



Media Asia Group Holdings Limited

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8075)

Website: www.mediaasia.com

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 JULY 2014

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

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

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

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This announcement, for which the directors of Media Asia Group Holdings Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange (the “GEM Listing Rules”) 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 announcement 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 announcement misleading.

RESULTS

The board of directors (the “Board”) of Media Asia Group Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) is pleased to announce the consolidated results of the Group for the year ended 31 July 2014 together with the comparative figures of 2013 as set out below. The annual results have been reviewed by the audit committee of the Company.

CONSOLIDATED INCOME STATEMENT

Year ended 31 July 2014

| | Notes | 2014 HK\$'000 | 2013 HK\$'000 |
|---|-------|------------------|------------------|
| CONTINUING OPERATIONS | | | |
| TURNOVER | 2 | 456,950 | 441,170 |
| Cost of sales | | <u>(368,108)</u> | <u>(304,186)</u> |
| Gross profit | | 88,842 | 136,984 |
| Other income | 3 | 9,912 | 5,523 |
| Marketing expenses | | (47,851) | (70,555) |
| Administrative expenses | | (117,210) | (99,686) |
| Other operating gains | | 19,730 | 16,560 |
| Other operating expenses | | <u>(50,699)</u> | <u>(24,320)</u> |
| LOSS FROM OPERATING ACTIVITIES | | (97,276) | (35,494) |
| Finance costs | 4 | (43,254) | (47,835) |
| Share of profits and losses of joint ventures | | (7,176) | (913) |
| Share of profits and losses of an associate | | <u>(7)</u> | <u>(31)</u> |
| LOSS BEFORE TAX FROM CONTINUING OPERATIONS | 5 | (147,713) | (84,273) |
| Income tax expense | 6 | <u>(5,510)</u> | <u>(6,748)</u> |
| LOSS FOR THE YEAR FROM CONTINUING OPERATIONS | | (153,223) | (91,021) |
| DISCONTINUED OPERATION | | | |
| Loss for the year from a discontinued operation | 13(b) | <u>—</u> | <u>(1,940)</u> |
| LOSS FOR THE YEAR | | <u>(153,223)</u> | <u>(92,961)</u> |
| Attributable to: | | | |
| Owners of the Company | | (153,154) | (98,883) |
| Non-controlling interests | | <u>(69)</u> | <u>5,922</u> |
| | | <u>(153,223)</u> | <u>(92,961)</u> |
| LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY | 7 | | (Restated) |
| Basic and diluted (HK cents) | | | |
| For loss for the year | | <u>(16.79)</u> | <u>(15.05)</u> |
| For loss from continuing operations | | <u>(16.79)</u> | <u>(14.76)</u> |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*Year ended 31 July 2014*

| | <i>Note</i> | 2014 HK\$'000 | 2013 HK\$'000 |
|---|-------------|--------------------------------|--------------------------------|
| LOSS FOR THE YEAR | | (153,223) | (92,961) |
| OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS | | | |
| Exchange differences on translation of foreign operations | | 985 | 2,016 |
| Release of foreign currency translation reserve upon disposal of subsidiaries | <i>13</i> | <u>(1,506)</u> | <u>(5,703)</u> |
| OTHER COMPREHENSIVE LOSS TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX | | <u>(521)</u> | <u>(3,687)</u> |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR | | <u>(153,744)</u> | <u>(96,648)</u> |
| Attributable to: | | | |
| Owners of the Company | | (154,106) | (103,394) |
| Non-controlling interests | | <u>362</u> | <u>6,746</u> |
| | | <u>(153,744)</u> | <u>(96,648)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 July 2014

