



Media Asia 寰亞TM

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)
(Stock Code: 8075)

Interim Report
2011 / 2012

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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 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 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.*

INTERIM RESULTS

The board of directors (the “Board”) of Media Asia Group Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months and the six months ended 31 January 2012 together with the comparative unaudited figures for the corresponding periods in 2011 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 31 January 2012		Six months ended 31 January 2012	
		(Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	(Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Turnover	4	43,561	7,155	54,629	7,706
Cost of sales		(35,318)	(5,700)	(41,838)	(6,112)
Gross profit		8,243	1,455	12,791	1,594
Other income		2,432	15	2,804	38
Marketing expenses		(941)	(40)	(973)	(88)
Administrative expenses		(16,671)	(15,183)	(29,895)	(21,713)
Fair value gain/(loss) on a forward contract	11	114,130	—	(353,096)	—
Other operating gains		225	—	362	—
Other operating expenses		(682)	(6,038)	(2,620)	(7,665)
Profit/(loss) from operating activities		106,736	(19,791)	(370,627)	(27,834)
Finance costs	5	(6,942)	(494)	(14,091)	(979)
Profit/(loss) before tax		99,794	(20,285)	(384,718)	(28,813)
Income tax credit/(expense)	6	(239)	182	(719)	252
Profit/(loss) for the period	7	99,555	(20,103)	(385,437)	(28,561)
Attributable to:					
Owners of the parent		99,596	(19,034)	(385,282)	(27,352)
Non-controlling interests		(41)	(1,069)	(155)	(1,209)
		99,555	(20,103)	(385,437)	(28,561)
Earnings/(loss) per share attributable to owners of the parent	8				
Basic (HK cents)		0.76	(0.83)	(3.08)	(1.19)
Diluted (HK cents)		0.36	(0.83)	(3.08)	(1.19)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended 31 January		Six months ended 31 January	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Profit/(loss) for the period	99,555	(20,103)	(385,437)	(28,561)
Other comprehensive income				
Exchange differences on translation of foreign operations	<u>12</u>	71	<u>220</u>	283
Other comprehensive income for the period, net of tax	<u>12</u>	71	<u>220</u>	283
Total comprehensive income/(loss) for the period	<u>99,567</u>	<u>(20,032)</u>	<u>(385,217)</u>	<u>(28,278)</u>
Attributable to:				
Owners of the parent	<u>99,608</u>	(18,963)	<u>(385,062)</u>	(27,069)
Non-controlling interests	<u>(41)</u>	<u>(1,069)</u>	<u>(155)</u>	<u>(1,209)</u>
	<u>99,567</u>	<u>(20,032)</u>	<u>(385,217)</u>	<u>(28,278)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 January 2012 (Unaudited) HK\$'000	31 July 2011 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		834	851
Other intangible assets		1,036	1,036
Film right		12	—
Prepayment		11,000	11,000
Total non-current assets		<u>12,882</u>	12,887
Current assets			
Films under production		111,062	14,054
Inventories		82	—
Trade receivables	10	3,894	3,415
Prepayments, deposits and other receivables		47,354	17,589
Forward contract	11	—	26,148
Pledged bank deposit		19,500	—
Cash and cash equivalents		665,565	507,315
Total current assets		<u>847,457</u>	568,521
Current liabilities			
Trade payables	12	3,582	2,192
Accruals and other payables		38,032	10,126
Forward contract	11	326,948	—
Tax payable		719	—
Total current liabilities		<u>369,281</u>	12,318
Net current assets		<u>478,176</u>	556,203
Total assets less current liabilities		<u>491,058</u>	569,090
Non-current liabilities			
Convertible notes	13	272,380	277,153
Deferred tax liabilities		95	95
Total non-current liabilities		<u>272,475</u>	277,248
NET ASSETS		<u>218,583</u>	291,842
Equity			
Equity attributable to owners of the parent			
Issued capital	14	131,403	101,103
Reserves		89,488	192,892
		<u>220,891</u>	293,995
Non-controlling interests		<u>(2,308)</u>	(2,153)
Total equity		<u>218,583</u>	291,842

