises the importance of responsible business practices to its long-term success. The Board is responsible for overseeing the management of ESG risks in business operations and endorsing the ESG report. In addition to directing the overall ESG work, regular briefings are arranged to keep them abreast of the latest ESG trend. With the diverse business portfolio, the management of the Company with corresponding expertise in ESG issues assists the Board in monitoring progress and implementation of ESG policies, procedures and initiatives.

STAKEHOLDER ENGAGEMENT

The Group maintains regular communication channels with stakeholders in its daily operations to listen to their views on issues of concern. To identify the ESG topics and risks that are potentially material to the Group, we have previously engaged an independent consultant to invite feedbacks from stakeholders via online surveys. The responses received serve as important insights for the Group to continuously refine its ESG management practices.



MATERIALITY ANALYSIS

With reference to the results of the stakeholder engagement survey, ESG issues were ranked and prioritised in terms of their importance to stakeholders and to the Group's business development. Annual review on the relevance of the issues is also conducted to reflect the latest development in ESG management and industry practices. The list of material issues is validated by the management and the Board, and provides guidance on the preparation of this ESG report. Issues that are considered material to our stakeholders and the Group are indicated in the following table:

Aspects		ESG Issues	The Group
Environment		Emissions	
		Use of resources	
		The environment and natural resources	
Social	People	Employment	✓
		Health and safety	
		Development and training	
		Labour standards	
	Operating practices	Supply chain management	
		Product responsibility	✓
		Intellectual property rights	✓
		Anti-corruption	
	Community	Community investment	

ENVIRONMENT

Integrating Environmental Sustainability into Our Operations

The Group strives to strike a balance between its business development and the environmental impacts of its operations. With the commitment of minimising the Group's potential negative impact to the environment, the Group seeks to manage its performance in emissions, energy and water consumption, waste management and resources use.

Under the Group's environmental management approach, we adhere to all relevant laws and regulations on environmental protection. During the reporting year, the Group did not identify any non-compliance cases with environmental laws and regulations.

Emissions to the Environment

The Group recognises the potential environmental pollution that can arise from its business operations. The Group is committed to minimising the amount of air and greenhouse gas emissions, wastewater discharges and waste generations in its business operations. In this regard, the Group adopts a proactive approach in managing its emissions. A range of abatement procedures and control measures are implemented at both Group level and business units.

ENVIRONMENT *(continued)*

Emissions to the Environment (continued)

The Group advocates the reduction, reuse, sorting and recycling of waste as core principles to waste management. For instance, waste is classified as recyclables or non-recyclables. Whenever practicable, recyclable waste is collected through recycling bins in Group's office areas and properties. The Group also strives to manage electronic waste and other hazardous waste in a responsible manner. The Group has appointed qualified waste management companies or, when available, participated in relevant recycling schemes, to handle the waste disposal according to relevant laws and regulations.

Use of Resources

Conscious management of energy and water use is well advocated across the Group. All business units are encouraged to implement measures as relevant to their operations to lower energy and water consumption, and hence greenhouse gases (GHG) emissions.

PEOPLE

Employment Practices

The Group recognises the value of its employees to its success. It is determined to attract and retain talent, and offer an equal, appealing and harmonious working environment. The Group observes and complies with the applicable employment laws and regulations in Hong Kong and Mainland China. Relevant terms and conditions of employment have been outlined in its staff handbook. Employee benefits, compensation and dismissal, working hours, leave entitlement and the Group's expectations on employees' conduct and behaviour are also stipulated in the staff handbook.

To maintain and expand the pool of talents, the Group has signed the Good Employer Charter of the Labour Department as a commitment to go beyond legal requirements in aspects such as employee care, benefits, communications and work-life balance. A range of employee benefits including mandatory provident fund, enrolment to medical or commercial insurance scheme, social security and housing fund are offered in respective regions.

PEOPLE *(continued)*

Employment Practices (continued)

The Group actively promotes equal opportunities and non-discrimination in the workplace, and has established policy and grievance mechanisms accordingly to affirm the Group's commitment. Employees who encounter or observe any unfair employment practices can report the issues with the procedures set out in the Code of Conduct and staff handbook. All complaints regarding workplace harassment will be addressed and handled in a confidential and professional manner to protect the rights of the victim.

There were no non-compliance cases with employment laws and regulations during the reporting year.

Employee Welfare

The Group recognises the importance of maintaining good employee relations and strives to offer value-added staff benefits and well-being programmes to its employees. For example, the Group organises "Lunch Talk" on health awareness, interest classes, work-out exercise programme and film screening for employees in Hong Kong. The Group also arranges large-scale annual events including group annual dinner staff party and one-day leisure tour for employees and their family and friends to participate. During the reporting period, the Group invited staff to join the pre-view day visits to the Group's project in Hengqin Novotown. Through these activities, the Group hopes to promote work-life balance and to foster team bonding for synergy.

Besides, for staff who participate in relevant employee relations activities, they are offered the benefits such as free admission tickets to Ocean Park, Novotown Lionsgate and National Geographic Ultimate Explore, as well as "LS Club" cash coupons.

Health and Safety

Safeguarding the health and safety of our employees is the Group's top priority and the Group is dedicated to minimising potential occupational health and safety risks in its operations. The management teams of various business units are responsible for managing and controlling their respective health and safety risk exposure with effective measures, and ensuring the implementation of all necessary safety precautionary steps are taken. Appropriate trainings, reminders and protective equipment are provided to protect employees in the Group's premises from health and safety hazards.

To reduce the risks of COVID-19 infections at workplace, the Group provides masks to staff at all premises. RNA testing is also arranged for all employees who resided in buildings with confirmed cases of COVID-19 infection to encourage early detection and contain virus transmission.

Furthermore, the Group believes that mental wellness and physical health of employees are directly related to their work productivity. In this regard, the Group is dedicated to promoting healthy living among employees and has organised a variety of wellness activities such as health lunch talks and exercise work-out class.

There were no non-compliance cases with health and safety laws and regulations during the reporting year.

PEOPLE *(continued)*

Development and Training

Competency of employees is an important contribution to the Group's business growth. To this end, the Group provides a wide array of internal and external development programmes along with career development opportunities to both managerial and general employees. Regardless of their business unit, all employees with over twelve months of services with the Group are entitled to apply for the tuition scheme, which the Group will sponsor them to pursue further training and development courses in relation to their positions and scope of work. Various subsidised courses are also offered to further support our employees to achieve personal and professional goals.

Labour Standards

The Group is committed to safeguard the labour rights of its employees. In Hong Kong, the Group observes and complies with relevant laws and regulations. The use of child labour and forced labour is strictly prohibited in all business operations of the Group. In Mainland China, the Group is also in full compliance with the relevant laws and regulations, forbidding the use of child labour of ages under 16, any unlawful way of forced labour, and forced overtime work. Workers will be paid according to relevant legal requirements in case of required overtime work. The above stringent requirements also apply to contractors of the Group across all regions. There were no non-compliance cases with relevant laws and regulations listed in List of Significant Laws and Regulations section during the reporting year.

OPERATING PRACTICES

The Group builds the foundation of its success on providing high quality cultural and entertainment products and events. The Group works closely with its suppliers and puts great emphasis on maintaining the product delivery standards to its customers, including the quality of its films, television programmes and music productions.

OPERATING PRACTICES *(continued)*

Customer Health and Safety

The recent COVID-19 outbreak has brought challenges to both the Group's operations and customers. As such the Group has implemented a number of measures across business units to safeguard the health of customers and employees. The Group operated in strict accordance with the crowd control and social distancing rules issued by the Government, and proactively took additional disinfection steps to maintain a safe and hygienic environment.

Data Protection and Privacy

Protecting customer privacy is critical to maintaining customer relationship and confidence. The Group strictly complies with Chapter 486 Personal Data (Privacy) Ordinance while handling the personal and confidential data of our clients. We only collect personal data from employees, suppliers and artists when deemed necessary, and carefully manage the access to personal data. Personal Information Collection Statement will be provided to data providers to obtain their consent when or before personal particulars are collected. We have communicated with business partners and clients to ensure they are aware of the measures as well.

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

Integrity and Discipline

The Group is committed to maintaining a high standard of integrity, fairness and discipline in the business operations. Employees are required to demonstrate ethics and integrity in their daily duties and adhere to rules and procedures in accordance with relevant laws and regulations. The Group is determined to prevent any business segment from involving in fraud and corruption cases.

In the staff handbook the Group has clearly defined "advantages" and outlined relevant procedures to guide employees to prevent the possible violation of bribery, corruption and conflicts of interest. When handling any presents or gifts involved in business setting, employees should make declarations on any potential "advantages". For violation of any policy and procedure, employees shall be subject to penalties, while those who violate relevant government ordinances will also be subject to legal consequences.

To maintain integrity and discipline in all levels of the group, a whistleblowing procedure is in place as a monitoring and control system. Personnel who discover any inappropriate act are encouraged to report to our management level for an immediate investigation into the case. During the reporting year, there were no non-compliance cases in relation to bribery, extortion, fraud and money laundering in Hong Kong and Mainland China.

Intellectual Property Rights

The Group respects all intellectual property rights and has adopted appropriate security measures and confidentiality agreements accordingly. To minimise the chance of infringement, the Group's legal team is responsible for reviewing the agreements on collaboration with third parties in all business segments and within the Group.

OPERATING PRACTICES *(continued)*

Intellectual Property Rights (continued)

Respecting Creations in our Entertainment Business

Protecting the intellectual property rights of all creative work is a crucial matter to our entertainment business. The Group follows all relevant intellectual property laws and regulations, including but not limited to Chapter 559 Trade Marks Ordinance, Chapter 528 Copyright Ordinance and Chapter 544 Prevention of Copyright Piracy Ordinance. In the production process, the Group ensures producers and their teams of the films, television programs, and music productions are familiar with the steps to understand and clarify the rights of any creative works prior to using or referencing. In case there is any perceived infringement, the Group will take immediate action to clear the rights or address relevant issues.

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

COMMUNITY

The Group endeavours to fulfil its social responsibility by utilising its resources to give back to the society. During the reporting year, the Group continued to channel support to local employment, youth education, aided family and the disabled. The Group is committed to help those communities in need through collaborations with local charities. For instance, the Group purchases festive food products such as fair-trade mooncake from local social enterprises for its employees in Hong Kong, demonstrating its dedication to promote environmental conservation, create local employment opportunities and appreciate local craftsmanship.

Besides, the Group continues to support exercise for good initiatives. During the reporting period, the Group supported Konica Minolta Green Concert, with the objectives to advocate environmental awareness through cycling with power generation and raise funds for charitable organisation “Sheen Hok Charitable Foundation”. The Group organised a team of staff to join and support the event.

The Group also mobilises resources to support youth in career planning and development. Through participation in the Online Mentorship programme organise by Hong Kong Council of Social Service, employees participating as mentors are connected with students and provide valuable support and advice on their growth.

SUMMARY OF ENVIRONMENTAL PERFORMANCE

The Group Notes 1 & 2	Unit	2020	2019
A1.2 Greenhouse gas emissions in total and intensity Note 3			
Direct GHG emissions (Scope 1)	tonnes CO_2e	23.86	26.18
Indirect GHG emissions (Scope 2)	tonnes CO_2e	138.57	159.78
Total GHG emissions	**tonnes CO_2e**	**162.42**	**185.96**
Total GHG emissions intensity Note 4	**tonnes CO_2e/m^2**	**0.07**	**0.11**
A2.1 Direct and/or indirect energy consumption by type in total and intensity			
Electricity Consumption	kWh	277,130	313,290
Gasoline consumption for transportation	L	8,810	9,670
Total energy consumption Note 5	**kWh**	**362,512**	**407,001**
Total energy consumption intensity Note 4	**kWh/m^2**	**152.3**	**241.64** Note 6

Notes:

1. The reporting scope of the summary of environmental performance includes the Group's major office in Wyler Centre Kwai Chung, New Territories.

2. Hazardous waste, non-hazardous waste and water consumption are managed by the central property management of the office building, and thus they are not available for this report. Packaging material used for finished products is not a material issue for the Group and thus not reported.

3. Greenhouse gases emissions (Scopes 1 and 2) are calculated based on 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)".

4. Data for the year ended 31 July 2019 were restated after data review.

5. Energy consumption from gasoline for transportation is calculated according to the conversion factors stated in the "How to Prepare an ESG Report: a Step-by-Step Guide to ESG Reporting" by The Stock Exchange of Hong Kong Limited and the Energy Statistics Manual issued by the International Energy Agency. For data comparability, respective data for the year ended 31 July 2019 were also restated.