| | <i>Notes</i> | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|--------------|-------------------------|-------------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 13,278 | 23,225 |
| Goodwill | | — | 10,435 |
| Film and TV program products | | 31,933 | 48,777 |
| Film rights | | 2,400 | 7,935 |
| Other intangible assets | | — | 64,018 |
| Investments in joint ventures | | 20,604 | 14,985 |
| Investment in an associate | | 19,384 | 17,450 |
| Prepayments, deposits and other receivables | | 33,168 | 32,188 |
| Total non-current assets | | <u>120,767</u> | <u>219,013</u> |
| CURRENT ASSETS | | | |
| Inventories | | 100 | 162 |
| Films and TV programs under production | | 260,162 | 142,246 |
| Trade receivables | 8 | 84,141 | 58,109 |
| Prepayments, deposits and other receivables | | 135,493 | 307,764 |
| Options | | — | 21,579 |
| Cash and cash equivalents | | 326,999 | 414,384 |
| Total current assets | | <u>806,895</u> | <u>944,244</u> |
| CURRENT LIABILITIES | | | |
| Trade payables | 9 | 340 | 2,177 |
| Accruals and other payables | | 159,092 | 92,431 |
| Deposits received | | 37,366 | 54,656 |
| Loan from a non-controlling shareholder | | — | 6,150 |
| Convertible notes | 10 | 168,973 | 317,472 |
| Tax payable | | 7,388 | 12,455 |
| Total current liabilities | | <u>373,159</u> | <u>485,341</u> |
| NET CURRENT ASSETS | | <u>433,736</u> | <u>458,903</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>554,503</u> | <u>677,916</u> |
| NON-CURRENT LIABILITIES | | | |
| Convertible notes | 10 | — | 189,304 |
| Deferred tax liabilities | | — | 16,005 |
| Total non-current liabilities | | <u>—</u> | <u>205,309</u> |
| Net assets | | <u><u>554,503</u></u> | <u><u>472,607</u></u> |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Issued capital | 11 | 13,399 | 131,403 |
| Reserves | | 543,152 | 307,653 |
| | | <u>556,551</u> | <u>439,056</u> |
| Non-controlling interests | | <u>(2,048)</u> | <u>33,551</u> |
| Total equity | | <u><u>554,503</u></u> | <u><u>472,607</u></u> |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 July 2014

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

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

Attributable to owners of the Company

| | Issued capital <i>HK\$'000</i> | Share premium account <i>HK\$'000</i> | Contributed surplus <i>HK\$'000</i> | Capital reserve <i>HK\$'000</i> | Share-based payment reserve <i>HK\$'000</i> | Foreign currency translation reserve <i>HK\$'000</i> | Accumulated losses <i>HK\$'000</i> | Total <i>HK\$'000</i> | Non- controlling interests <i>HK\$'000</i> | Total equity <i>HK\$'000</i> |
|--|--------------------------------------|--|---|---------------------------------------|--|--|--|--------------------------|---|------------------------------------|
| At 1 August 2012 | 131,403 | 395,249 | 44,475 | 309,993 | 5,030 | 5,461 | (349,495) | 542,116 | 26,805 | 568,921 |
| Profit/(loss) for the year | — | — | — | — | — | — | (98,883) | (98,883) | 5,922 | (92,961) |
| Other comprehensive income/(loss) for the year: | | | | | | | | | | |
| Exchange differences on translation of foreign operations | — | — | — | — | — | 1,192 | — | 1,192 | 824 | 2,016 |
| Release of foreign currency translation reserve upon disposal of subsidiaries | — | — | — | — | — | (5,703) | — | (5,703) | — | (5,703) |
| Total comprehensive income/(loss) for the year | — | — | — | — | — | (4,511) | (98,883) | (103,394) | 6,746 | (96,648) |
| Equity-settled share option arrangements | — | — | — | — | 334 | — | — | 334 | — | 334 |
| Transfer of share-based payment reserve upon lapse of share options | — | — | — | — | (5,364) | — | 5,364 | — | — | — |
| At 31 July 2013 | <u>131,403</u> | <u>395,249[#]</u> | <u>44,475[#]</u> | <u>309,993[#]</u> | <u>—[#]</u> | <u>950[#]</u> | <u>(443,014)[#]</u> | <u>439,056</u> | <u>33,551</u> | <u>472,607</u> |

NOTES TO THE FINANCIAL STATEMENTS

31 July 2014

1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the options, which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

| | |
|--|---|
| HKFRS 1 Amendments | Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans</i> |
| HKFRS 7 Amendments | Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities</i> |
| HKFRS 13 | <i>Fair Value Measurement</i> |
| HKAS 19 (2011) | <i>Employee Benefits</i> |
| HKAS 27 (2011) | <i>Separate Financial Statements</i> |
| HK(IFRIC)-Int 20 | <i>Stripping Costs in the Production Phase of a Surface Mine</i> |
| <i>Annual Improvements 2009 — 2011 Cycle</i> | Amendments to a number of HKFRSs issued in June 2012 |

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

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

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

| | |
|----------------|---|
| HKAS 27 (2011) | <i>Separate Financial Statements</i> |
| HKAS 28 (2011) | <i>Investments in Associates and Joint Ventures</i> |
| HKFRS 10 | <i>Consolidated Financial Statements</i> |
| HKFRS 11 | <i>Joint Arrangements</i> |
| HKFRS 12 | <i>Disclosure of Interests in Other Entities</i> |

Except for HKFRS 12 *Disclosure of Interests in Other Entities* of which certain disclosures for subsidiaries in the Group’s financial statements were affected, the adoption of the above new and revised HKFRSs had no material impact to the financial statements of the Group.