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2012

	Attributable to owners of the parent										
	Issued capital	Share premium	Contributed surplus	Capital reserve	Subscription right reserve	Share-based payment reserve	Foreign currency translation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 August 2010 (unaudited)	23,061	2	44,475	4,747	2,500	—	4,749	(29,239)	50,295	—	50,295
Loss for the period	—	—	—	—	—	—	—	(27,352)	(27,352)	(1,209)	(28,561)
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	—	—	—	—	—	—	283	—	283	—	283
Total comprehensive income/(loss) for the period	—	—	—	—	—	—	283	(27,352)	(27,069)	(1,209)	(28,278)
Costs of issue of convertible bonds	—	—	—	(83)	—	—	—	—	(83)	—	(83)
Equity-settled share option arrangements	—	—	—	—	—	8,197	—	—	8,197	—	8,197
At 31 January 2011 (unaudited)	<u>23,061</u>	<u>2</u>	<u>44,475</u>	<u>4,664</u>	<u>2,500</u>	<u>8,197</u>	<u>5,032</u>	<u>(56,591)</u>	<u>31,340</u>	<u>(1,209)</u>	<u>30,131</u>
At 1 August 2011 (audited)	101,103	109,611	44,475	92,651	—	—	5,475	(59,320)	293,995	(2,153)	291,842
Loss for the period	—	—	—	—	—	—	—	(385,282)	(385,282)	(155)	(385,437)
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	—	—	—	—	—	—	220	—	220	—	220
Total comprehensive income/(loss) for the period	—	—	—	—	—	—	220	(385,282)	(385,062)	(155)	(385,217)
Partial conversion of convertible notes	15,625	9,476	—	(6,237)	—	—	—	—	18,864	—	18,864
Placing of new shares	14,675	278,825	—	—	—	—	—	—	293,500	—	293,500
Transaction costs of placing of new shares	—	(2,663)	—	—	—	—	—	—	(2,663)	—	(2,663)
Equity-settled share option arrangements	—	—	—	—	—	2,257	—	—	2,257	—	2,257
At 31 January 2012 (unaudited)	<u>131,403</u>	<u>395,249</u>	<u>44,475</u>	<u>86,414</u>	<u>—</u>	<u>2,257</u>	<u>5,695</u>	<u>(444,602)</u>	<u>220,891</u>	<u>(2,308)</u>	<u>218,583</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 January 2012

	Six months ended 31 January	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Net cash used in operating activities	(114,128)	(23,627)
Net cash used in investing activities	(18,678)	(10)
Net cash generated from/(used in) financing activities	290,837	(209)
Net increase/(decrease) in cash and cash equivalents	158,031	(23,846)
Cash and cash equivalents at beginning of period	507,315	57,391
Exchange difference	219	80
Cash and cash equivalents at end of period	665,565	33,625
Analysis of balances of cash and cash equivalents		
— Cash and cash equivalents	665,565	33,625

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2012

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 29 February 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The Company's domicile was changed to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda on 3 December 2009. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company's issued ordinary shares of HK\$0.01 each (the "Shares") have been listed and traded on the GEM of the Stock Exchange since 31 May 2001.

The principal activity of the Company is investment holding. The Group's principal activities include film production and distribution; organisation, management and production of concerts and live performances; artiste management; production and distribution of television drama series; music production and publishing; cinema investment and operation; provision of consultancy services in planning and management of cultural, entertainment and live performance projects; provision of contents to new media and operation of new media and related businesses in the People's Republic of China (the "PRC") and Macau.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group have not been audited by the Company's auditors but have been reviewed by the Company's Audit Committee.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants, and applicable disclosure requirements of the GEM Listing Rules and the Hong Kong Companies Ordinance.

The Board announced on 19 August 2011 the change of the financial year end date of the Company from 31 March to 31 July with effect from 31 July 2011 to align the financial year end date of the Company with that of eSun Holdings Limited ("eSun", the Company's ultimate holding company) and eSun's other listed affiliates. The condensed consolidated financial statements presented for the current period therefore covered a six-month period from 1 August 2011 to 31 January 2012. The corresponding comparative amounts presented for the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and related notes, were prepared for the period from 1 August 2010 to 31 January 2011.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements for the period under review are consistent with those used in the Group's audited consolidated financial statements for the period from 1 April 2011 to 31 July 2011. During the current period, the Group recognised revenue from its film and music operations and, accordingly the accounting policies for revenue recognition of relevant revenue are adopted by the Group and described in 3.1 below. These unaudited condensed consolidated results should be read in conjunction with the Company's annual report for the period from 1 April 2011 to 31 July 2011.

3.1 Revenue recognition

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

- (a) income from films licensed to movie theatres, when the films are exhibited;
- (b) licence income from films licensed for a fixed fee or non-refundable guarantee under a non-cancellable contract, where an assignment is granted to the licensee, which permits the licensee to exploit those film rights freely and where the Group has no remaining obligations to perform and when the film materials have been delivered to licensees. Revenue recognised is limited to the amount of consideration received and subject to due allowance for contingencies;

- (c) licence income from films licensed, other than for a fixed fee or non-refundable guarantee under a non-cancellable contract, to licensees, over the licence period and when the films are available for showing or telecast;
- (d) sale of products and albums, when significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the products and albums sold;
- (e) distribution commission income, when the album or film materials have been delivered to the wholesalers and distributors; and
- (f) album licence income and music publishing income, on an accrual basis in accordance with the terms of the relevant agreements.