6. 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 ended 31 July 2019.

LIST OF SIGNIFICANT LAWS AND REGULATIONS

Environment

Aspect A1-A3: Environmental

Hong Kong:

— Cap 311 Air Pollution Control Ordinance
— Cap 358 Water Pollution Control Ordinance
— Cap 354 Waste Disposal Ordinance
— Cap 400 Noise Control Ordinance

Mainland China:

— Environmental Protection Law of the People's Republic of China ("**PRC**")
— Atmospheric Pollution Prevention and Control Law of the PRC
— Water Pollution Prevention and Control Law of the PRC
— Law of the PRC on Prevention and Control of Pollution from Environmental Noise
— Law of the PRC on the Prevention and Control of Environment Pollution Caused by Solid Wastes

Employee

Aspect B1: Employment

Hong Kong:

— Cap 57 Employment Ordinance
— Cap 282 Employees' Compensation Ordinance
— Cap 608 Minimum Wage Ordinance
— Cap 480 Sex Discrimination Ordinance
— Cap 487 Disability Discrimination Ordinance
— Cap 527 Family Status Discrimination Ordinance
— Cap 602 Race Discrimination Ordinance

Mainland China:

— Labour Law of the PRC
— Labour Contract Law of the PRC

Aspect B2: Health and Safety

Hong Kong:

— Cap 509 Occupational Safety and Health Ordinance

Mainland China:

— Work Safety Law of the PRC
— Law of the PRC on the Prevention and Control of Occupational Diseases

LIST OF SIGNIFICANT LAWS AND REGULATIONS *(continued)*

Employee (continued)

Aspect B4: Labour Standards

Hong Kong:

— Cap 57B Employment of Children Regulations
— Cap 57C Employment of Young Persons (Industry) Regulations

Mainland China:

— Labour Laws of the PRC
— Provisions on the Prohibition of Using Child Labour

Operating Practices

Aspect B6: Product Responsibility

Hong Kong:

— Chapter 362 Trade Descriptions Ordinance
— Chapter 392 Film Censorship Ordinance
— Chapter 486 Personal Data (Privacy) Ordinance
— Chapter 528 Copyright Ordinance
— Chapter 544 Prevention of Copyright Piracy Ordinance
— Chapter 559 Trade Marks Ordinance

Mainland China:

— Law of PRC on Protection of Consumer Rights and Interests

Aspect B7: Anti-corruption

Hong Kong:

— Chapter 201 Prevention of Bribery Ordinance

Mainland China:

— Criminal Law of the PRC
— Law of the PRC on Anti-Corruption and Bribery

CONTENT INDEX

Subject Areas, Aspects, and General Disclosure		Sections
A. Environmental		
Aspect A1: Emissions	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions to the Environment
Aspect A2: Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
Aspect A3: The Environment and Natural Resources	General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.	Integrating Environmental Sustainability into Our Operations
B. Social		
Employment and Labour Practices		
Aspect B1: Employment	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	Employment Practices; Employee Welfare
Aspect B2: Health and Safety	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety

CONTENT INDEX *(continued)*

<table>
<tr><th colspan="2">Subject Areas, Aspects, and General Disclosure</th><th>Sections</th></tr>
<tr><td colspan="3">B. Social</td></tr>
<tr><td colspan="3">Employment and Labour Practices</td></tr>
<tr><td>Aspect B3: Development and Training</td><td>General Disclosure

Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</td><td>Development and Training</td></tr>
<tr><td>Aspect B4: Labour Standards</td><td>General Disclosure

Information on:
(a) the policies; and
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.</td><td>Labour Standards</td></tr>
<tr><td colspan="3">Operating Practices</td></tr>
<tr><td>Aspect B5: Supply Chain Management</td><td>General Disclosure

Policies on managing environmental and social risks of the supply chain.</td><td>Operating practices</td></tr>
<tr><td>Aspect B6: Product Responsibility</td><td>General Disclosure

Information on:
(a) the policies; and
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.</td><td>Customer Health and Safety;
Data Protection and Privacy;
Intellectual Property Rights</td></tr>
<tr><td>Aspect B7: Anti-corruption</td><td>General Disclosure

Information on:
(a) the policies; and
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.</td><td>Integrity and Discipline</td></tr>
</table>

CONTENT INDEX *(continued)*

Subject Areas, Aspects, and General Disclosure		Sections
B. Social		
Community		
Aspect B8: Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community

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 (the "**CG Code**") and Corporate Governance Report 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 applicable code provisions set out in the CG Code throughout the year ended 31 July 2020 (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 ("**Dr. Lam**"), 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 20 December 2019. However, Mr. Lui Siu Tsuen, Richard ("**Mr. Lui**"), 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 (Chairman), Mr. Chan Chi Kwong, Mr. Lui and Mr. Yip Chai Tuck ("**Mr. Yip**") and three independent non-executive Directors (the "**INEDs**"), namely Mr. Au Hoi Fung ("**Mr. Au**"), Mr. Ng Chi Ho, Dennis ("**Mr. Ng**") and Mr. Poon Kwok Hing, Albert ("**Mr. Poon**"). 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 meetings 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	12	4	3	3	1

Name of Directors	**Number of meetings attended/Number of meetings entitled to attend**				
Executive Directors					
Lam Kin Ngok, Peter	12/12	—	—	—	0/1
Chan Chi Kwong	12/12	—	—	—	1/1
Lui Siu Tsuen, Richard	12/12	—	3/3	3/3	1/1
Yip Chai Tuck	11/12	—	3/3	3/3	1/1
Independent Non-executive Directors					
Au Hoi Fung (appointed on 9 July 2020)	1/1	—	—	—	—
Ng Chi Ho, Dennis	12/12	4/4	3/3	3/3	1/1
Poon Kwok Hing, Albert (appointed on 24 April 2020)	5/5	1/1	1/1	1/1	—
Chan Chi Yuen (resigned on 19 March 2020)	5/6	3/3	1/1	1/1	1/1
Zhang Xi (resigned on 28 April 2020)	6/8	3/3	1/2	1/2	1/1

(3) *Responsibilities and Delegation*

The Board oversees the overall management of the businesses 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.

BOARD OF DIRECTORS *(continued)*

(3) *Responsibilities and Delegation (continued)*

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

Decisions relating to any acquisition or disposal of businesses, investments, or transactions or commitments of any kind where the actual or potential liability or value exceeds the threshold for discloseable transactions (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 the 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*

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

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

(continued)

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. Directors are requested to provide records of training they received to the Company Secretary of the Company (the "**Company Secretary**") for records. During the Year, the Company arranged for the INEDs to attend seminars organised by the Company's independent auditor (the "**Independent Auditor**").

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			
Au Hoi Fung (appointed on 9 July 2020)	**N/A**	**N/A**	**N/A**
Ng Chi Ho, Dennis	✓	✓	✓
Poon Kwok Hing, Albert (appointed on 24 April 2020)	✓	✓	✓
Chan Chi Yuen (resigned on 19 March 2020)	✓	✓	✓
Zhang Xi (resigned on 28 April 2020)	✓	✓	✓

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 is the chairman of the Board throughout the Year and up to the date of this annual report. 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. The division of responsibilities between the chairman and the chief executive officer is clearly establised and set out in writing.

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 businesses 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. Ng (Chairman), Mr. Au and Mr. Poon.

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 GEM of the Stock Exchange ("**GEM**") and the Company.

(b) Work performed by the Audit Committee

The Audit Committee held four meetings during the Year. It has reviewed (i) the audited annual results of the Group for the year ended 31 July 2019, the unaudited quarterly and interim results of the Group for the Year and other matters related to the financial and accounting policies and practice; and (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 for approval.

BOARD COMMITTEES *(continued)*

(1) Audit Committee (continued)

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

On 19 October 2020, 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. 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. Poon (Chairman), Mr. Au and Mr. Ng and two executive Directors, namely Mr. Lui and Mr. Yip.

(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 GEM and the Company.

(b) Work performed by the Nomination Committee

The Nomination Committee held three meetings during the Year. It has (i) reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board, assessed the independence of the INEDs and recommended the re-election of the retired Directors at the 2019 AGM; and (ii) made recommendations to the Board on the selection of individuals nominated for INEDs (namely Mr. Au and Mr. Poon).

On 19 October 2020, 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 2020 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 nominaton 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. Ng (Chairman), Mr. Au and Mr. Poon and two executive Directors, namely Mr. Lui and Mr. Yip.

(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 packages 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 GEM and the Company.

(b) Work performed by the Remuneration Committee

The Remuneration Committee held three meetings during the Year to review the proposal of increasing the Directors' fee and the remuneration packages of two newly appointed INEDs before submission to the Board for approval. All members of the Remuneration Committee had also deliberated on matters relating to the payment of discretionary bonuses to and the review of the remuneration packages of certain executive Directors as well as other reumneration-related matters by way of written resolutions.

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$598,000 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 on-going 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 Futures Ordinance, Chapter 571 of the Laws of Hong Kong (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 that 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 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 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 (as amended), either any number of Shareholders holding not less than one-twentieth of the total voting rights of all 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.

SHAREHOLDERS' RIGHTS *(continued)*

(4) Procedures for Proposing a Person for Election as a Director

As regards the procedures for proposing a person for election as a Director, please refer to the procedures made available under the Corporate Governance section (Policies and Procedures) of the Company's website at www.mediaasia.com.

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 of the Company; and

(e) the Company's share registrar (the "**Registrar**") serves 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.

CONSTITUTIONAL DOCUMENTS

During the Year, there was no significant change in the Memorandum of Continuance and bye-laws of the Company which are available on both the websites of GEM at www.hkgem.com and the Company at www.mediaasia.com.

KEY DATES

Shareholders and investors are advised to note the following key dates of the Company and take appropriate action:

	For Financial Year 2019/2020
Annual results announcement for the year ended 31 July 2020	19 October 2020
Latest time and date to lodge transfer documents with the Registrar for entitlement to attending and voting at the 2020 AGM	4:30 p.m. on 14 December 2020
2020 AGM	9:15 a.m. on 18 December 2020

	For Financial Year 2020/2021
Interim results announcement for the six months ending 31 January 2021	on or before 17 March 2021
Annual results announcement for the year ending 31 July 2021	on or before 29 October 2021
2021 AGM	December 2021

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Each of the executive directors of the Company (the "**Executive Directors**") 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. Lai Fung is the fellow subsidiary of the Company.

Dr. Lam Kin Ngok, Peter, *GBS*, aged 63, was appointed the Chairman of the board of directors of the Company (the "**Board**") and an Executive Director with effect from 16 June 2011. He is also the deputy chairman and an executive director of LSG, the chairman and an 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 an executive director of Lai Fung from 25 November 1993 to 31 October 2012. He has extensive experience in the property development and investment, hospitality as well as media and entertainment businesses. Dr. Lam holds an Honorary Doctorate from The Hong Kong Academy for Performing Arts and received the Gold Bauhinia Star awarded from the Government of the Hong Kong Special Administrative Region on 1 July 2015.

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, a life honarable 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 the Trade and Industry Advisory Board and a member of the board of West Kowloon Cultural District Foundation Limited (a wholly-owned subsidiary of West Kowloon Cultural District Authority).

Mr. Chan Chi Kwong, aged 60, was appointed an Executive Director with effect from 16 June 2011 and is in charge of media and entertainment operations of the Company and its subsidiaries. Mr. Chan is a member of the Executive Committee of the Company (the "**Executive Committee**"). 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 29 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.

EXECUTIVE DIRECTORS *(continued)*

Mr. Lui Siu Tsuen, Richard, aged 64, was appointed an Executive Director with effect from 16 June 2011. He is also a member of each of the Executive Committee, the Nomination Committee (the "**Nomination Committee**") and the Remuneration Committee of the Company (the "**Remuneration Committee**"). 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 Main Board of 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 34 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 ("**HKICPA**") 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 46, was appointed an Executive Director on 21 July 2014. He is a member of each of the Executive Committee, the Nomination Committee and the Remuneration Committee. 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. Au Hoi Fung, aged 65, was appointed an independent non-executive director of the Company (the "**INED**") on 9 July 2020. He is a member of each of the Audit Committee of the Company (the "**Audit Committee**"), the Nomination Committee and the Remuneration Committee. Mr. Au graduated from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) with a Higher Diploma in Accountancy. He is an associate of the Chartered Institute of Management Accountants and a fellow of the HKICPA.

Mr. Au has more than 40 years of accounting and financial management work experiences gained in various corporations in Hong Kong. Currently, he is the vice president (Finance and Administration) and a director of F.O.B. Garments Limited, a sizeable garments trading entity in Hong Kong which he has joined since January 1994.