2. OPERATING SEGMENT INFORMATION

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

(a) Continuing operations

- (i) the media and entertainment segment engages in the investment in, and the production of entertainment events, the provision of artiste management services and advertising services, album sales and distribution and license of music;
- (ii) the film and TV program segment engages in the investment in, production of, sale and distribution of films and TV programs (note); and
- (iii) the corporate segment comprises corporate income and expense items.

(b) Discontinued operation

- (i) the licensing of software business segment engaged in development and licensing of software and technology for use in connection with the provision of value-added telecommunications services in the People's Republic of China ("PRC").

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

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

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

There were no material intersegmental sales and transfers during the year (2013: Nil).

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

Segment revenue/results:

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

Segment assets/liabilities:

| | Continuing operations | | | | | | | | Discontinued operation | | Consolidated | |
|--|-------------------------|----------------|---------------------|----------------|----------------|----------------|----------------|----------------|------------------------|----------------|----------------|----------------|
| | Media and entertainment | | Film and TV program | | Corporate | | Total | | Licensing of software | | | |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> |
| Segment assets | 210,836 | 458,480 | 589,261 | 457,771 | 87,577 | 214,571 | 887,674 | 1,130,822 | — | — | 887,674 | 1,130,822 |
| Investments in joint ventures | 20,604 | 14,985 | — | — | — | — | 20,604 | 14,985 | — | — | 20,604 | 14,985 |
| Investment in an associate | — | — | 19,384 | 17,450 | — | — | 19,384 | 17,450 | — | — | 19,384 | 17,450 |
| Total assets | | | | | | | | | | | 927,662 | 1,163,257 |
| Segment liabilities | 65,267 | 102,028 | 126,971 | 50,976 | 4,560 | 2,410 | 196,798 | 155,414 | — | — | 196,798 | 155,414 |
| Unallocated liabilities | | | | | | | | | | | 176,361 | 535,236 |
| Total liabilities | | | | | | | | | | | 373,159 | 690,650 |
| Other segment information: | | | | | | | | | | | | |
| Depreciation | 449 | 397 | 366 | 55 | 3,736 | 5,287 | 4,551 | 5,739 | — | 3 | 4,551 | 5,742 |
| Amortisation of film and TV program products | — | — | 92,218 | 90,727 | — | — | 92,218 | 90,727 | — | — | 92,218 | 90,727 |
| Amortisation of film rights | — | — | 12,372 | 10,825 | — | — | 12,372 | 10,825 | — | — | 12,372 | 10,825 |
| Amortisation of other intangible assets | 3,693 | 9,103 | — | — | — | — | 3,693 | 9,103 | — | — | 3,693 | 9,103 |
| Write-off of films under production | — | — | 47 | 672 | — | — | 47 | 672 | — | — | 47 | 672 |
| Write-off of property, plant and equipment | — | — | — | — | 15,775 | — | 15,775 | — | — | — | 15,775 | — |
| Impairment of film products | — | — | 35,153 | — | — | — | 35,153 | — | — | — | 35,153 | — |
| Impairment of a film under production | — | — | 3,036 | — | — | — | 3,036 | — | — | — | 3,036 | — |
| Impairment of other intangible assets | — | — | — | — | — | — | — | — | — | 34 | — | 34 |
| Impairment of trade receivables | — | 6 | — | — | — | — | — | 6 | — | — | — | 6 |
| Impairment of advances and other receivables | 4,719 | — | 19,594 | — | — | — | 24,313 | — | — | — | 24,313 | — |
| Reversal of impairment of advances and other receivables | (45) | — | — | — | — | — | (45) | — | — | — | (45) | — |
| Additions of property, plant and equipment | 308 | 1,362 | 1,111 | 929 | 9,009 | 4,527 | 10,428 | 6,818 | — | — | 10,428 | 6,818 |
| Additions of film rights | — | — | 6,837 | 17,624 | — | — | 6,837 | 17,624 | — | — | 6,837 | 17,624 |
| Additions of films and TV programs under production | — | — | 231,137 | 146,781 | — | — | 231,137 | 146,781 | — | — | 231,137 | 146,781 |
| Additions of film and TV program products | — | — | 386 | — | — | — | 386 | — | — | — | 386 | — |

Geographical information

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

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

Information about major customers

There is no single customer which contributed to 10% or more of the Group's total revenues for the year ended 31 July 2014. Revenue from two customers which contributed 10% or more of the Group's total revenues amounted to approximately HK\$150,444,000 for the year ended 31 July 2013.