In addition, the Group has adopted a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) which are applicable to the Group for the first time for the current period's unaudited condensed consolidated interim financial statements, details of which are described below.

Impact of new and revised HKFRSs

The Group has adopted the following new and revised HKFRSs, applicable to the Group, for the first time for the current period's unaudited condensed consolidated interim financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Transfers of Financial Assets</i>

The adoption of the above new and revised HKFRSs has had no material impact on the reported results or financial position of the Group.

4. TURNOVER AND SEGMENT INFORMATION

Revenue recognised during the three months and six months ended 31 January 2012 is as follows:

	Three months ended 31 January		Six months ended 31 January	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Turnover				
Entertainment event income	40,499	6,429	50,094	6,429
Film distribution commission income and licence fee income	491	—	1,439	—
Album sales, licence income and distribution commission income from music publishing and licensing	2,297	—	2,822	—
Artiste management fee income	274	—	274	—
Licensing of software income	—	726	—	1,277
	43,561	7,155	54,629	7,706

Segments revenue/results:

	Entertainment business (Unaudited) HK\$'000	Film business (Unaudited) HK\$'000	Licensing of software (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Period from 1 August 2011 to 31 January 2012				
Revenue from external customers	<u>53,190</u>	<u>1,439</u>	<u>—</u>	<u>54,629</u>
Segment loss	<u>(853)</u>	<u>(5,685)</u>	<u>(1,572)</u>	<u>(8,110)</u>
Unallocated amounts:				
Other income				2,570
Fair value loss on a forward contract				(353,096)
Marketing expenses				(51)
Administrative expenses				(11,238)
Other operating gains				—
Other operating expenses				(702)
Finance costs				<u>(14,091)</u>
Loss before tax				<u>(384,718)</u>

	Entertainment business (Unaudited) HK\$'000	Licensing of software (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Period from 1 August 2010 to 31 January 2011			
Revenue from external customers	<u>6,429</u>	<u>1,277</u>	<u>7,706</u>
Segment loss	<u>(1,909)</u>	<u>(6,420)</u>	<u>(8,329)</u>
Unallocated amounts:			
Other income			38
Marketing expenses			(88)
Administrative expenses			(18,298)
Other operating expenses			(1,157)
Finance costs			<u>(979)</u>
Loss before tax			<u>(28,813)</u>

Segment assets:

	Entertainment business		Film business		Licensing of software		Consolidated	
	31 January 2012 (unaudited) HK\$'000	31 July 2011 (audited) HK\$'000	31 January 2012 (unaudited) HK\$'000	31 July 2011 (audited) HK\$'000	31 January 2012 (unaudited) HK\$'000	31 July 2011 (audited) HK\$'000	31 January 2012 (unaudited) HK\$'000	31 July 2011 (audited) HK\$'000
Segment assets	<u>39,686</u>	<u>25,677</u>	<u>135,191</u>	<u>27,127</u>	<u>3,015</u>	<u>4,520</u>	<u>177,892</u>	57,324
Unallocated assets							<u>682,447</u>	<u>524,084</u>
Total assets							<u>860,339</u>	<u>581,408</u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 31 January	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Interest on:		
— First Completion Convertible Notes (as defined in Note 11) wholly repayable within five years	<u>14,091</u>	—
— Convertible Bonds wholly repayable within five years (Note)	<u>—</u>	<u>979</u>
	<u>14,091</u>	<u>979</u>

Note: Convertible bonds in the principal amount of HK\$25,000,000 (the "Convertible Bonds") were issued to a bondholder on 30 April 2010. Upon receipt of a notice from the bondholder requesting for full conversion of the Convertible Bonds, on 18 April 2011, the Company issued 500,000,000 Shares at the price of HK\$0.05 per share upon full conversion of the Convertible Bonds.

6. INCOME TAX CREDIT/(EXPENSE)

No provision for Hong Kong profits tax has been made during the period under review as there were no assessable profits generated during the six months ended 31 January 2012 (six months ended 31 January 2011: Nil) in Hong Kong. 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 of.

	Six months ended 31 January	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Provision for tax for the period:		
Elsewhere	(719)	—
Deferred tax credit	—	252
Total tax credit/(charge) for the period	(719)	252

7. PROFIT/(LOSS) FOR THE PERIOD

The Group's profit/(loss) for the period is arrived at after charging/(crediting):

	Six months ended 31 January	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Depreciation	162	159
Amortisation of film rights**	1,048	—
Amortisation of other intangible assets	—	1,245
Loss on disposal of items of property, plant and equipment*	73	8
Impairment of other intangible assets*	—	967
Impairment of trade and other receivables, net*	1,094	4,219
Share of net loss from entertainment events organised by co-investors*	—	86
Share of net income to co-investors from entertainment events organised by the Group*	775	—
Share of net income from entertainment events organised by co-investors#	(362)	—
Other equity-settled share option expense	—	3,270

* These items are included in "Other operating expenses" on the face of the condensed consolidated income statement.