Mr. Ng Chi Ho, Dennis, aged 62, was appointed an INED with effect from 3 October 2011. He is currently the chairman of both the Audit Committee and the Remuneration Committee and a member of the Nomination Committee. 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 HKICPA. 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 Main Board/GEM of the Stock Exchange.

Mr. Poon Kwok Hing, Albert, aged 59, was appointed an INED on 24 April 2020. He is the chairman of the Nomination Committee and a member of both the Audit Committee and the Remuneration Committee. Mr. Poon graduated from the University of Bath, United Kingdom with a Master of Science Degree in Business Administration. He is a member of the HKICPA and a member of the CPA Australia.

Mr. Poon is currently an independent non-executive director of Greater Bay Area Dynamic Growth Holding Limited, Master Glory Group Limited (in liquidation) and Shaw Brothers Holdings Limited. The issued shares of all the aforesaid companies are listed and traded on the Main Board of the Stock Exchange.

REPORT OF THE DIRECTORS

The directors of the Company (the "**Directors**") present their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 July 2020 (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 2020 are set out in note 38 to the 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 2020 are set out in the financial statements and their accompanying notes on pages 58 to 140.

The board of Directors (the "**Board**") does not recommend the payment of any dividend for the Year (2019: Nil).

DIRECTORS

The Directors who were in office during the Year and up to the date of this report are as follows:

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. Au Hoi Fung	(appointed on 9 July 2020)
Mr. Ng Chi Ho, Dennis	
Mr. Poon Kwok Hing, Albert	(appointed on 24 April 2020)
Mr. Chan Chi Yuen	(resigned on 19 March 2020)
Mr. Zhang Xi	(resigned on 28 April 2020)

In accordance with bye-law 83(2) of the bye-laws of the Company (the "**Bye-laws**"), Mr. Au Hoi Fung ("**Mr. Au**", appointed by the Board as an INED on 9 July 2020) and Mr. Poon Kwok Hing, Albert ("**Mr. Poon**", appointed by the Board as an INED on 24 April 2020) will retire from office by rotation as Directors and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company (the "**AGM**").

DIRECTORS *(continued)*

In accordance with bye-law 84 of the Bye-laws, Mr. Lui Siu Tsuen, Richard ("**Mr. Lui**") and Mr. Yip Chai Tuck ("**Mr. Yip**") will retire from office by rotation as Directors and, being eligible, offer themselves for re-election at the forthcoming 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 37 and 38 of this annual report, the section headed "Directors' Interests in Securities" in this report and the Company's circular dated 30 October 2020.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical particulars of the existing Directors are set out on pages 36 to 38 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.

DIRECTORS' REMUNERATION

The Directors' fees and other emoluments are supervised by the Remuneration Committee of the Company and determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Company as well as the prevailing market conditions. Details of the Directors' remuneration are set out in note 8 to the financial statements.

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 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**", an intermediate holding company of the Company) and four executive Directors, namely, Dr. Lam Kin Ngok, Peter ("**Dr. Lam**"), Mr. Chan Chi Kwong, Mr. Lui and Mr. Yip (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, in note 29 to the financial statements and the share option schemes adopted by Lai Sun Garment (International) Limited ("**LSG**"), Lai Sun Development Company Limited ("**LSD**") and eSun, 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 2020, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "**SFO**")), 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 ordinary shares of the Company ("Shares")			
	Number of Shares			
Name of Director	**Corporate interests**	**Personal interests**	**Total**	**Approximate percentage of total issued Shares** *(Note 1)*
Lam Kin Ngok, Peter	1,443,156,837 *(Note 2)*	—	1,443,156,837	67.56%

DIRECTORS' INTERESTS IN SECURITIES *(continued)*

(2) Interests in Associated Corporations

(a) LSG

Name of Directors	Long positions in the ordinary shares of LSG ("LSG Shares") and underlying LSG Shares				
	Number of LSG Shares		Number of underlying LSG Shares		
	Corporate interests	Personal interests	Personal interests	Total	Approximate percentage of total issued LSG Shares *(Note 3)*
Lam Kin Ngok, Peter	114,741,416 *(Note 4)*	48,802,906	333,333 *(Note 5)*	163,877,655	41.74%
Lui Siu Tsuen, Richard	—	185,600	—	185,600	0.05%

(b) LSD

Name of Directors	Long positions in the ordinary shares of LSD ("LSD Shares") and underlying LSD Shares				
	Number of LSD Shares		Number of underlying LSD Shares		
	Corporate interests	Personal interests	Personal interests	Total	Approximate percentage of total issued LSD Shares *(Note 6)*
Lam Kin Ngok, Peter	343,593,021 *(Note 7)*	433,737	417,308 *(Note 8)*	344,444,066	56.36%
Lui Siu Tsuen, Richard	—	—	104,000 *(Note 9)*	104,000	0.02%

(c) eSun

Name of Director	Long positions in the ordinary shares of eSun ("eSun Shares") and underlying eSun Shares				
	Number of eSun Shares		Number of underlying eSun Shares		
	Corporate interests	Personal interests	Personal interests	Total	Approximate percentage of total issued eSun Shares *(Note 10)*
Lam Kin Ngok, Peter	1,113,260,072 *(Note 11)*	2,794,443	—	1,116,054,515	74.81%

DIRECTORS' INTERESTS IN SECURITIES *(continued)*

(2) Interests in Associated Corporations (continued)

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

Long positions in the ordinary shares of Lai Fung ("Lai Fung Shares") and underlying Lai Fung Shares

Name of Director	Number of Lai Fung Shares: Corporate interests	Number of Lai Fung Shares: Personal interests	Number of underlying Lai Fung Shares: Personal interests	Total	Approximate percentage of total issued Lai Fung Shares *(Note 12)*
Lam Kin Ngok, Peter	180,618,266 *(Note 13)*	–	321,918 *(Note 14)*	180,940,184	54.66%

Notes:

1. *The total number of issued Shares as at 31 July 2020 (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 2020, eSun was indirectly owned as to approximately 74.62% by LSD. LSD was approximately 56.22% directly and indirectly owned by LSG. LSG was approximately 12.43% (excluding share option) owned by Dr. Lam and approximately 29.23% 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. *The total number of issued LSG Shares as at 31 July 2020 (that is, 392,610,623 LSG Shares) has been used for the calculation of the approximate percentage.*

4. *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.*

5. *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 LSG Share with the respective exercise periods from 18 January 2013 to 17 January 2023 and from 19 June 2017 to 18 June 2027.*

   On 24 June 2020, Dr. Lam exercised a share option to subscribe for 375,242 LSG Shares at the exercise price of HK$6.05 per LSG Share and such LSG Shares were issued and allotted to Dr. Lam on 29 June 2020. Dr. Lam sold 375,242 LSG Shares on 17 July 2020.

6. *The total number of issued LSD Shares as at 31 July 2020 (that is, 611,174,025 LSD Shares) has been used for the calculation of the approximate percentage. The number of issued LSD Shares increased to 612,089,025 as at the date of this annual report.*

DIRECTORS' INTERESTS IN SECURITIES *(continued)*

Notes: (continued)

7. *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.*

8. *On 18 January 2013, Dr. Lam was granted a share option 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 the exercise price of HK$16.1 per LSD Share with the exercise period from 18 January 2013 to 17 January 2023.*

9. *On 18 January 2013, Mr. Lui was granted a share option 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 the exercise price of HK$16.1 per LSD Share with the exercise period from 18 January 2013 to 17 January 2023.*

10. *The total number of issued eSun Shares as at 31 July 2020 (that is, 1,491,854,598 eSun Shares) has been used for the calculation of the approximate percentage.*

11. *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.*

12. *The total number of issued Lai Fung Shares as at 31 July 2020 (that is, 331,033,443 Lai Fung Shares) has been used for the calculation of the approximate percentage.*

13. *17,510 Lai Fung Shares were held by Transtrend Holdings Limited, a wholly-owned subsidiary of LSD. With reference to (i) the joint announcements issued by LSG, LSD, eSun, Lai Fung and Holy Unicorn Limited ("**Holy Unicorn**", a wholly-owned subsidiary of LSD) on 21 February 2020, 13 May 2020, 14 May 2020; (ii) the joint announcement issued by LSD, Lai Fung and Holy Unicorn on 28 May 2020 (the "**Announcements**"); and (iii) the composite offer and response document jointed issued by Lai Fung, LSD and Holy Unicorn on 24 April 2020, the LF Offers (as defined in the Announcements) had been declared unconditional in all respects on 14 May 2020 and closed on 28 May 2020.*

    Holy Unicorn received valid acceptances in respect of 180,600,756 LF Offer Shares (as defined in the Announcements) from 24 April 2020 to 28 May 2020, which increased the total number of Lai Fung Shares in which Dr. Lam was deemed to be interested from 168,809,977 to 180,618,266 by virtue of his deemed controlling shareholding interests in LSD as described in Note 2 above. Out of which 168,792,467 Lai Fung Shares were tendered for acceptance by eSun and therefore eSun ceased to hold any interest in Lai Fung on 14 May 2020.

14. *On 18 January 2013, Dr. Lam was granted a share option 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 the exercise price of HK$11.4 per Lai Fung Share with the exercise period from 18 January 2013 to 17 January 2023.*

Save as disclosed above, as at 31 July 2020, none of the Directors had, or was deemed to have, 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 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 total issued Shares as at the date of passing the relevant resolution. The refreshment of the scheme limit was also approved by the shareholders of eSun at its 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 have 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 total issued Shares.

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed in the section headed "Continuing Connected Transactions" of this report and note 32 to the 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 2020, 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 total 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%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES *(continued)*

Notes:

1. *The total number of issued Shares as at 31 July 2020 (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.

Save as disclosed above, as at 31 July 2020, 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) Film Distribution Agreements

On 22 October 2019, the Company entered into the film distribution agreements with each of Media Asia Distribution Ltd. ("**MAD(BVI)**") and Media Asia Distribution (HK) Limited ("**MAD(HK)**") as the principals (collectively the "**Film Distribution Agreements**") whereby the Company was appointed as the sole agent to provide the distribution services in respect of the films listed in the schedules of the relevant Film Distribution Agreements of which MAD(BVI) or MAD(HK) is the sole legal and beneficial owner of and/or has the right to license or appoint distribution agent for a period from 23 October 2019 to 31 July 2022.

In consideration of the Company providing the distribution services to the principals, the Company shall be entitled to retain 15% of the gross receipts as the distribution commission.

eSun is a controlling shareholder of the Company 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 Distribution Agreements constituted CCTs of the Company under the GEM Listing Rules.

The annual cap and the aggregate amount of the CCTs under the Film Distribution Agreements for the period from 23 October 2019 to 31 July 2020 were HK$9,000,000 and approximately HK$2,726,000 respectively.

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(2) *Theatrical Film Distribution Agreement*

On 12 June 2019, 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**") with substantially the same terms as the theatrical film distribution agreement dated 25 July 2016. Pursuant to the Theatrical Film Distribution Agreement, MAFD shall grant to IFDL an exclusive licence to exploit the theatrical rights in the Pictures (as defined in the Theatrical Film Distribution Agreement) in cinemas and other places of exhibition (including cinemas operated by Multiplex Cinema Limited, a non-wholly owned subsidiary of eSun) in Hong Kong and Macau; and IFDL shall use PAPC for promotion and advertising services on terms and conditions set out in the Theatrical Film Distribution Agreement.

The term of the Theatrical Film Distribution Agreement commenced on 1 August 2019 and will continue until 31 July 2022. Film rental for each picture will be paid to MAFD after (a) paying IFDL the distribution fee, being 10% of the film rental; (b) reimbursing IFDL the distribution costs approved by MAFD and actually incurred; and (c) paying PAPC the promotion and advertising fee, being 7% of the eventual promotion and advertising costs as approved by MAFD. If the film rental of a picture is insufficient to pay the distribution costs and/or the promotion and advertising fee for that picture, MAFD shall reimburse IFDL of such shortfall.

Each of IFDL and PAPC is indirectly owned as to 95% by eSun, a controlling shareholder of the Company, and therefore is 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$6,104,000. The aggregate amount of the CCTs under the Theatrical Film Distribution Agreement for the Year was approximately HK$731,000.

(3) *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.

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(3) Music Catalogue Distribution Agreement (continued)

eSun is a controlling shareholder of the Company 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$8,700,000 and approximately HK$7,544,000 respectively.

(4) 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 expired on 31 July 2020.

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

As at the date of signing the Memorandum of Agreement, each of LSG, LSD and eSun is the controlling shareholder of the Company 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.