3. OTHER INCOME

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

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Interest income | 1,784 | 2,966 |
| Government grants* | 1,667 | 1,258 |
| Commission and handling fee income of entertainment event | 6,461 | 1,299 |
| | <u>9,912</u> | <u>5,523</u> |

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

4. FINANCE COSTS

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

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Interest on: | | |
| — First Completion Convertible Notes wholly repayable within five years (<i>note 10(i)</i>) | 25,646 | 31,002 |
| — Second Completion Convertible Notes wholly repayable within five years (<i>note 10(ii)</i>) | 17,608 | 16,833 |
| | <u>43,254</u> | <u>47,835</u> |

5. LOSS BEFORE TAX

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

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

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|-----------------------------|-----------------------------|
| Write-off of property, plant and equipment ^{##} | 15,775 | — |
| Impairment of film products [#] | 35,153 | — |
| Impairment of a film under production [#] | 3,036 | — |
| Impairment of trade receivables ^{##} | — | 6 |
| Impairment of advances and other receivables ^{##} | 24,313 | — |
| Reversal of impairment of advances and other receivables [*] | (45) | — |
| Write-off of films and TV programs under production [#] | 47 | 672 |
| Loss on disposal of items of property, plant and equipment ^{##} | — | 47 |
| Fair value loss on options ^{##} | 5,172 | 10,912 |
| Gain on disposal of subsidiaries [*] | (9,477) | (5,703) |
| Gain on disposal of a joint venture [*] | (3,043) | — |
| Share of net income from entertainment events organised by the Group to co-investors ^{##} | 4,175 | 13,301 |
| Share of net income from entertainment events organised by co-investors [*] | (6,219) | (6,347) |
| Foreign exchange loss, net ^{##} | 820 | — |
| Foreign exchange gain, net [*] | — | (1,649) |
| | <u> </u> | <u> </u> |

[#] 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.

6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made for the year as there were no assessable profits arising in Hong Kong for the year (2013: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|----------------------------------|-------------------------|-------------------------|
| Provision for tax for the year | | |
| Current — Hong Kong | | |
| Charge for the year | — | — |
| Current — Elsewhere | | |
| Charge for the year | 6,483 | 9,670 |
| Over-provision in prior years | (50) | (617) |
| | <u>6,433</u> | <u>9,053</u> |
| Deferred tax credit for the year | (923) | (2,305) |
| Total tax expense for the year | <u>5,510</u> | <u>6,748</u> |

7. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share amounts is based on the loss attributable to owners of the Company for the year of approximately HK\$153,154,000 (2013: HK\$98,883,000) and the weighted average number of ordinary shares of approximately 912,210,000 (2013: approximately 657,013,000 (restated)) in issue during the year.

The calculation of basic loss per share amounts from continuing operations is based on the loss from continuing operations attributable to owners of the Company for the year of approximately HK\$153,154,000 (2013: HK\$96,943,000) and the weighted average number of ordinary shares of approximately 912,210,000 (2013: approximately 657,013,000 (restated)) in issue during the year.

The weighted average number of ordinary shares in issue used in the basic and diluted loss per share calculation for the year ended 31 July 2013 have been adjusted for the Capital Reorganisation during the year as set out in note 11(b).

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 July 2014 and 2013 in respect of a dilution as the impact of the share options, First Completion Convertible Notes and Second Completion Convertible Notes outstanding during the years had an anti-dilutive effect on the basic loss per share amounts presented.

8. TRADE RECEIVABLES

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|-------------------|-------------------------|-------------------------|
| Trade receivables | 84,186 | 58,154 |
| Impairment | (45) | (45) |
| | <u>84,141</u> | <u>58,109</u> |

The Group's trading terms with its customers are mainly on credit. The credit period generally ranges from 30 to 60 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. The carrying amounts of trade receivables approximate their fair values.