These items are included in "Other operating gains" on the face of the condensed consolidated income statement.

** These items are included in "Costs of sales" on the face of the condensed consolidated income statement.

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of basic and diluted earnings/(loss) per share attributable to owners of the parent is based on the following data:

	Three months ended 31 January		Six months ended 31 January	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Profit/(Loss)				
Profit/(loss) attributable to owners of the parent used in the basic earnings/(loss) per share calculation	99,596	(19,034)	(385,282)	(27,352)
Effect of dilutive potential ordinary shares:				
Interest on First Completion Convertible Notes	6,942	N/A	N/A	N/A
Profit/(loss) for the purpose of diluted earnings/(loss) per share	106,538	(19,034)	(385,282)	(27,352)

	Number of shares			
	Three months ended 31 January		Six months ended 31 January	
	2012 (Unaudited) '000	2011 (Unaudited) '000	2012 (Unaudited) '000	2011 (Unaudited) '000
Shares				
Weighted average number of ordinary shares in issue used in the basic earnings/(loss) per share calculation	13,140,258	2,306,114	12,514,497	2,306,114
Effect of dilutive potential ordinary shares:				
First Completion Convertible Notes	16,293,618	N/A	N/A	N/A
Weighted average number of ordinary shares used in the diluted earnings/(loss) per share calculation	29,433,876	2,306,114	12,514,497	2,306,114
Earnings/(loss) per share:				
— Basic (HK cents)	0.76	(0.83)	(3.08)	(1.19)
— Diluted* (HK cents)	0.36	(0.83)	(3.08)	(1.19)

* The calculation of diluted loss per share for the six months ended 31 January 2012 has not assumed the conversion of the First Completion Convertible Notes as such conversion has an anti-dilutive effect during the period. In addition, the calculation of diluted loss per share for the six months ended 31 January 2012 has not assumed the exercise of share options as no diluting event existed during the period.

The calculation of diluted earnings per share for the three months ended 31 January 2012 is based on the profit attributable to owners of the parent of approximately HK\$106,538,000 after adjusting for the interest saving from the conversion of the First Completion Convertible Notes and the weighted average number of ordinary shares issued during the periods of approximately 29,433,876,000 shares after adjusting for the number of dilutive potential ordinary shares arising from the conversion of the First Completion Convertible Notes.

The calculation of diluted loss per share for the three months and six months ended 31 January 2011 had not assumed the exercise of share options and conversion of the Convertible Bonds as they had an anti-dilutive effect during that period.

9. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 January 2012 (six months ended 31 January 2011: Nil).

10. TRADE RECEIVABLES

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, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	31 January 2012 (Unaudited) HK\$'000	31 July 2011 (Audited) HK\$'000
Within 30 days	1,160	2,436
31 – 60 days	303	206
61 – 90 days	2,097	231
Over 90 days	334	542
	<u>3,894</u>	<u>3,415</u>

11. FORWARD CONTRACT

	31 January 2012 (Unaudited) HK\$'000	31 July 2011 (Audited) HK\$'000
Forward Contract on Second Completion Convertible Notes, at fair value	<u>(326,948)</u>	<u>26,148</u>

Pursuant to a subscription agreement (the "Subscription Agreement") entered into between Perfect Sky Holdings Limited, 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 to Subscribers 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

- conditionally agreed to issue to the Subscribers and the Subscribers conditionally agreed to subscribe for 3-year zero coupon convertible notes in an aggregate principal amount of HK\$224,873,937 (the “**Second Completion Convertible Notes**”).

All conditions precedent to the completion of the subscription of the First Completion Convertible Notes were fulfilled on 9 June 2011 (the “**First Completion Date**”). Subject to fulfillment of certain conditions, completion of the issue of the Second Completion Convertible Notes is expected to take place on 9 June 2012, being the first anniversary of the First Completion Date.

The Company was contractually obligated to issue the Second Completion Convertible Notes. In this regard, before the issue of the Second Completion Convertible Notes, the Subscription Agreement in respect of the issue of the Second Completion Convertible Notes constitutes a forward contract within the scope of HKAS 39, and is recognised at its fair value as an asset or a liability on the commitment date, and is subsequently remeasured at fair value with changes in fair value recognised in the income statement.

The Group has recognised a fair value loss in respect of the forward contract of approximately HK\$353,096,000 (six months ended 31 January 2011: Nil) in the unaudited condensed consolidated income statement for the six months ended 31 January 2012.