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. Rent paid or payable and management fee paid or payable to the LSG Group for the Year were approximately HK$1,045,000 and HK$154,000, respectively.

(5) Film Library Licence Agreements

On 28 July 2017, the Company (as licensee) and eSun entered into the supplemental agreements with each of MAD(BVI) and 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 were subsisting at the commencement of the Film Library Licence Agreements, the Company was 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).

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(5) *Film Library Licence Agreements (continued)*

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 were 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 of the Company 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.

On 22 October 2019, the said parties entered into the respective termination agreements to terminate the Film Library Licence Agreements with effect from 23 October 2019.

The annual cap under the Film Library Licence Agreements (as supplemented) for the Year was HK$21,000,000 and the aggregate amount paid or payable to eSun for the period from 1 August 2019 to 22 October 2019 was approximately HK$11,239,000.

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 and 7 and pages 8 to 10 of this annual report respectively. Details about the Group's financial risk management are set out in note 36 to the 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 23 and pages 24 to 35 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 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 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 its liabilities.

At 31 July 2020, 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 70.2% of the Group's total revenue and revenue from the largest customer included therein amounted to approximately 32.1%.

Purchase from the Group's five largest suppliers accounted for approximately 30.8% of the Group's total purchases for the Year and purchase from the largest supplier included therein amounted to approximately 9.6%.

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 or suppliers of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed 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 for the Year pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all the INEDs to be independent.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") currently comprises three INEDs, namely Mr. Ng Chi Ho, Dennis (Chairman), Mr. Au and Mr. Poon. The Audit Committee has reviewed with the management of the Company the audited consolidated financial statements for the Year.

INDEPENDENT AUDITOR

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

On behalf of the Board

Lam Kin Ngok, Peter
Chairman

Hong Kong, 19 October 2020

INDEPENDENT AUDITOR'S REPORT

EY 安永

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

OPINION

We have audited the consolidated financial statements of Media Asia Group Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 58 to 140, which comprise the consolidated statement of financial position as at 31 July 2020, 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 2020, 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 assessment of film and TV program products and films and TV programs under production	
As at 31 July 2020, the Group had films and TV programs under production and film and TV program products of approximately HK$296,704,000 and HK$25,268,000, respectively. Management makes significant judgements and estimates in assessing whether there is any impairment or reversal of impairment for these assets. In making such assessment, management considers both internal and external information available on the films and TV programs under production and film and TV program products, and reviews the estimated costs to be incurred to complete production, projected revenues and related future cash flows of the relevant assets, as appropriate. Further details are included in note 3(a) to the consolidated financial statements. Related disclosures are included in notes 3, 14 and 15 to the consolidated financial statements.	We have evaluated management's impairment assessments of films and TV programs under production and film and TV program products by performing, among others, the following procedures: • Understood and evaluated the procedures used by management to perform the impairment assessment on films and TV programs under production and film and TV program products. • Assessed the internal and external sources of information used by management in identifying impairment indicators on films and TV programs under production and film and TV program products which included, among others, by (i) performing inquiries with management about the main artistes and directors involved in the films and TV programs, the production plan, the progress of the production, the target market and the distribution plan of the respective films and TV programs, and expected market development; and (ii) performing a search through external sources for relevant media coverage on the related popularity and past performance of the main artistes and directors, and the tentative release schedule of the respective films and TV programs to corroborate management's production and distribution plans. • Evaluated the assumptions used by management in the discounted cash flow projections for films and TV programs under production and film and TV program products, which included, among others, the projected revenues from films and TV programs, estimated costs to be incurred to complete the production, distribution expenses and other related cash flows by comparing with the production plan, agreements for future sales, licensing and other exploitations, historical cash flows and other similar transactions in relation to the films and TV programs and other relevant information of the film and TV industry. • Involved our internal valuation specialists to assist us in evaluating the assumptions, discount rate and methodologies used by the Group in the discounted cash flow projections.

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.

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

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.

- 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, actions taken to eliminate threats or safeguards applied.

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

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

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

Ernst & Young
Certified Public Accountants

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

19 October 2020

CONSOLIDATED INCOME STATEMENT

Year ended 31 July 2020

	Notes	2020 HK$'000	2019 HK$'000
TURNOVER	5	**364,773**	573,732
Cost of sales		**(320,887)**	(536,421)
Gross profit		**43,886**	37,311
Other income	5	**9,542**	10,519
Marketing expenses		**(24,047)**	(20,469)
Administrative expenses		**(138,419)**	(142,167)
Other operating gains		**1,833**	13,333
Other operating expenses		**(62,421)**	(21,289)
LOSS FROM OPERATING ACTIVITIES		**(169,626)**	(122,762)
Finance costs	6	**(17,756)**	(15,786)
Share of profits and losses of joint ventures		**50**	(4,153)
Share of profit and loss of an associate		**—**	432
LOSS BEFORE TAX	7	**(187,332)**	(142,269)
Income tax credit/(expense)	9	**61**	(2,637)
LOSS FOR THE YEAR		**(187,271)**	(144,906)
Attributable to:			
Owners of the Company		**(178,169)**	(147,056)
Non-controlling interests		**(9,102)**	2,150
		(187,271)	(144,906)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	11		
Basic and diluted (HK cents)		**(8.34)**	(6.88)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 July 2020

	2020 HK$'000	2019 HK$'000
LOSS FOR THE YEAR	**(187,271)**	(144,906)
OTHER COMPREHENSIVE INCOME/(LOSS) THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT IN SUBSEQUENT PERIODS		
Exchange differences on translation of foreign operations	**(305)**	1,493
Release of foreign currency translation reserve upon disposal of subsidiaries (note 33)	**–**	(15)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**(305)**	1,478
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(187,576)**	(143,428)
Attributable to:		
Owners of the Company	**(178,553)**	(145,744)
Non-controlling interests	**(9,023)**	2,316
	(187,576)	(143,428)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 July 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	—	2,890
Film and TV program products	14(a)	25,268	35,139
Film and TV program rights	14(b)	—	147
Investments in joint ventures	16	13,555	19,505
Investment in an associate	17	—	—
Prepayments, deposits and other receivables	21	22,732	29,342
Other financial assets	18	—	9,426
Right-of-use assets	19(a)	—	—
Total non-current assets		61,555	96,449
CURRENT ASSETS			
Films and TV programs under production and film investments	15	313,420	417,308
Trade receivables	20	42,654	78,726
Prepayments, deposits and other receivables	21	138,477	146,418
Other financial assets	18	5,539	11,349
Cash and cash equivalents	22	317,692	334,996
Total current assets		817,782	988,797
CURRENT LIABILITIES			
Trade payables	23	75	3,798
Accruals and other payables	24(a)	252,547	300,257
Deposits received	24(b)	226,431	262,533
Loan from an intermediate holding company	25	—	100,000
Loan from a fellow subsidiary	26	—	200,000
Lease liabilities	19(b)	9,170	—
Tax payable		10,751	11,499
Total current liabilities		498,974	878,087
NET CURRENT ASSETS		318,808	110,710
TOTAL ASSETS LESS CURRENT LIABILITIES		380,363	207,159
NON-CURRENT LIABILITIES			
Loans from an intermediate holding company	25	350,000	—
Lease liabilities	19(b)	5,357	—
Total non-current liabilities		355,357	—
Net assets		25,006	207,159

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 July 2020

	Notes	2020 HK$'000	2019 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	28	**21,361**	21,361
Reserves	30	**18,876**	197,429
		40,237	218,790
Non-controlling interests		**(15,231)**	(11,631)
Total equity		**25,006**	207,159

Lam Kin Ngok, Peter
Director

Lui Siu Tsuen, Richard
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 July 2020

	Note	Attributable to owners of the Company						Non-controlling interests HK$'000	Total equity HK$'000
		Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Foreign currency translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000		
At 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 and 1 August 2019		21,361	633,661#	95,191#	(7,591)#	(523,832)#	218,790	(11,631)	207,159
Loss for the year		–	–	–	–	(178,169)	(178,169)	(9,102)	(187,271)
Other comprehensive income/(loss) for the year:									
Exchange differences on translation of foreign operations		–	–	–	(384)	–	(384)	79	(305)
Total comprehensive loss for the year		–	–	–	(384)	(178,169)	(178,553)	(9,023)	(187,576)
Capital contributions from non-controlling shareholders		–	–	–	–	–	–	5,423	5,423
At 31 July 2020		21,361	633,661#	95,191#	(7,975)#	(702,001)#	40,237	(15,231)	25,006

These reserve accounts comprise the consolidated reserves of HK$18,876,000 (2019: HK$197,429,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 July 2020

	Notes	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(187,332)**	(142,269)
Adjustments for:			
Finance costs	6	**17,756**	15,786
Share of profits and losses of joint ventures		**(50)**	4,153
Share of profit and loss of an associate		**—**	(432)
Interest income	5	**(1,427)**	(1,389)
Gain on disposal of subsidiaries	7	**—**	(4,720)
Loss on disposal of property, plant and equipment	7	**3**	—
Gain on termination of a lease	7	**(1)**	—
Depreciation of property, plant and equipment	7	**1,148**	3,757
Depreciation of right-of-use assets	7	**11,146**	—
Impairment of property, plant and equipment	7	**2,350**	—
Impairment of right-of-use assets	7	**14,577**	—
Impairment of amounts due from joint ventures	7	**1,061**	—
Reversal of impairment of an amount due from an associate	7	**(29)**	—
Amortisation of film and TV program products	7	**128,011**	69,137
Amortisation of film and TV program rights	7	**283**	3,484
Impairment of films and TV programs under production	7	**12,439**	64,310
Impairment of trade receivables	7	**4,974**	—
Write-off of trade receivables	7	**—**	90
Impairment of advances and other receivables	7	**14,519**	12,320
Write-off of prepayments and other receivables	7	**3,167**	339
Reversal of impairment of advances and other receivables	7	**(88)**	(349)
Foreign exchange differences, net	7	**7,308**	6,755
		29,815	30,972
Increase in film investments		**(8,458)**	(8,591)
Additions of films and TV programs under production	15(i)	**(141,825)**	(237,060)
Additions of film and TV program products	14(a)	**(1,655)**	(2)
Decrease in film and TV program products	14(a)	**117,535**	150,941
Additions of film and TV program rights	14(b)	**(136)**	(1,760)
Decrease/(increase) in other financial assets		**15,236**	(9,426)
Decrease/(increase) in trade receivables		**31,098**	(30,873)
Increase in prepayments, deposits and other receivables		**(3,560)**	(40,536)
Decrease in trade payables		**(3,723)**	(1,177)
Increase/(decrease) in accruals and other payables		**(44,955)**	80,972
Decrease in deposits received		**(36,102)**	(621)
Cash used in operations		**(46,730)**	(67,161)
Hong Kong taxes paid		**(285)**	(89)
Overseas taxes paid		**(402)**	(579)
Net cash flows used in operating activities		**(47,417)**	(67,829)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 July 2020

	Notes	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**1,427**	1,389
Proceeds from disposal of property, plant and equipment		**1**	7
Purchases of property, plant and equipment	12	**(627)**	(2,616)
Disposal of subsidiaries	33	**–**	(5,372)
Capital contributions to a joint venture		**–**	(2,500)
Dividend received from a joint venture		**–**	1,000
Repayment from/(advances to) joint ventures		**5,469**	(7,357)
Repayment of an amount due from an associate		**29**	4,137
Net cash flows from/(used in) investing activities		**6,299**	(11,312)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contributions from non-controlling shareholders		**5,423**	858
Interest paid to an intermediate holding company		**(7,698)**	(5,334)
Interest paid to a fellow subsidiary		**(11,709)**	(9,910)
Loans from an intermediate holding company		**250,000**	–
Repayment of a loan from a fellow subsidiary		**(200,000)**	–
Principal portion of lease payments		**(10,721)**	–
Interest paid on lease liabilities		**(1,104)**	–
Net cash flows from/(used in) financing activities		**24,191**	(14,386)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(16,927)**	(93,527)
Cash and cash equivalents at beginning of year		**334,996**	429,983
Effect of foreign exchange rate changes, net		**(377)**	(1,460)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**317,692**	334,996
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**317,692**	312,971
Non-pledged time deposits with original maturity of less than three months when acquired	22	**–**	22,025
Cash and cash equivalents as stated in the consolidated statement of financial position		**317,692**	334,996

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 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 38 to the financial statements.

In the opinion of the directors of the Company, the ultimate holding company of the Company is Lai Sun Garment (International) Limited, which was incorporated in Hong Kong and whose shares are listed and traded on the Main Board of the Stock Exchange.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, 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 2020. 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.