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

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|-------------------------------|-------------------------|-------------------------|
| Neither past due nor impaired | 30,227 | 28,149 |
| 1 to 90 days past due | 44,271 | 27,314 |
| Over 90 days past due | 9,643 | 2,646 |
| | <u>84,141</u> | <u>58,109</u> |

9. TRADE PAYABLES

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

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|-------------------|-------------------------|-------------------------|
| Less than 30 days | 338 | 2,121 |
| 61 to 90 days | <u>2</u> | <u>56</u> |
| | <u>340</u> | <u>2,177</u> |

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

The carrying amounts of trade payables approximate their fair values.

10. CONVERTIBLE NOTES

| | <i>Notes</i> | 2014 HK\$'000 | 2013 HK\$'000 |
|---|--------------|-------------------------|-----------------------|
| First Completion Convertible Notes | <i>(i)</i> | — | 317,472 |
| Second Completion Convertible Notes | <i>(ii)</i> | <u>168,973</u> | <u>189,304</u> |
| | | 168,973 | 506,776 |
| Portion classified as current liabilities | | <u>(168,973)</u> | <u>(317,472)</u> |
| | | <u>—</u> | <u>189,304</u> |

Pursuant to a subscription agreement entered into between Perfect Sky Holdings Limited (“Perfect Sky, a wholly-owned subsidiary of eSun”), Sun Great Investments Limited, Next Gen Entertainment Limited, Memestar Limited, On Chance Inc. and Grace Promise Limited (collectively the “Subscribers”) and the Company on 23 March 2011, among others, the Company conditionally agreed to issue, and the Subscribers conditionally agreed to subscribe for 3-year zero coupon convertible notes in an aggregate principal amount of HK\$371,386,642 (the “First Completion Convertible Notes”) and HK\$224,873,937 (the “Second Completion Convertible Notes”), which are convertible at the option of the holders into the Company’s ordinary shares during the period commencing on the first day of the First Completion Convertible Notes and the first day of the Second Completion Convertible Notes and expiring on the date which is five business days preceding the maturity date.

(i) First Completion Convertible Notes

The First Completion Convertible Notes were issued to the holders on 9 June 2011. Part of the First Completion Convertible Notes in an aggregate principal amount of HK\$170,000,000 carries the conversion right entitling the relevant holders to subscribe for a total of 10,625,000,000 shares of HK\$0.01 each in the Company at a conversion price of HK\$0.016 per share. Part of the First Completion Convertible Notes in an aggregate principal amount of HK\$201,386,642 carries the conversion right entitling the relevant holders to subscribe for a total of 7,231,118,192 shares of HK\$0.01 each in the Company at a conversion price of HK\$0.02785 per share.

Pursuant to the terms and conditions of First Completion Convertible Notes, as a result of the Share Consolidation (as defined in note 11(b)), the conversion prices of the outstanding First Completion Convertible Notes set out above were adjusted from HK\$0.016 per share to HK\$0.32 per New Share (as defined in note 11(b)) and from HK\$0.02785 per share to HK\$0.557 per New Share, respectively. No adjustment was made to the conversion price during the year ended 31 July 2013.

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

The fair value of the liability component was estimated at the issue date, net of transaction cost allocated to the liability component using an equivalent market interest rate for a similar note without a conversion option. The residual amount is assigned as the equity component and is included in the capital reserve.

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

| | <i>HK\$'000</i> |
|--|-----------------|
| First Completion Convertible Notes | |
| Face value of convertible notes issued | 371,387 |
| Equity component | (89,909) |
| | <hr/> |
| Liability component at date of issue | 281,478 |
| | <hr/> <hr/> |

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

| | Liability component <i>HK\$'000</i> | Equity component <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|---|--|---------------------------------|
| At 1 April 2011 | — | — | — |
| Issue during the period | 281,478 | 89,909 | 371,387 |
| Cost of issue of convertible notes | (8,613) | (2,751) | (11,364) |
| Interest charged during the period | 4,288 | — | 4,288 |
| Issue of a forward contract | — | 5,493 | 5,493 |
| | <hr/> | <hr/> | <hr/> |
| At 31 July 2011 and 1 August 2011 | 277,153 | 92,651 | 369,804 |
| Interest charged during the year | 28,181 | — | 28,181 |
| Partial conversion of convertible notes | (18,864) | (6,237) | (25,101) |
| | <hr/> | <hr/> | <hr/> |
| At 31 July 2012 and 1 August 2012 | 286,470 | 86,414 | 372,884 |
| Interest charged during the year | 31,002 | — | 31,002 |
| | <hr/> | <hr/> | <hr/> |
| At 31 July 2013 and 1 August 2013 | 317,472 | 86,414 | 403,886 |
| Interest charged during the year | 25,646 | — | 25,646 |
| Partial conversion of convertible notes before the Capital Reorganisation <i>(note 11(a))</i> | (4,990) | (1,321) | (6,311) |
| Partial conversion of convertible notes after the Capital reorganisation <i>(note 11(d))</i> | (149,037) | (37,920) | (186,957) |
| Redemption of convertible notes | (189,091) | (47,173) | (236,264) |
| | <hr/> | <hr/> | <hr/> |
| At 31 July 2014 | — | — | — |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