The fair values of the forward contract as at 31 January 2012 and 31 July 2011 were determined with reference to the valuation of the forward contract as at that date performed by Greater China Appraisal Limited, an independent firm of professional valuers. The valuation has taken into account factors including adjusted weighted average market price of the Company’s shares, volatility, and prevailing market interest rates etc.

12. TRADE PAYABLES

An ageing analysis of the trade payables, based on the invoice date, is as follow:

	31 January 2012 (Unaudited) HK\$’000	31 July 2011 (Audited) HK\$’000
Less than 30 days	1,443	2,192
31 to 60 days	1,802	—
61 to 90 days	54	—
Over 90 days	283	—
	<u>3,582</u>	<u>2,192</u>

13. CONVERTIBLE NOTES

Pursuant to the Subscription Agreement, among other terms, the Company conditionally agreed to issue to the Subscribers 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 are convertible, at the option of the holders, into the Company’s Shares during the period commencing on the first day of the First Completion Convertible Notes and expiring on the date which is five business days preceding the maturity date.

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 at a conversion price of HK\$0.016 per Share and 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 at a conversion price of HK\$0.02785 per Share.

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

The fair value of the liability component was estimated at the issue date 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 as part of shareholders' equity.

The First Completion Convertible Notes were split as to the liability and equity components, as follows:

	HK\$'000
Face value of convertible notes issued	371,387
Equity component	(89,909)
Direct transaction costs attributable to the liability component	(8,613)
Liability component at the date of issue	272,865
Interest charged	4,288
Liability component at 31 July 2011	277,153
Partial conversion	(18,864)
Interest charged	14,091
Liability component at 31 January 2012	272,380

On 8 September 2011, Perfect Sky Holdings Limited ("Perfect Sky"), a wholly-owned subsidiary of eSun, converted part of the First Completion Convertible Notes in an aggregate principal amount of HK\$25,000,000 at a conversion price of HK\$0.016 per Share; as a result, the Company issued a total of 1,562,500,000 new Shares to Perfect Sky.

14. SHARE CAPITAL

	31 January 2012		31 July 2011	
	Number of Shares (Unaudited) '000	Nominal value (Unaudited) HK\$'000	Number of Shares (Audited) '000	Nominal value (Audited) HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each (Note)	60,000,000	600,000	50,000,000	500,000
Issued and fully paid:				
Ordinary shares of HK\$0.01 each	13,140,257	131,403	10,110,257	101,103

Note: The Company's authorised share capital has been increased from HK\$500,000,000 divided into 50,000,000,000 Shares to HK\$600,000,000 divided into 60,000,000,000 Shares by the creation of an additional 10,000,000,000 Shares.

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

	Period from 1 August 2011 to 31 January 2012		Period from 1 April 2011 to 31 July 2011	
	Number of shares (Unaudited) '000	Nominal value (Unaudited) HK\$'000	Number of shares (Audited) '000	Nominal value (Audited) HK\$'000
Balance at the beginning of the period	10,110,257	101,103	2,307,114	23,071
Share issued under the share option scheme	—	—	134,800	1,348
Conversion of convertible bonds	—	—	500,000	5,000
Exercise of share options	—	—	250,000	2,500
Subscription of Shares	—	—	6,918,343	69,184
Partial conversion of First Completion Convertible Notes	1,562,500	15,625	—	—
Placing of new Shares	1,467,500	14,675	—	—
Balance at the end of the period	<u>13,140,257</u>	<u>131,403</u>	<u>10,110,257</u>	<u>101,103</u>

15. COMMITMENT

The Group had the following capital commitment, contracted but not provided for, at the end of the reporting period:

	31 January 2012 (Unaudited) HK\$'000	31 July 2011 (Audited) HK\$'000
Capital contribution payable to a joint venture to be established	<u>12,044</u>	<u>3,555</u>

16. CONTINGENT LIABILITIES

The Group had no material contingent liabilities at 31 January 2012 and 31 July 2011.

17. RELATED PARTY TRANSACTIONS

(i) Compensation of key management personnel of the Group

	Six months ended 31 January 2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Fees, salaries and other short-term employee benefits	6,439	2,051
Equity-settled share option expense	2,257	—
Pension costs-defined contribution plans	24	28
	<u>8,720</u>	<u>2,079</u>

(ii) Transaction with related parties

	Six months ended 31 January 2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Fellow subsidiaries:		
Artiste fee, production consultancy fee and others	394	—
Jointly-controlled entities of ultimate holding company:		
Artiste fee, production consultancy fee and others	400	—
	<u>794</u>	<u>—</u>

The artiste fee, production consultancy fee and others were charged on bases mutually agreed by the respective parties.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 31 January 2012, the Group recorded a turnover of approximately HK\$54,629,000, representing an increase of approximately 609% from approximately HK\$7,706,000 for the corresponding six months in 2011. The significant increase in turnover was mainly due to the increase in revenue from the Group's entertainment businesses.