HKFRS 16	*Leases*
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for HKFRS 16 and Amendments to HKAS 28 as explained below, the application of these new and revised HKFRSs has had no significant impact on the financial performance or financial position of the Group.

(a) 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 account for leases under a single on-balance-sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17.

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

(a) *(continued)*

The Group has adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 August 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of accumulated losses at 1 August 2019, and the comparative information for the year ended 31 July 2019 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 August 2019.

As a lessee - Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of properties and equipment. As a lessee, the Group previously classified leases as operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 August 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impacts on transition

Lease liabilities at 1 August 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 August 2019. The Group elected to present the lease liabilities separately in the consolidated statement of financial position.

The right-of-use assets were 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 consolidated statement of financial position immediately before 1 August 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the consolidated statement of financial position.

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

(a) *(continued)*

As a lessee - Leases previously classified as operating leases (continued)

Impacts on transition *(continued)*

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 August 2019:

— Applying the short-term lease exemptions to leases with a lease term that ends within 12 months at the date of initial application;

— Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease;

— Applying a single discount rate to a portfolio of leases with reasonable similar characteristics when measuring the lease liabilities at 1 August 2019;

— Relying on the entity's assessment of whether leases were onerous by applying HKAS 37 immediately before 1 August 2019 as an alternative to performing an impairment review; and

— Excluding the initial direct costs from the measurement of the right-of-use assets at the date of initial application.

Financial impact at 1 August 2019

The impact arising from the adoption of HKFRS 16 at 1 August 2019 was as follows:

	Increase/ (decrease) HK$'000
Assets	
Increase in right-of-use assets	16,354
Decrease in prepayments, deposits and other receivables	(391)
Increase in total assets	15,963
Liabilities	
Increase in lease liabilities and total liabilities	15,963

The lease liabilities as at 1 August 2019 reconciled to the operating lease commitments as at 31 July 2019 are as follows:

	HK$'000
Operating lease commitments as at 31 July 2019 (note 31)	9,075
Less:	
Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 July 2020	(1,348)
Add:	
Payments for optional periods not recognised as at 31 July 2019	9,494
	17,221
Weighted average incremental borrowing rate as at 1 August 2019	5.523%
Discounted operating lease commitments and lease liabilities as at 1 August 2019	15,963

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

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in an associate and joint ventures upon adoption of the amendments on 1 August 2019 based on the facts and circumstances that exist on that day using the transitional requirements in the amendments. The adoption of the amendments on 1 August 2019 resulted in reclassification of HK$15,286,000 from share of net liabilities of an associate to provision for impairment losses and HK$28,621,000 from share of net liabilities of joint ventures to provision for impairment losses. There is no impact on the balances of the investment in an associate and investments in joint ventures. The Group applies the relief from restating comparative information for prior periods upon adoption of the amendments.

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*[1]
Amendments to HKFRS 3	*Reference to the Conceptual Framework*[3]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its *Associate or Joint Venture*[5]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[4]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[3]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[3]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, HKAS 41 and Illustrative Examples accompanying HKFRS 16[3]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 January 2023
5 No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial adoption. The Group is not yet in a position to state whether they would have a significant impact on the Group's financial performance and financial position.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

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

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interests in joint operations (continued)

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

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

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

Business combinations and goodwill

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in the income statement as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 July. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement (continued)

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

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each financial year.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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.

Investments and other financial assets

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" 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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

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. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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.

Financial assets at fair value through profit or loss

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 the 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss *(continued)*

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

The Group recognises an allowance for expected credit losses ("**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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets (continued)

General approach (continued)

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.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets (continued)

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

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:

Financial liabilities at amortised cost (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.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

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

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

Leases (applicable from 1 August 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group by the end of the lease terms or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases (applicable from 1 August 2019) (continued)

Group as a lessee (continued)

(b) *Lease liabilities (continued)*

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Leases (applicable before 1 August 2019)

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

Revenue recognition

Revenue 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.

(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;

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(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) Sales of film and 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 licence 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 income 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;

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

(iii) Rental income is recognised on a time proportion basis over the lease terms.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("**Equity-Settled Transactions**").

The cost of Equity-Settled Transactions with employees is measured by reference to the fair value at the date at which they are granted.

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

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

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits (continued)

Retirement benefit schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**Scheme**") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 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.

Borrowing costs

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

Government grants

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

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlements or translation of monetary items are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or income statement is also recognised in other comprehensive income or income statement, respectively).

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies (continued)

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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax (continued)

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries, an associate and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax (continued)

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**").

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

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

For the purpose of the 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) Impairment assessment of film and TV program products and films and TV programs under production

Film and TV program products are stated at cost less accumulated amortisation and any impairment losses. Films and TV programs under production are accounted for on a project-by-project basis and are stated at cost less any impairment losses. Management estimates the costs to be incurred to complete production and the total projected revenues and the related future cash flows, as appropriate, of each film and TV program product and each film and TV program under production based on the historical cost, performance and cash flows of similar films and TV programs, incorporating factors such as the production plans, target markets and distribution plans of respective films and TV programs, the past box office or similar 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, their anticipated performance in relevant theatrical, home entertainment, television and other ancillary markets, with reference to agreements for future sales, licensing and other exploitation, as appropriate.

3. SIGNIFICANT ACCOUNTING ESTIMATES *(continued)*

Estimation uncertainty (continued)

(a) Impairment assessment of film and TV program products and films and TV programs under production (continued)

The 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 information available on the film and TV program products and films and TV programs under production, management reviews the estimated costs to be incurred to complete production, the projected revenues and the related future cash flows of the relevant asset, as appropriate, to assess whether there is any impairment or reversal of impairment. Any change in estimates may 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.

(b) Provision for ECLs 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 the end of each reporting period, 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 20 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 21 to the financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES *(continued)*

Estimation uncertainty (continued)

(c) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period, and tests for certain non-financial assets for impairment annually or any time during an annual period when such an indicator exists, where appropriate. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use. When calculating the value-in-use, management estimates the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

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

(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 profit/(loss) before tax.

Segment liabilities exclude tax payable and loans from an intermediate holding company and a fellow subsidiary 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 (2019: Nil).

4. OPERATING SEGMENT INFORMATION *(continued)*

Segment revenue/results:

	Media and entertainment		Film and TV program		Corporate		Consolidated	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
Sales to external customers	**104,796**	336,239	**259,977**	237,493	**–**	–	**364,773**	573,732
Other income	**2,688**	7,192	**3,453**	2,775	**3,401**	552	**9,542**	10,519
Segment profit/(loss)	**(38,571)**	30,291	**(99,205)**	(140,669)	**(31,850)**	(17,104)	**(169,626)**	(127,482)
Gain on disposal of subsidiaries	**–**	–	**–**	4,720	**–**	–	**–**	4,720
Finance costs	**(253)**	–	**(413)**	–	**(17,090)**	(15,786)	**(17,756)**	(15,786)
Share of profits and losses of joint ventures	**(193)**	(2,567)	**243**	(1,586)	**–**	–	**50**	(4,153)
Share of profit and loss of an associate	**–**	–	**–**	432	**–**	–	**–**	432
Loss before tax							**(187,332)**	(142,269)

4. OPERATING SEGMENT INFORMATION *(continued)*

Segment assets/liabilities:

	Media and entertainment		Film and TV program		Corporate		Consolidated	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
Segment assets	187,943	272,727	625,073	728,932	52,766	64,082	865,782	1,065,741
Investments in joint ventures	11,608	17,851	1,947	1,654	–	–	13,555	19,505
Investment in an associate	–	–	–	–	–	–	–	–
Total assets							879,337	1,085,246
Segment liabilities	101,147	182,896	381,623	377,925	10,810	5,767	493,580	566,588
Unallocated liabilities							360,751	311,499
Total liabilities							854,331	878,087
Other segment information:								
Depreciation of property, plant and equipment	268	456	268	1,199	612	2,102	1,148	3,757
Depreciation of right-of-use assets	3,373	–	4,427	–	3,346	–	11,146	–
Amortisation of film and TV program products	–	–	128,011	69,137	–	–	128,011	69,137
Amortisation of film and TV program rights	–	–	283	3,484	–	–	283	3,484
Impairment of films and TV programs under production	–	–	12,439	64,310	–	–	12,439	64,310
Impairment of trade receivables	4,847	–	127	–	–	–	4,974	–
Impairment of advances and other receivables	5,345	3,173	8,399	9,147	775	–	14,519	12,320
Impairment of property, plant and equipment	639	–	204	–	1,507	–	2,350	–
Impairment of right-of-use assets	2,954	–	5,292	–	6,331	–	14,577	–
Impairment of amounts due from joint ventures	697	–	364	–	–	–	1,061	–
Reversal of impairment of an amount due from an associate	–	–	(29)	–	–	–	(29)	–
Reversal of impairment of advances and other receivables	(88)	(34)	–	(315)	–	–	(88)	(349)
Write-off of trade receivables	–	90	–	–	–	–	–	90
Write-off of prepayments and other receivables	–	–	3,167	339	–	–	3,167	339
Additions of property, plant and equipment	392	345	78	315	157	1,956	627	2,616
Additions of right-of-use assets	280	–	2,426	–	9,068	–	11,774	–
Additions of film and TV program products	–	–	1,655	2	–	–	1,655	2
Additions of film and TV program rights	–	–	136	1,760	–	–	136	1,760
Additions of films and TV programs under production and film investments	–	–	155,297	245,651	–	–	155,297	245,651

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

	Hong Kong		Mainland China		Macau		Others		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	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	**58,307**	267,189	**267,137**	234,760	**20,908**	34,533	**18,421**	37,250	**364,773**	573,732
Assets:										
Segment assets										
– non-current assets	**53,734**	53,841	**7,821**	32,791	**–**	–	**–**	9,817	**61,555**	96,449
– current assets	**282,115**	449,227	**528,717**	513,319	**2,044**	12,986	**4,906**	13,265	**817,782**	988,797
Total assets									**879,337**	1,085,246
Other information:										
Additions of property, plant and equipment	**379**	2,264	**156**	79	**–**	–	**92**	273	**627**	2,616
Additions of right-of-use assets	**9,068**	–	**2,706**	–	**–**	–	**–**	–	**11,774**	–
Additions of film and TV program products	**1,655**	2	**–**	–	**–**	–	**–**	–	**1,655**	2
Additions of film and TV program rights	**136**	1,760	**–**	–	**–**	–	**–**	–	**136**	1,760
Additions of films and TV programs under production and film investments	**13,694**	70,832	**141,603**	174,819	**–**	–	**–**	–	**155,297**	245,651

Information about major customers

Revenue from two (2019: one) customers which accounted for revenue exceeding 10% of the Group's total revenues derived from film and TV program segment amounted to approximately HK$189,765,000 for the year ended 31 July 2020 (2019: HK$159,945,000).

5. TURNOVER AND OTHER INCOME

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

	2020 HK$'000	2019 HK$'000
Revenue from contracts with customers		
Entertainment event income	68,372	298,767
Album sales, licence income and distribution commission income from music publishing and licensing	31,079	28,666
Artiste management fee income	5,345	8,806
Distribution commission income, licence fee income from and sales of film and TV program products and film and TV program rights	259,977	237,493
	364,773	573,732

(i) Disaggregated revenue information

Year ended 31 July 2020

	Media and entertainment HK$'000	Film and TV program HK$'000	Total HK$'000
Timing of revenue recognition			
At a point in time	85,772	259,977	345,749
Over time	19,024	–	19,024
Total revenue from contracts with customers	104,796	259,977	364,773
Geographical markets			
Hong Kong	52,419	5,889	58,308
Mainland China	21,561	245,575	267,136
Macau	20,908	–	20,908
Others	9,908	8,513	18,421
Total revenue from contracts with customers	104,796	259,977	364,773

5. TURNOVER AND OTHER INCOME *(continued)*

(a) (continued)

(i) Disaggregated revenue information *(continued)*

Year ended 31 July 2019

	Media and entertainment HK$'000	Film and TV program HK$'000	Total HK$'000
Timing of 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$163,295,000 (2019: HK$189,369,000).

(ii) Transaction price allocated to the remaining performance obligation

The Group elected to apply the practical expedient under HKFRS 15 and does not disclose the amount of the transaction price allocated to the remaining obligations for contracts with an original expected duration for one year or less.