(ii) Second Completion Convertible Notes

The Second Completion Convertible Notes were issued to the holders on 9 June 2012. The Second Completion Convertible Notes in an aggregate principal amount of HK\$224,873,937 carries the conversion right entitling the relevant holders to subscribe for a total of 8,074,468,085 shares of HK\$0.01 each in the Company at a conversion price of HK\$0.02785 per share.

Pursuant to the terms and conditions of the Second Completion Convertible Notes, as a result of the Share Consolidation (as defined in note 11(b)), the conversion price of the Second Completion Convertible Notes set out above was adjusted from HK\$0.02785 per share to HK\$0.557 per New Share. No adjustment was made to the conversion price during the year ended 31 July 2013.

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

The fair value of the liability component was estimated at the issue date, net of transaction cost allocated to the liability component using an equivalent market interest rate for a similar note without a conversion option. The residual amount is assigned as the equity component and is included in the capital reserve.

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

| | <i>HK\$'000</i> |
|---|-----------------------|
| Second Completion Convertible Notes | |
| Face value of convertible notes issued | 224,874 |
| Consideration arising from the fair value of the forward contract | 172,488 |
| Equity component | <u>(224,439)</u> |
| Liability component at date of issue | <u><u>172,923</u></u> |

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

| | Liability component <i>HK\$'000</i> | Equity component <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|--|---|----------------------------------|
| At 1 August 2011 | — | — | — |
| Issued during the year | 172,923 | 224,439 | 397,362 |
| Cost of issue of convertible notes | (2,862) | (860) | (3,722) |
| Interest charged during the year | <u>2,410</u> | <u>—</u> | <u>2,410</u> |
| At 31 July 2012 and 1 August 2012 | 172,471 | 223,579 | 396,050 |
| Interest charged during the year | <u>16,833</u> | <u>—</u> | <u>16,833</u> |
| At 31 July 2013 and 1 August 2013 | 189,304 | 223,579 | 412,883 |
| Interest charged during the year | 17,608 | — | 17,608 |
| Partial conversion of convertible notes with principal amount of HK\$42,000,000 (note 11(e)) | <u>(37,939)</u> | <u>(41,758)</u> | <u>(79,697)</u> |
| At 31 July 2014 | <u><u>168,973</u></u> | <u><u>181,821</u></u> | <u><u>350,794</u></u> |

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

The fair value of the liability component of the Second Completion Convertible Notes at 31 July 2014 was HK\$169,674,000 (2013: HK\$191,135,000). The fair value of the liability component of the First Completion Convertible Notes as at 31 July 2013 was approximately HK\$321,384,000. The fair values as at 31 July 2014 and 31 July 2013 were calculated by discounting the future cash flows at the prevailing market interest rate as at 31 July 2014 and 31 July 2013, respectively.

11. SHARE CAPITAL

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

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

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

Notes:

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

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

Upon the above conversions, the liability component of HK\$4,990,289 and equity component of HK\$1,321,017 of the First Completion Convertible Notes (note 10(i)) were transferred and recognised as share capital of HK\$2,433,200 and share premium of HK\$3,878,106.

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

- (i) the consolidation of every twenty issued shares into one consolidated share (“Consolidated Share(s)”) of par value of HK\$0.20 (the “Share Consolidation”);
- (ii) the reduction of issued share capital of the Company of HK\$127,143,987 whereby the par value of each Consolidated Share was reduced from HK\$0.20 to HK\$0.01 by cancelling HK\$0.19 of the paid-up capital on each Consolidated Share and any fraction of a Consolidated Share in the issued share capital of the Company arising from the Share Consolidation was eliminated in order to round down the total number of Consolidated Shares to a whole number (“Capital Reduction”);
- (iii) the cancellation of HK\$395,248,558 standing to the credit of the share premium account of the Company (“Share Premium Reduction”); and
- (iv) the transfer of the entire amount of the credit arising from the Capital Reduction and Share Premium Reduction to the contributed surplus account of the Company and the application of part of the amount standing to the contributed surplus account to set off against the accumulated losses of the Company as at 31 July 2013 of HK\$471,676,874.