Cost of sales increased to approximately HK\$41,838,000 for the six months ended 31 January 2012 from approximately HK\$6,112,000 for the corresponding six months in 2011. The Group's other income increased to approximately HK\$2,804,000 for the six months ended 31 January 2012 from approximately HK\$38,000 for the corresponding six months in 2011. The increase in other income was mainly due to interest income on the bank deposit. Operating expenses increased by approximately 14% to approximately HK\$33,488,000 for the six months ended 31 January 2012 from approximately HK\$29,466,000 for the corresponding six months in 2011. During the six months ended 31 January 2012, the Group recognised a fair value loss on the forward contract in relation to the Second Completion Convertible Notes of approximately HK\$353,096,000 (six months ended 31 January 2011: Nil). Finance costs increased to approximately HK\$14,091,000 for the six months ended 31 January 2012 from approximately HK\$979,000 for the corresponding six months in 2011. The increase in finance costs was mainly due to the recognition of interest expenses on the First Completion Convertible Notes.

Loss attributable to owners of the parent for the six months ended 31 January 2012 was approximately HK\$385,282,000 compared to that of approximately HK\$27,352,000 for the corresponding six months in 2011. Basic loss per Share was approximately 3.08 HK cents compared to that of approximately 1.19 HK cents for the corresponding six months in 2011.

The fair value loss on the forward contract in relation to the Second Completion Convertible Notes and the effective interest expenses arising from the First Completion Convertible Notes were non-cash in nature. The Company will in no event be obligated to settle any of such financial liability in respect of the forward contract by incurring a cash payout or otherwise by using any of its assets. Excluding the fair value loss on the forward contract of HK\$353,096,000, the Group would have recorded a loss for the period attributable to owners of the parent of HK\$32,186,000 for the six months ended 31 January 2012.

At 31 January 2012, the Group had bank and cash balances of approximately HK\$685,065,000, increased from approximately HK\$507,315,000 at 31 July 2011. The increase in cash was mainly attributable to the net proceeds received from the completion of the placement of new Shares during the period.

Business Review

Events Management

During the period under review, the Group organised and invested in several concerts. The total revenue from these concerts amounted to approximately HK\$39,261,000.

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 services including designing and formulating event proposals, managing the events and arranging for artistes and staff to participate in the events. Events management income included retainer fees of approximately HK\$10,833,000 arising from the said entertainment service agreement.

Film production

During the period under review, the Group recorded a turnover of approximately HK\$1,394,000 from video distribution and film distribution commission income.

Music

During the period under review, the Group released several album. Turnover from music publishing and recording was approximately HK\$2,822,000.

Artiste management

During the period under review, the Group recorded a turnover of approximately HK\$274,000 from artiste management.

TV program distribution

During the period under review, the Group recorded a turnover of approximately HK\$45,000 from TV program distribution commission income.

Continuing Connected Transactions

On 23 December 2011, the Company entered into the following agreements:

- (i) the artistes engagement framework agreement with eSun in relation to the arrangement for the engagement of the artistes by the Group;
- (ii) the concert co-production framework agreement with eSun in relation to the arrangement for the co-production of concerts by both parties;
- (iii) the music catalogue licence agreements with certain subsidiaries of eSun as the licensors and eSun as the designated representative of the licensors respectively in relation to the grant of licences by the licensors to the Company to enable the Company to exploit the music works (including karaoke music videos) owned by the licensors in the territories of the PRC and Macau; and
- (iv) the film library licence agreements with certain subsidiaries of eSun as the licensors and eSun as the designated representative of the licensors respectively in relation to the grant of licences by the licensors to the Company to enable the Company to exploit the rights in the films owned or acquired by, or licensed to, the licensors in the territories of the PRC and Macau.

(each of the continuing connected transactions contemplated under the above agreements for the three years of the Company ending 31 July 2014, collectively, the “**Continuing Connected Transactions**”).

Details of the Continuing Connected Transactions are set out in the announcement and circular of the Company dated 23 December 2011 and 17 February 2012 respectively. The Continuing Connected Transactions and the proposed maximum annual amount of each of the Continuing Connected Transactions for three years ending 31 July 2014 have been approved by the independent shareholders of the Company (the “**Shareholders**”) on 5 March 2011.