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

	2020 HK$'000	2019 HK$'000
Other income from contracts with customers		
Commission and handling fee income from entertainment and other events#	**4,315**	7,366
Other income from other sources		
Bank interest income	**1,427**	1,389
Government grants *	**2,472**	1,077
Rental income	**738**	—
Others	**590**	687
	5,227	3,153
	9,542	10,519

The commission and handling fee income from entertainment and other events are (i) recognised either at a point in time or over time, depends on which the relevant services are rendered to the customer or the customer simultaneously receives and consumes the benefits provided by the Group and (ii) mainly derived from Hong Kong region. Payment in advance is normally required.

* 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:

	2020 HK$'000	2019 HK$'000
Interest on:		
— Loans from an intermediate holding company (note 32(a)(vii))	7,265	5,369
— Loan from a fellow subsidiary (note 32(a)(viii))	9,387	10,417
— Lease liabilities	1,104	—
	17,756	15,786

7. LOSS BEFORE TAX

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

	Notes	2020 HK$'000	2019 HK$'000
Cost of film and TV program products, film and TV program rights and licence rights		258,472	290,412
Cost of artiste management services and services for entertainment events provided		62,415	246,009
Total cost of sales		320,887	536,421
Depreciation of property, plant and equipment	12	1,148	3,757
Depreciation of right-of-use assets	19(a)	11,146	—
Amortisation of film and TV program products #	14(a)	128,011	69,137
Amortisation of film and TV program rights #	14(b)	283	3,484
Minimum lease payments under operating leases in respect of land and buildings incurred for:			
Entertainment events #		—	5,733
Others		—	14,220
Contingent rents incurred for entertainment events #		—	39,007
Total operating lease payments		—	58,960
Lease payments not included in the measurement of lease liabilities:			
Entertainment events #		1,347	—
Others		2,782	—
Contingent rents incurred for entertainment events #		2,821	—
Total	19(e)	6,950	—

7. LOSS BEFORE TAX *(continued)*

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

	Notes	2020 HK$'000	2019 HK$'000
Auditor's remuneration		**2,222**	2,222
Employee benefit expense (including directors' emoluments (note 8)):			
Salaries, wages, bonuses and allowances		**87,720**	92,691
Pension scheme contributions		**4,036**	5,304
		91,756	97,995
Less: Capitalised in films and TV programs under production	15(i)	**—**	(7,964)
		91,756	90,031
Gain on disposal of subsidiaries *	33	**—**	(4,720)
Loss on disposal of property, plant and equipment ##		**3**	—
Gain on termination of a lease *		**(1)**	—
Impairment of property, plant and equipment ##	12	**2,350**	—
Impairment of right-of-use assets ##	19(a)	**14,577**	—
Impairment of amounts due from joint ventures##	16	**1,061**	—
Reversal of impairment of an amount due from an associate *	17	**(29)**	—
Impairment of films and TV programs under production #	15(i)	**12,439**	64,310
Impairment of trade receivables ##	20	**4,974**	—
Impairment of advances and other receivables ##	21	**14,519**	12,320
Reversal of impairment of advances and other receivables *	21	**(88)**	(349)
Write-off of trade receivables ##		**—**	90
Write-off of prepayments and other receivables ##		**3,167**	339
Fair value change from film investments ##	15(ii)	**5,014**	—
Fair value change from other financial assets ##		**9,426**	—
Share of net loss from entertainment events organised by the Group to co-investors *		**(659)**	—
Share of net gain from entertainment events organised by the Group to co-investors ##		**—**	740
Fair value change from entertainment events organised by co-investors *		**(990)**	(8,230)
Foreign exchange losses, net ##		**7,308**	6,755

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 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:

	2020 HK$'000	2019 HK$'000
Fees	1,207	810
Other emoluments:		
Salaries and allowances	5,135	4,732
Pension scheme contributions	35	33
	5,170	4,765
	6,377	5,575

	Fees HK$'000	Salaries and allowances HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Year ended 31 July 2020				
Executive Directors				
Lam Kin Ngok, Peter	180	–	–	180
Lui Siu Tsuen, Richard	180	–	–	180
Chan Chi Kwong	180	3,886	17	4,083
Yip Chai Tuck	180	1,249	18	1,447
	720	5,135	35	5,890
Independent Non-executive Directors				
Ng Chi Ho, Dennis	180	–	–	180
Poon Kwok Hing, Albert (note (i))	49	–	–	49
Au Hoi Fung (note (ii))	11	–	–	11
Chan Chi Yuen (note (iii))	114	–	–	114
Zhang Xi (note (iv))	133	–	–	133
	487	–	–	487
	1,207	5,135	35	6,377

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 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				
Ng Chi Ho, Dennis	150	—	—	150
Chan Chi Yuen (note (iii))	150	—	—	150
Zhang Xi (note (iv))	150	—	—	150
	450	—	—	450
	810	4,732	33	5,575

Notes:

(i) Appointed on 24 April 2020

(ii) Appointed on 9 July 2020

(iii) Resigned on 19 March 2020

(iv) Resigned on 28 April 2020

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

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

(b) Employees' emoluments

The five highest paid employees during the year included one (2019: one) director, details of whose emoluments are set out above. Details of the remuneration of the remaining four (2019: four) non-director, highest paid employees for the year are as follows:

	2020 HK$'000	2019 HK$'000
Salaries and allowances	10,813	14,241
Pension scheme contributions	54	54
	10,867	14,295

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

	Number of employees	
	2020	2019
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

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year ended 31 July 2020. Hong Kong profits tax had been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year ended 31 July 2019. 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.

	2020 HK$'000	2019 HK$'000
Provision for tax for the year		
Current — Hong Kong		
Charge for the year	—	2,078
Overprovision in prior years	(56)	(22)
Current — Elsewhere		
Charge for the year	466	581
Overprovision in prior years	(471)	—
Total tax expense/(credit) for the year	(61)	2,637

A reconciliation of the tax credit 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/(credit) at the effective tax rates is as follows:

	2020 HK$'000	2019 HK$'000
Loss before tax	(187,332)	(142,269)
Tax at the applicable tax rates	(31,949)	(29,926)
Lower tax rate enacted by local authority	(210)	—
Adjustments in respect of current tax of previous years	(527)	(22)
Profits and losses attributable to joint ventures and an associate	(8)	614
Income not subject to tax	(731)	(1,820)
Expenses not deductible for tax	2,678	3,743
Utilisation of tax losses previously not recognised	(1,220)	(4,217)
Estimated tax losses not recognised	28,827	30,339
Others	3,079	3,926
Tax charge/(credit) at the Group's effective rate	(61)	2,637

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 2020 (2019: 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$178,169,000 (2019: HK$147,056,000) and the weighted average number of ordinary shares of approximately 2,136,056,000 (2019: approximately 2,136,056,000) in issue during the year.

The Group had no potential dilutive ordinary shares in issue during the years ended 31 July 2020 and 2019.

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 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 and 1 August 2019	15,751	3,148	828	3,360	23,087
Additions	214	99	–	314	627
Disposal	(74)	(143)	–	(229)	(446)
Exchange realignment	(74)	(12)	–	(11)	(97)
At 31 July 2020	15,817	3,092	828	3,434	23,171
Accumulated depreciation and impairment:					
At 1 August 2018	13,650	2,519	586	3,008	19,763
Depreciation	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 and 1 August 2019	13,698	2,767	659	3,073	20,197
Depreciation	606	198	72	272	1,148
Disposal	(74)	(143)	–	(225)	(442)
Impairment	1,654	276	97	323	2,350
Exchange realignment	(67)	(6)	–	(9)	(82)
At 31 July 2020	15,817	3,092	828	3,434	23,171
Net carrying amount:					
At 31 July 2020	–	–	–	–	–
At 31 July 2019	2,053	381	169	287	2,890

Impairment assessment of property, plant and equipment

During the year, the Group's management identified the assets under underperforming cash-generating units ("**CGUs**") and estimated the recoverable amounts of these assets. Based on the value-in-use calculation, the carrying amounts of property, plant and equipment of the Group were fully impaired by HK$2,350,000 (2019: Nil) during the year and the aggregate recoverable amount of these assets was estimated by using a discount rate of 11% as at year end.

13. GOODWILL

	HK$'000
Cost:	
At 1 August 2018, 31 July 2019, 1 August 2019 and 31 July 2020	3,477
Accumulated impairment:	
At 1 August 2018, 31 July 2019, 1 August 2019 and 31 July 2020	3,477
Net carrying amount:	
At 31 July 2020	—
At 31 July 2019	—

14. FILM AND TV PROGRAM PRODUCTS AND RIGHTS

(a) Film and TV program products

	HK$'000
Cost:	
At 1 August 2018	1,063,543
Additions	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 and 1 August 2019	1,126,130
Additions	1,655
Transfer from films and TV programs under production (note 15)	234,296
Sales of film and TV program products	(117,535)
Exchange realignment	(2,388)
At 31 July 2020	1,242,158
Accumulated amortisation and impairment:	
At 1 August 2018	1,023,090
Amortisation	69,137
Disposal of subsidiaries	(24)
Exchange realignment	(1,212)
At 31 July 2019 and 1 August 2019	1,090,991
Amortisation	128,011
Exchange realignment	(2,112)
At 31 July 2020	1,216,890
Net carrying amount:	
At 31 July 2020	25,268
At 31 July 2019	35,139

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

(a) *Film and TV program products (continued)*

In light of the specific 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 2020 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, which were derived from discounting the projected cash flows using a discount rate of 15% (2019: 15%) for the relevant assets.

(b) *Film and TV program rights*

	HK$'000
Cost:	
At 1 August 2018	33,349
Additions	1,760
Write-off	(109)
At 31 July 2019 and 1 August 2019	35,000
Additions	136
Write-off	(619)
At 31 July 2020	34,517
Accumulated amortisation and impairment:	
At 1 August 2018	31,478
Amortisation	3,484
Write-off	(109)
At 31 July 2019 and 1 August 2019	34,853
Amortisation	283
Write-off	(619)
At 31 July 2020	34,517
Net carrying amount:	
At 31 July 2020	—
At 31 July 2019	147

15. FILMS AND TV PROGRAMS UNDER PRODUCTION AND FILM INVESTMENTS

	Notes	2020 HK$'000	2019 HK$'000
Films and TV programs under production	(i)	**296,704**	408,842
Film investments, at fair value	(ii)	**16,716**	8,466
At end of the reporting period		**313,420**	417,308

Notes:

(i) Films and TV programs under production

	2020 HK$'000	2019 HK$'000
At beginning of the reporting period	**408,842**	469,611
Additions (including capitalisation of employee benefit expense of nil (2019: HK$7,964,000) (note 7))	**141,825**	237,060
Transfer to film and TV program products (note 14)	**(234,296)**	(214,896)
Impairment #	**(12,439)**	(64,310)
Disposal of subsidiaries (note 33)	**—**	(14,813)
Exchange realignment	**(7,228)**	(3,810)
At end of the reporting period	**296,704**	408,842

During the year ended 31 July 2020, the impairment of films and TV programs under production, which belong to the Group's film and TV program segment, was made based on management's estimation of their recoverable amounts based on value-in-use calculation against their carrying amounts using a discount rate of 15%. As at 31 July 2020, the aggregate recoverable amount of the impaired films and TV programs under production amounted to nil (2019: HK$35,946,000).

(ii) Film investments, at fair value

	2020 HK$'000	2019 HK$'000
Film investments classified as financial assets at fair value through profit or loss		
At beginning of the reporting period	**8,466**	—
Additions	**13,472**	8,591
Changes in fair value	**(5,014)**	—
Exchange realignment	**(208)**	(125)
At end of the reporting period	**16,716**	8,466

16. INVESTMENTS IN JOINT VENTURES

	2020 HK$'000	2019 HK$'000
Share of net assets/(liabilities)	**9,589**	(19,041)
Due from joint ventures	**33,077**	38,546
Provision for impairment losses	**(29,111)**	—
	13,555	19,505

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 due from a joint venture which bore interest at The People's Bank of China Benchmark Loan Interest Rate as at 31 July 2019. In the opinion of the Directors, the balances with joint ventures are considered as part of the Group's net investments in the joint ventures.

On 1 August 2019, the Group adopted Amendments to HKAS 28 and applied HKFRS 9, rather than HKAS 28, in accounting for the amounts due from joint ventures and the related impairment. As at 1 August 2019, loss allowance for impairment of amounts due from joint ventures amounted to HK$28,621,000, which represented lifetime ECLs made for credit-impaired balances. The loss allowance for impairment of amounts due from joint ventures amounted to HK$29,111,000 as at 31 July 2020. Except for the credit-impaired balances, there has been no significant increase in credit risk of the remaining balances. As at 1 August 2019 and 31 July 2020, the loss allowance for such remaining balances was assessed to be minimal.