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

- (c) Pursuant to placing agreement entered into between the Company and Celestial Capital Limited, an independent third party, on 10 January 2014, the Company issued, on 21 January 2014, an aggregate of 132,250,000 New Shares at a price of HK\$0.607 per New Share to two placees who were independent of, and not connected with the Group. The gross proceeds from the said placement amounted to approximately HK\$80,276,000 and the related issued expense was approximately HK\$641,000.
- (d) During the period from 21 January 2014 to 5 May 2014, the Company issued 425,375,000 shares to Perfect Sky at a conversion price of HK\$0.32 (adjusted as a result of the Share Consolidation) for partial conversion of the First Completion Convertible Notes with a principal amount of HK\$136,120,000.

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

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

Upon the above conversions, the liability component approximately of HK\$149,037,000 and equity component approximately of HK\$37,920,000 of the First Completion Convertible Notes (note 10(i)) were transferred and recognised as share capital approximately of HK\$4,631,000 and share premium approximately of HK\$182,326,000.

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

Upon the above conversion, the liability component approximately of HK\$37,393,000 and equity component approximately of HK\$41,758,000 of the Second Completion Convertible Notes (note 10(ii)) were transferred and recognised as share capital approximately of HK\$754,000 and share premium approximately of HK\$78,943,000.

12. BUSINESS COMBINATION

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

The Group considers that the acquisition of the CFMA represents a good opportunity for the Group to leverage the Group’s established networks in the media and entertainment sectors into different geographic focus.

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

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

| | <i>HK\$’000</i> |
|---|-------------------|
| Property, plant and equipment | 29 |
| Trade receivables | 1,515 |
| Prepayments, deposits and other receivables | 971 |
| Amount due from a fellow subsidiary | 7,771 |
| Cash and bank balances | 1,489 |
| Accruals and other payables | <u>(10,489)</u> |
| | 1,286 |
| Non-controlling interests | <u>(386)</u> |
| Total identifiable net assets at fair value | 900 |
| Goodwill on acquisition | <u>—</u> |
| Satisfied by cash | <u><u>900</u></u> |

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

| | <i>HK\$’000</i> |
|---------------------------------|-------------------|
| Cash consideration paid | (900) |
| Cash and bank balances acquired | <u>1,489</u> |
| | <u><u>589</u></u> |

13. DISPOSAL OF SUBSIDIARIES AND DISCONTINUED OPERATION

(a) Disposal of Galaxy Soar Group

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

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

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

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

| | <i>HK\$'000</i> |
|---|-----------------|
| Cash consideration | 63,764 |
| Cash and cash equivalents disposed of | (50) |
| | <hr/> |
| Net cash inflow in respect of the disposal of subsidiaries during the year ended 31 July 2014 | 63,714 |
| | <hr/> <hr/> |

(b) Disposal of the Rojam Group

In June 2013, the Company entered into an agreement with an independent third party to sell the entire equity interest in Rojam Entertainment Limited and its subsidiaries (collectively, the “Rojam Group”), wholly owned-sub-subsidiaries of the Company, at a cash consideration of approximately HK\$669,000. The Rojam Group were principally engaged in licensing of software business. The Group considered the cessation of licensing of software business enabled it to focus the resources on the entertainment and film businesses. The disposal was completed in June 2013, and accordingly, the Group’s licensing of software operation was discontinued.

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

| | <i>HK\$’000</i> |
|---|-----------------|
| Cash and bank balances | 737 |
| Prepayments, deposits and other receivables | 2 |
| Creditors and accruals | (70) |
| | <hr/> |
| Net assets disposed of | 669 |
| Release of foreign currency translation reserve | (5,703) |
| Gain on disposal of subsidiaries | 5,703 |
| | <hr/> |
| Cash consideration | 669 |
| | <hr/> <hr/> |

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

| | <i>HK\$’000</i> |
|---|-----------------|
| Cash consideration | 669 |
| Cash and bank balances disposed of | (737) |
| | <hr/> |
| Net cash outflow in respect of the disposal of subsidiaries during the year ended 31 July 2013 | (68) |
| | <hr/> <hr/> |