Prospects

Within the last six months, the Chinese government has announced a series of new policies to ensure that the Chinese entertainment and cultural industries can more than double their size by the end of 2015. To rise with the largest entertainment market in the world, the Group has made big strides in shaping up its business strategy as an all-around entertainment company with a comprehensive revenue plan realised across all major consumer media and entertainment platforms. A dedicated team is charged to execute this plan with a view to capturing the synergistic and cohesive efforts across all divisions of the Group, including film, television, music, live entertainment, artiste management and new media. The Group aims to distribute not only our own products but also contents from third parties with values similar to ours. By leveraging on the strengths of our strategic investors, partners, content providers and advertisers, the Group endeavours to build up a distribution platform that will deliver maximum revenue from our movies, television, music, live entertainment, merchandising and artiste management.

In particular, with the above mentioned Continuing Connected Transactions having been approved, the Group has access to the pool of eSun's artistes as well as eSun's music and film libraries. Together with the Group's own product, the Group is enabled to offer a wider product and to reach a broader customer base for building up a strong base of its PRC businesses. The Continuing Connected Transactions also provides opportunities to the Group to diversify its investment risks and to participate in potentially profitable concert investment by participation in eSun's concerts.

The Group is entering markets of strategic importance and is expanding its portfolio to broaden appeal and synergy. We are also developing location based entertainment projects to create interactive entertainment experiences by linking online activities with offline experiences, and vice versa. Management of the Group will continue to explore opportunities to broaden the Group's income stream through business and/or assets acquisition, with primary focus in the PRC and Macau markets.

Liquidity and Financial Resources

The Group financed its operations with internal resources and convertible notes. As at 31 January 2012, the Group had unsecured and unguaranteed 3-years zero coupon convertible notes with an aggregate amount of approximately HK\$346,387,000. 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\$272,380,000 as at 31 January 2012. During the six months ended 31 January 2012, a letter of credit facility in the amount of US\$5,000,000 was granted by a bank to the Group. As at 31 January 2012, the Group had available unutilised letter of credit facility of US\$1,250,000 (31 July 2011: Nil). At 31 January 2012, cash and bank balances amounted to HK\$685,065,000 (31 July 2011: HK\$507,315,000) including pledged bank deposit of HK\$19,500,000 (31 July 2011: Nil), which consisted of approximately 90% in Hong Kong dollars, 2% in Renminbi and 8% in US dollars. The Renminbi denominated balances were placed with licensed banks in the PRC and the conversion of these balances into foreign currencies is subject to the foreign exchange rules and regulation of the PRC. During the six months ended 31 January 2012, the Group has net cash outflow of approximately HK\$114,128,000 for its operating activities, net cash outflow of approximately HK\$18,678,000 for investing activities and net cash inflow of approximately HK\$290,837,000 from financing activities. The increase in cash during the period was mainly attributable to the net proceeds received from the completion of the placement of new Shares during the period. The gearing ratio was approximately 123% as at 31 January 2012 (31 July 2011: 94%). Gearing ratio is calculated as total debt divided by equity attributable to owners of the parent.

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 by internal resources. At 31 January 2012, the Group has no outstanding foreign currency hedge contract.

Charge on Group Assets

At 31 January 2012, US\$2,500,000 (equivalent to HK\$19,500,000) was pledged to secure the letter of credit facility granted by a bank.

Capital Structure

At 31 January 2012, the Group's shareholders' funds decreased by approximately 25% to approximately HK\$220,891,000 (as at 31 July 2011: approximately HK\$293,995,000). The significant decrease was mainly attributable to the fair value loss on a forward contract amounting to approximately HK\$353,096,000. Total assets amounted to approximately HK\$860,339,000 (as at 31 July 2011: approximately HK\$581,408,000) which included current assets amounting to approximately HK\$847,457,000 (as at 31 July 2011: approximately HK\$568,521,000). Current liabilities were HK\$369,281,000 (as at 31 July 2011: approximately HK\$12,318,000). Net assets value per Share as at 31 January 2012 was approximately HK\$0.017 (as at 31 July 2011: approximately HK\$0.029). Current ratio was approximately 2.3 (as at 31 July 2011: approximately 46.2).

Acquisition/Disposal and Significant Investments

The Group did not make any material acquisition or disposal of subsidiaries during the six months ended 31 January 2012.

Contingent Liabilities

The Group had no material contingent liabilities at 31 January 2012.

Employee Information

At 31 January 2012, the Company had 91 (2011: 14) full-time employees. Staff costs amounted to approximately HK\$15,669,000 for the six months ended 31 January 2012 (2011: HK\$5,959,000). The Group's remuneration policy remained the same as detailed in the Company's 2010/2011 annual report for the period ended 31 July 2011.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

At 31 January 2012, interests or short positions of the Directors, chief executives of the Company or their respective associates (as defined under the GEM Listing Rules) in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