Movements in the loss allowance for impairment of amounts due from joint ventures are as follows:

	2020 HK$'000	2019 HK$'000
At beginning of the reporting period	**—**	—
Adoption of Amendments to HKAS 28	**28,621**	—
At 1 August 2019 (restated)	**28,621**	—
Impairment loss recognised	**1,061**	—
Exchange realignment	**(571)**	—
At end of the reporting period	**29,111**	—

Details of the joint ventures are disclosed in note 39 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.

16. INVESTMENTS IN JOINT VENTURES *(continued)*

SQ BVI

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

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

	2020 HK$'000	2019 HK$'000
Cash and cash equivalents	7,177	10,303
Other current assets	—	5,229
Current assets	7,177	15,532
Current liabilities	(3)	(10,299)
Net assets	7,174	5,233
Proportion of the Group's ownership	50%	50%
The Group's share of net assets of SQ BVI	3,587	2,617
Amount due from SQ BVI	—	27
The carrying amount of the Group's investment in the joint venture	3,587	2,644
Revenue	1,858	1,071
Cost of sales	—	(59)
Other income (including interest income of HK$6,000 (2019: HK$73,000))	368	73
Expenses	(285)	(1,470)
Income tax expense	—	—
Profit/(loss) and total comprehensive income/(loss) for the year	1,941	(385)
The Group's share of total comprehensive income/(loss) for the year	970	(192)

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:

	2020 HK$'000	2019 HK$'000
Cash and cash equivalents	**7,383**	13,828
Other current assets	**444**	480
Current assets	**7,827**	14,308
Non-current assets	**545**	747
Current liabilities	**(676)**	(7,818)
Net assets	**7,696**	7,237
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	**3,848**	3,619
Revenue	**1,989**	2,684
Cost of sales	**(758)**	(525)
Other income (including interest income of HK$86,000 (2019: HK$92,000))	**1,936**	92
Expenses	**(2,708)**	(2,777)
Income tax expense	**—**	—
Profit/(loss) and total comprehensive income/(loss) for the year	**459**	(526)
The Group's share of total comprehensive income/(loss) for the year	**229**	(263)

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:

	2020 HK$'000	2019 HK$'000
The Group's share of loss for the year	**(1,149)**	(3,698)
The Group's share of other comprehensive income/(loss) for the year	**(41)**	290
The Group's share of total comprehensive loss for the year	**(1,190)**	(3,408)
The Group's share of net assets/(liabilities) of joint ventures	**2,154**	(25,277)
Amounts due from joint ventures	**3,966**	38,519
The carrying amounts of the Group's investments in the joint ventures	**6,120**	13,242

The Group discontinued recognising its share of losses of joint ventures because the share of losses of joint ventures exceeded the Group's interest in joint ventures and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of joint ventures for the current year and cumulatively were HK$697,000 (2019: HK$17,000) and HK$31,850,000 (2019: HK$3,924,000), respectively.

17. INVESTMENT IN AN ASSOCIATE

	2020 HK$'000	2019 HK$'000
Share of net liabilities	**–**	(15,286)
Due from an associate	**15,257**	15,286
Provision for impairment loss	**(15,257)**	–
	–	–

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. In the opinion of the Directors, the balance with an associate is considered as part of the Group's net investment in the associate.

On 1 August 2019, the Group adopted Amendments to HKAS 28 and applied HKFRS 9, rather than HKAS 28, in accounting for the amount due from an associate and the related impairment. As at 1 August 2019, loss allowance for impairment of an amount due from an associate amounted to HK$15,286,000, which represented lifetime ECLs made for credit-impaired balances. The loss allowance for impairment of an amount due from an associate amounted to HK$15,257,000 as at 31 July 2020.

17. INVESTMENT IN AN ASSOCIATE *(continued)*

Movements in the loss allowance for impairment of an amount due from an associate are as follows:

	2020 HK$'000	2019 HK$'000
At beginning of the reporting period	–	–
Adoption of Amendments to HKAS 28	15,286	–
At 1 August 2019 (restated)	15,286	–
Impairment loss reversed	(29)	–
At end of the reporting period	15,257	–

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

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$6,000 (2019: HK$526,000) and HK$18,218,000 (2019: HK$2,926,000), respectively.

18. OTHER FINANCIAL ASSETS

	2020 HK$'000	2019 HK$'000
Financial assets at fair value through profit or loss		
Unlisted investments, at fair value	5,539	20,775
Less: current portion	(5,539)	(11,349)
Non-current portion	–	9,426

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

19. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group as a lessee

The Group has lease contracts for various items of properties and equipment used in its operations. Leases of properties generally have lease terms between 2 to 3 years, while equipment generally have lease terms of 5 years. There are several lease contracts that include extension and termination options and variable lease payments.

19. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(continued)*

The Group as a lessee (continued)

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Properties HK$'000	Equipment HK$'000	Total HK$'000
At 1 August 2019	16,175	179	16,354
Additions	11,121	653	11,774
Lease modifications	(1,962)	–	(1,962)
Termination of a lease	(146)	–	(146)
Depreciation	(10,953)	(193)	(11,146)
Impairment	(13,938)	(639)	(14,577)
Exchange realignment	(297)	–	(297)
At 31 July 2020	–	–	–

Impairment assessment of right-of-use assets

During the year, the Group's management identified the assets under underperforming CGUs and estimated the recoverable amounts of these assets. Based on the value-in-use calculation, the total carrying amounts of right-of-use assets of the Group was fully impaired by HK$14,577,000 during the year and the aggregate recoverable amount of these assets was estimated by using a discount rate of 11% as at year end.

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	HK$'000
At 1 August 2019	15,963
New leases	11,652
Lease modifications	(1,962)
Accretion of interest recognised during the year	1,104
Termination of a lease	(147)
Payments	(11,825)
Exchange realignment	(258)
At 31 July 2020	14,527

	HK$'000
Analysed into:	
Current portion	9,170
Non-current portion	5,357
	14,527

The maturity analysis of lease liabilities is disclosed in note 36 to the financial statements.

19. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(continued)*

The Group as a lessee (continued)

(c) The amounts recognised in the income statement in relation to leases are as follows:

	2020 HK$'000
Interest on lease liabilities	1,104
Depreciation charge on right-of-use assets	11,146
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 July 2020	4,129
Contingent rents	2,821
Gain on termination of a lease	(1)
Total amount recognised in the income statement	19,199

(d) *Major non-cash transactions*

During the year, the Group had non-cash additions and modifications to right-of-use assets and lease liabilities of HK$9,690,000 and HK$9,690,000, respectively, in respect of lease arrangements for properties and equipment and reclassified prepaid rental of HK$122,000 to right-of-use assets.

(e) *Total cash outflow for leases*

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 HK$'000
Within operating activities (note 7)	6,950
Within financing activities (note 19(b))	11,825
	18,775

20. TRADE RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	55,387	86,485
Impairment	(12,733)	(7,759)
	42,654	78,726

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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

20. TRADE RECEIVABLES *(continued)*

An ageing analysis of trade receivables, as of the end of the reporting period, based on the payment due date and revenue recognition date (when invoice had yet been issued by then, i.e. unbilled) and net of loss allowances, is as follows:

	2020 HK$'000	2019 HK$'000
Neither past due nor impaired	13,477	19,330
1 to 90 days past due	16,619	48,687
Over 90 days past due	3,140	4,771
	33,236	72,788
Unbilled	9,418	5,938
	42,654	78,726

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

	2020 HK$'000	2019 HK$'000
At beginning of the reporting period	7,759	7,759
Impairment loss recognised	4,974	—
At end of the reporting period	12,733	7,759

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due for groupings of various customer segments with shared risk characteristics. The reasonable and supportable information 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 2020

		Past due		
	Current	1 to 365 days	Over 365 days	Total
ECL rate	1%	16%	100%	23%
Gross carrying amount (HK$'000)	23,095	23,395	8,897	55,387
ECLs (HK$'000)	200	3,636	8,897	12,733

20. TRADE RECEIVABLES *(continued)*

As at 31 July 2019

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

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2020 HK$'000	2019 HK$'000
Prepayments, deposits and advances for artiste management, music production, and film and TV program production		**169,018**	185,305
Prepayments, deposits and other receivables		**35,978**	24,404
Other assets	(i)	**22,223**	17,899
	(ii)	**227,219**	227,608
Impairment	(iii)	**(66,010)**	(51,848)
		161,209	175,760
Portion classified as current portion		**(138,477)**	(146,418)
Non-current portion		**22,732**	29,342

Notes:

(i) Other assets represented investments in entertainment events of HK$22,223,000 (2019: HK$17,899,000) as at 31 July 2020 which are classified as financial assets at fair value through profit or loss.

(ii) Included in prepayments, deposits and other receivables as at 31 July 2020 are advances of HK$7,201,000 (2019: HK$7,377,000) 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% (2019: 16.5%) on the principal amount.

21. 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:

	2020 HK$'000	2019 HK$'000
At beginning of the reporting period	**51,848**	39,991
Impairment loss recognised	**14,519**	12,320
Impairment loss reversed	**(88)**	(349)
Write-off	**(38)**	—
Exchange realignment	**(231)**	(114)
At end of the reporting period	**66,010**	51,848

The ECLs as at 31 July 2020 and 2019 are estimated by applying a credit risk approach with reference to the historical loss record of the Group as at 31 July 2020 and 2019. The loss allowance is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

22. CASH AND CASH EQUIVALENTS

	2020 HK$'000	2019 HK$'000
Cash and bank balances	**317,692**	312,971
Non-pledged time deposits with original maturity of less than three months when acquired	**—**	22,025
Cash and cash equivalents	**317,692**	334,996

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ("**RMB**") amounted to HK$196,763,000 (2019: HK$150,889,000). 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.

23. TRADE PAYABLES

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

	2020 HK$'000	2019 HK$'000
Less than 30 days	17	680
31 to 60 days	—	16
61 to 90 days	—	—
Over 90 days	58	3,102
	75	3,798

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

24. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

(a) Accruals and other payables

	Notes	2020 HK$'000	2019 HK$'000
Accruals and other payables	(i)	241,613	261,038
Contract liabilities	(c)	10,934	39,219
		252,547	300,257

Note:

(i) Included in accruals and other payables as at 31 July 2020 are amounts due to fellow subsidiaries, joint ventures and an intermediate holding company of HK$83,840,000 (2019: HK$70,065,000), nil (2019: HK$1,627,000), and HK$633,000 (2019: HK$2,065,000), 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	2020 HK$'000	2019 HK$'000
Receipts in advance		50,681	65,412
Contract liabilities	(c)	175,750	197,121
		226,431	262,533

24. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED *(continued)*

(c) Contract liabilities

As at 31 July 2020, the Group's total contract liabilities of HK$186,684,000 (2019: HK$236,340,000) represented consideration received in advance from customers and deferred revenue. All the amounts of transaction prices allocated to the remaining performance obligations are a part of contracts that have an original expected duration of one year or less.

25. LOANS FROM AN INTERMEDIATE HOLDING COMPANY

	Notes	2020 HK$'000	2019 HK$'000
Current:			
HK$100,000,000 term loan	(i)	–	100,000
Non-current:			
HK$50,000,000 term loan	(ii)	50,000	–
HK$300,000,000 term loan	(iii)	300,000	–
		350,000	–
		350,000	100,000

Notes:

(i) On 29 June 2018, the Company and eSun Holdings Limited ("**eSun**"), an intermediate holding company of the Company, entered into a loan agreement for a term loan facility with a principal amount up to HK$100 million. The balance was unsecured, interest-bearing at 3-month Hong Kong Interbank Offered Rate ("**HIBOR**") plus 3.3% per annum and repayable on 3 July 2020. The balance was fully settled during the year ended 31 July 2020.

(ii) On 1 November 2019, the Company and eSun entered into a loan agreement for a term loan facility with a principal amount up to HK$50 million. The balance is unsecured, interest-bearing at 3-month HIBOR plus 2.8% per annum and repayable on 31 October 2022.

(iii) On 11 June 2020, the Company and eSun entered into a loan agreement for a term loan facility with a principal amount up to HK$300 million. The balance is unsecured, interest-bearing at 3-month HIBOR plus 2.8% per annum and repayable on 10 June 2023.

26. LOAN FROM A FELLOW SUBSIDIARY

On 10 May 2018, the Company and Hibright Limited, a wholly-owned subsidiary of Lai Sun Development Company Limited ("**LSD**"), entered into a loan agreement for a term loan facility with a principal amount up to HK$200 million. LSD is an intermediate holding company of the Company. The balance was unsecured, interest-bearing at 3-month HIBOR plus 3.3% per annum and repayable on 11 May 2020. On 6 May 2020, the loan agreement was renewed for a term of 3 years and the balance was unsecured, interest-bearing at 3-month HIBOR plus 2.8% per annum and repayable on 5 May 2023. The balance was fully settled during the year ended 31 July 2020.