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

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

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

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Operating activities | — | (1,945) |
| Investing activities | — | 5 |
| Net cash outflow | <u>—</u> | <u>(1,940)</u> |
| | | (Restated) |
| Loss per share: | | |
| Basic and diluted, from the discontinued operation (HK cents) | <u>—</u> | <u>(0.30)</u> |

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

No adjustment has been made to the basic loss per share from the discontinued operation amounts presented for the years ended 31 July 2013 in respect of a dilution as the impact of the share options, the First Completion Convertible Notes and the Second Completion Convertible Notes outstanding during the years had an anti-dilutive effect on the basic loss per share amounts presented.

14. DIVIDEND

The board of directors of the Company does not recommend the payment of any dividend in respect of the year ended 31 July 2014 (2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF RESULTS

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

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

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

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

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

BUSINESS REVIEW

Media and entertainment segment

Events Management

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

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

Music

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

Artiste Management

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

Advertising and others

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

Film and TV program segment

Film production and distribution

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

TV program production and distribution

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

PROSPECTS

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

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

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

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

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

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

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

CAPITAL REORGANISATION AND CHANGE IN BOARD LOT SIZE

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

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

The board lot size for trading on the Stock Exchange was changed from 2,000 shares to 4,000 New Shares from the effective date of the Capital Reorganisation.

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

CAPITAL STRUCTURE

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

LIQUIDITY, FINANCIAL RESOURCES AND CHARGE ON ASSETS

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

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

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group's exposure to foreign currencies is limited to its investment in foreign subsidiaries, which are financed internally. As at 31 July 2014, the Group had no outstanding foreign currency hedge contracts (as at 31 July 2013: Nil).

MATERIAL ACQUISITION/ DISPOSAL AND SIGNIFICANT INVESTMENTS

Details of the acquisition of a subsidiary and the disposal of subsidiaries of the Group during the year are set out in note 12 and note 13 to the financial statements, respectively.

CONTINGENT LIABILITIES

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

EMPLOYEE INFORMATION

As at 31 July 2014, the Group had 209 (as at 31 July 2013: 232) employees. Staff costs, including directors' emoluments for the year ended 31 July 2014, amounted to approximately HK\$84,256,000 (2013: approximately HK\$71,136,000). The Group's remuneration policy is basically determined by the performance of individual employees. In general, salary review is conducted annually. Staff benefits, including medical coverage and provident funds, are also provided to employees.

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

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

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules throughout the year ended 31 July 2014 save for the following deviation.

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

Whilst the Company endeavours to maintain an on-going dialogue with the shareholders of the Company (the “Shareholders”), the Chairman may not always be able to attend the annual general meeting due to other business commitment. Other Directors, including members of the audit, remuneration and nomination committees, attended the annual general meeting of the Company held on 22 November 2013 and were available to answer Shareholders’ questions thereat.

REVIEW OF RESULTS

The audit committee of the Company currently comprises three independent non-executive directors, namely Mr. Chan Chi Yuen, Mr. Zhang Xi and Mr. Ng Chi Ho, Dennis. It has reviewed the results (including the consolidated financial statements) of the Group for the year ended 31 July 2014.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITORS

The figures in respect of the Group’s results for the year ended 31 July 2014 as set out in the preliminary announcement have been agreed by the Group’s independent auditors, Ernst & Young, to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Ernst & Young on the preliminary announcement.

ANNUAL GENERAL MEETING

An annual general meeting of the Company (the “AGM”) will be held on Tuesday, 9 December 2014. Notice of the AGM together with the Company’s Report for the year ended 31 July 2014 will be despatched to the Shareholders in due course.

By Order of the Board
Media Asia Group Holdings Limited
Lam Kin Ngok, Peter
Chairman

Hong Kong, 16 October 2014

As at the date of this announcement, the Board comprises six Executive Directors, namely Dr. Lam Kin Ngok, Peter (Chairman), Mr. Yu Feng, Dr. Choi Chiu Fai, Stanley, Mr. Lui Siu Tsuen, Richard, Mr. Chan Chi Kwong and Mr. Yip Chai Tuck; and three Independent Non-executive Directors, namely Mr. Chan Chi Yuen, Mr. Zhang Xi and Mr. Ng Chi Ho, Dennis.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its publication and on the website of the Company at <http://www.mediaasia.com>.