27. DEFERRED TAX

The Group has tax losses arising in Hong Kong of approximately HK$738,018,000 (2019: HK$608,388,000) 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$117,178,000 (2019: HK$117,018,000) 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 applies 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 2020, 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$13,480,000 (2019: HK$5,432,000) at 31 July 2020.

28. SHARE CAPITAL

	2020 Number of shares '000	2020 Nominal value HK$'000	2019 Number of shares '000	2019 Nominal value HK$'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 as follows:

(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**").

29. SHARE OPTION SCHEME *(continued)*

New Share Option Scheme (continued)

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

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

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

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

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

(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.

29. SHARE OPTION SCHEME *(continued)*

New Share Option Scheme (continued)

(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 2020 and 31 July 2019.

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

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 at 31 July 2019.

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

	2019 HK$'000
Within one year	7,213
Within two to five years	1,862
	9,075

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	2020 HK$'000	2019 HK$'000
Fellow subsidiaries:			
Rental expenses and building management fee	(i)	**651**	3,545
Artiste fee	(iii)	**—**	100
Film distribution commission income	(iv)	**4,979**	2,114
Film distribution fee	(v)	**130**	9
Promotion and advertising fee	(v)	**11**	11
Music distribution commission income	(vi)	**7,544**	7,097
Interest expenses	(viii)	**9,387**	10,417
Sharing of corporate salaries on a cost basis allocated from		**7,024**	7,366
Sharing of administrative expenses on a cost basis allocated from		**1,724**	1,761
Sharing of corporate salaries on a cost basis allocated to		**7,681**	11,343
Sharing of administrative expenses on a cost basis allocated to		**890**	3,802
Rental income	(ii)	**738**	—
Intermediate holding companies:			
Rental expenses and building management fee	(i)	**51**	624
Interest expenses	(vii)	**7,265**	5,369
Sharing of corporate salaries on a cost basis allocated from		**1,200**	1,389
Sharing of administrative expenses on a cost basis allocated from		**665**	1,441
Sharing of administrative expenses on a cost basis allocated to		**26**	965
The ultimate holding company:			
Rental expenses and building management fee	(i)	**17**	122
Sharing of administrative expenses on a cost basis allocated to		**1**	961
Related parties:			
Service fee income#	(ii)	**300**	300
Production fee#	(ii)	**1,170**	2,770
Interest income#	(ii)	**276**	688

These companies are joint ventures of the Group.

32. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes:

(i) The rental expenses and building management fee for short-term leases were charged with reference to market rates.

The Group leased properties from fellow subsidiaries, intermediate holding companies and the ultimate holding company for office use with lease terms between 2 to 3 years. The monthly lease payables were charged with reference to market rates. Right-of-use assets of HK$5,915,000 and lease liabilities of HK$6,074,000 in respective to these leases were recognised in consolidated statement of financial position as at 31 July 2020. During the year ended 31 July 2020, depreciation of right-of-use assets of HK$3,705,000 and finance costs on lease liabilities of HK$426,000 were charged to consolidated income statement.

(ii) The 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 was charged in accordance with contractual terms with the respective parties.

(iv) During the year ended 31 July 2020, the Group received a contract sum of HK$13,492,000 (2019: HK$13,417,000), net of direct expenses and was entitled to film distribution commission income of HK$2,253,000 (2019: HK$2,114,000), from licensing certain film rights and film products owned by fellow subsidiaries under the film library licence agreements. The said agreements were terminated on 22 October 2019. The balance of HK$11,239,000 (31 July 2019: HK$11,303,000) was paid or payable to eSun which was designated as the representative of fellow subsidiaries. The film distribution commission was charged in accordance with contractual terms.

On 22 October 2019, the Group entered into film distribution agreements with fellow subsidiaries and earned distribution commission amounted to HK$2,726,000 for the year. The film distribution commission was charged in accordance with contractual terms.

(v) During the year ended 31 July 2020, the Group paid film distribution fee of HK$130,000 (2019: HK$9,000) 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$590,000 (2019: HK$43,000). The Group also paid promotion and advertising fee of HK$11,000 (2019: HK$11,000) 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$731,000 (2019: HK$63,000).

(vi) During the year ended 31 July 2020, the Group received distribution commission income of HK$7,544,000 (2019: HK$7,097,000) from licensing certain music rights owned by fellow subsidiaries. The music distribution commission was charged in accordance with contractual terms.

(vii) During the year ended 31 July 2020, the interest expenses were charged at the range from 3-month HIBOR plus 2.8% to 3.3% per annum (2019: 3-month HIBOR plus 3.3% per annum) on loans from an intermediate holding company, of which details are set out in note 25 to the financial statements. Interest expenses incurred to the intermediate holding company of HK$7,265,000 (2019: HK$5,369,000), of which HK$31,000 (2019: HK$464,000), remained unsettled and were included in "accruals and other payables".

32. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes: *(continued)*

(viii) During the year ended 31 July 2020, the interest expenses were charged at the 3-month HIBOR plus 3.3% per annum on a loan from a fellow subsidiary, of which details are set out in note 26 to the financial statements. Interest expenses incurred to fellow subsidiary of HK$9,387,000 (2019: HK$10,417,000), of which nil (2019: HK$2,322,000) remained unsettled and were included in "accruals and other payables".

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

(b) Commitments with related parties:

(i) During the year ended 31 July 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 were HK$533,000.

(ii) During the year ended 31 July 2019, 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 and HK$459,000, 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 and HK$5,000, respectively.

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

	2020 **HK$'000**	2019 HK$'000
Short term employee benefits	**11,152**	14,545
Post-employment benefits	**35**	51
	11,187	14,596

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:

	2019 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:

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

34. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease liabilities HK$'000	Loans from an intermediate holding company HK$'000	Loan from a fellow subsidiary HK$'000
At 1 August 2018	—	100,000	200,000
Changes from financing cash flows	—	(5,334)	(9,910)
Interest expenses	—	5,334	9,910
As at 31 July 2019	—	100,000	200,000
Effect of adoption of HKFRS 16	15,963	—	—
At 1 August 2019 (restated)	**15,963**	**100,000**	**200,000**
Changes from financing cash flows	**(11,825)**	**242,302**	**(211,709)**
New leases	**11,652**	**—**	**—**
Lease modifications	**(1,962)**	**—**	**—**
Termination of a lease	**(147)**	**—**	**—**
Interest expenses	**1,104**	**7,698**	**11,709**
Exchange realignment	**(258)**	**—**	**—**
At 31 July 2020	**14,527**	**350,000**	**—**

35. 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 2020

Financial assets

	Financial assets at fair value through profit or loss (Mandatorily designated as such) HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000
Trade receivables	—	42,654	42,654
Financial assets included in prepayments, deposits and other receivables	22,223	69,667	91,890
Due from joint ventures	—	3,966	3,966
Film investments	16,716	—	16,716
Other financial assets	5,539	—	5,539
Cash and cash equivalents	—	317,692	317,692
	44,478	433,979	478,457

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade payables	75
Financial liabilities included in accruals, other payables and deposits received	271,373
Loans from an intermediate holding company	350,000
Lease liabilities	14,527
	635,975

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

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

31 July 2019

Financial assets

	Financial assets at fair value through profit or loss (Mandatorily designated as such) 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
Film investments	8,466	—	8,466
Other financial assets	20,775	—	20,775
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

35. 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 2020

	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 or loss:				
Other financial assets	—	—	5,539	5,539
Film investments	—	—	16,716	16,716
Other assets	—	—	22,223	22,223
	—	—	44,478	44,478

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 or 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 2020 and 2019.

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 (2019: Nil).

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

(b) *Fair value hierarchy (continued)*

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.

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

	2020 **HK$'000**	2019 HK$'000
At beginning of the reporting period	**47,140**	29,033
Increase in investment amount, net	**30,592**	18,385
Change in fair value	**(13,450)**	—
Settlement	**(19,301)**	—
Exchange realignment	**(503)**	(278)
At end of the reporting period	**44,478**	47,140

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise loans from an intermediate holding company and a fellow subsidiary, 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:

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

Foreign currency risk

Certain subsidiaries of the Company have transactions denominated in RMB. The Group is exposed to foreign exchange risk arising from the exposure of RMB against Hong Kong dollars.

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

The following table demonstrates the sensitivity of the Group's equity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant.

	Increase in RMB rate %	**Decrease in equity** HK$'000
31 July 2020		
If Hong Kong dollar weakens against RMB	**5**	**(3,277)**
31 July 2019		
If Hong Kong dollar weakens against RMB	5	(6,266)

36. 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

The tables below show 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. 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
As at 31 July 2020					
Trade receivables*	**–**	**–**	**–**	**55,387**	**55,387**
Financial assets included in prepayments, deposits and other receivables					
– Normal**	**70,262**	**–**	**–**	**–**	**70,262**
– Doubtful**	**–**	**–**	**62,766**	**–**	**62,766**
Due from joint ventures					
– Normal**	**1,924**	**–**	**–**	**–**	**1,924**
– Doubtful**	**–**	**–**	**31,153**	**–**	**31,153**
Due from an associate					
– Doubtful**	**–**	**–**	**15,257**	**–**	**15,257**
Cash and cash equivalents					
– Not yet past due	**317,692**	**–**	**–**	**–**	**317,692**
	389,878	**–**	**109,176**	**55,387**	**554,441**
As at 31 July 2019					
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

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

Credit risk (continued)

Maximum exposure and year-end staging (continued)

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables, and amounts due from joint ventures and an associate 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".

At the end of the reporting period, the Group had certain concentrations of credit risks as 27% (2019: 18%) and 61% (2019: 49%) of the Group's trade receivables were due from the Group's largest customer and the three largest customers, respectively.

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 and a fellow subsidiary.

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)	**Increase in loss before tax** HK$'000	**Decrease in equity** HK$'000
31 July 2020			
Loans from an intermediate holding company	**0.5**	**(1,750)**	**(1,750)**
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)

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

36. 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 2020				
Trade payables	**75**	**—**	**—**	**75**
Financial liabilities included in accruals, other payables and deposits received	**271,373**	**—**	**—**	**271,373**
Loans from an intermediate holding company	**11,379**	**11,379**	**358,800**	**381,558**
Lease liabilities	**9,671**	**5,186**	**299**	**15,156**
Total	**292,498**	**16,565**	**359,099**	**668,162**
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

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 2020, the consolidated cash and cash equivalents amounted to HK$317,692,000 (2019: HK$334,996,000).

36. 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 2020, 32.44% (2019: 32.43%) of the shares were in public hands.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 **HK$'000**	2019 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**411,069**	519,855
CURRENT ASSETS		
Prepayments, deposits and other receivables	**235**	235
Cash and cash equivalents	**40,297**	42,478
Total current assets	**40,532**	42,713
CURRENT LIABILITIES		
Due to subsidiaries	**88,856**	192,729
Accruals and other payables	**945**	3,717
Loan from an intermediate holding company	**—**	100,000
Loan from a fellow subsidiary	**—**	200,000
Total current liabilities	**89,801**	496,446
NET CURRENT LIABILITIES	**(49,269)**	(453,733)
TOTAL ASSETS LESS CURRENT LIABILITIES	**361,800**	66,122
NON-CURRENT LIABILITIES		
Loans from an intermediate holding company	**350,000**	—
Net assets	**11,800**	66,122
EQUITY		
Issued capital	**21,361**	21,361
Reserves (note)	**(9,561)**	44,761
Total equity	**11,800**	66,122

37. 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	Accumulated losses HK$'000	Total HK$'000
At 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 and 1 August 2019	**633,661**	**95,191**	**(684,091)**	**44,761**
Loss for the year and total comprehensive loss for the year	**–**	**–**	**(54,322)**	**(54,322)**
At 31 July 2020	**633,661**	**95,191**	**(738,413)**	**(9,561)**

* 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.

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company 2020	2019	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

38. 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 2020	2019	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
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.

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 2020, the Group had unpaid capital contribution of approximately HK$103,863,000 (2019: HK$105,845,000) to subsidiaries.

39. 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 Limited	Hong Kong	Ordinary	50	Event management
SQ	Hong Kong	Ordinary	50	Artiste management
SQ BVI	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
上影寰亞文化發展(上海)有限公司	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 programs

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

40. PARTICULARS OF AN ASSOCIATE

Particulars of the associate as at 31 July 2020 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.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19 October 2020.

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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