(1) The Company
(a) Long positions in the Shares

Name of Directors	Capacity in which the Shares are held	Number of the Shares	Approximate percentage of total issued Shares (Note 5)
Dr. Lam Kin Ngok, Peter (Note 1)	(i) Interest of controlled corporations	6,712,925,500	51.09%
	(ii) Deemed interest under S.317 of the SFO	1,732,343,209	13.18%
	Total	<u>8,445,268,709</u>	<u>64.27%</u>
Mr. Yu Feng (Note 2)	(i) Interest of controlled corporations	576,098,633	4.38%
	(ii) Deemed interest under S.317 of the SFO	7,869,170,076	59.89%
	Total	<u>8,445,268,709</u>	<u>64.27%</u>
Mr. Choi Chiu Fai, Stanley (Note 3)	Deemed interest under S.317 of the SFO	8,445,268,709	64.27%
Ms. Etsuko Hoshiyama	Beneficial owner	3,000,000	0.02%
Mr. Chan Chi Yuen	Beneficial owner	2,300,000	0.02%

(b) Long positions in the underlying Shares

Name of Directors	Capacity in which the underlying Shares are held	Number of the underlying Shares comprised in		Approximate percentage of total issued Shares (Note 5)
		Convertible Notes	Share Options	
Dr. Lam Kin Ngok, Peter (Note 1)	(i) Interest of controlled corporations	14,132,500,000	—	107.55%
	(ii) Deemed interest under S.317 of the SFO	9,650,479,894	—	73.44%
	Total	<u>23,782,979,894</u>		<u>180.99%</u>
Mr. Yu Feng (Note 2)	(i) Interest of controlled corporations	6,486,699,793	—	49.36%
	(ii) Deemed interest under S.317 of the SFO	17,296,280,101	—	131.63%
	Total	<u>23,782,979,894</u>		<u>180.99%</u>
Mr. Choi Chiu Fai, Stanley (Note 3)	(i) Interest of a controlled corporation	492,092,899	—	3.74%
	(ii) Deemed interest under S.317 of the SFO	23,290,886,995	—	177.25%
	Total	<u>23,782,979,894</u>		<u>180.99%</u>
Mr. Tang Jun (Note 4)	Beneficial owner	—	101,102,576	0.77%

(2) Associated Corporations

(a) eSun Holdings Limited

Ordinary shares of HK\$0.50 each

Name of Director	Capacity in which shares are held	Number of shares	Approximate
			percentage of total issued shares
Dr. Lam Kin Ngok, Peter	(i) Interest of controlled corporations	471,604,186	37.93%
	(ii) Beneficial owner	2,794,443	0.23%
Total		<u>474,398,629</u>	<u>38.16%</u>

(b) Perfect Sky Holdings Limited

Ordinary shares of US\$1.00 each

Name of Director	Capacity in which share is held	Number of shares	Approximate
			percentage of total issued shares
Dr. Lam Kin Ngok, Peter	Interest of controlled corporations	1	100.00%

Notes:

- (1) (a) By virtue of the interest of Dr. Lam Kin Ngok, Peter (“**Dr. Lam**”) through his controlled corporations described in paragraph (b) immediately below, Dr. Lam was deemed to be interested in the Shares owned/to be owned by Perfect Sky as shown in the section headed “**SUBSTANTIAL SHAREHOLDERS’ AND OTHER PERSONS’ INTERESTS IN SECURITIES**” below pursuant to Part XV of the SFO.
 - (b) Perfect Sky is a wholly-owned subsidiary of eSun and eSun is indirectly owned as to approximately 37.93% by Lai Sun Development Company Limited (“**LSD**”) which is approximately 47.97% directly and indirectly owned by Lai Sun Garment (International) Limited (“**LSG**”). LSG is approximately 8.07% owned by Dr. Lam and is approximately 29.99% owned by Wisdoman Limited which is in turn 50% beneficially owned by Dr. Lam.
- (2) (a) By virtue of the interest of Mr. Yu Feng (“**Mr. Yu**”) through his controlled corporations described in paragraph (b) immediately below, Mr. Yu was deemed to be interested in the Shares owned/to be owned by Next Gen Entertainment Limited (“**Next Gen**”) as shown in the section headed “**SUBSTANTIAL SHAREHOLDERS’ AND OTHER PERSONS’ INTERESTS IN SECURITIES**” below pursuant to Part XV of the SFO.
 - (b) Next Gen is a wholly-owned subsidiary of Yunfeng Fund, L.P., of which Mr. Yu is the founder and chairman. Mr. Yu is also the sole director of the aforesaid fund’s general partner.
- (3) (a) By virtue of the interest of Mr. Choi Chui Fai, Stanley (“**Mr. Choi**”) through his controlled corporation described in paragraph (b) immediately below, Mr. Choi was deemed to be interested in the Shares owned/to be owned by Grace Promise Limited (“**Grace Promise**”) as shown in the section headed “**SUBSTANTIAL SHAREHOLDERS’ AND OTHER PERSONS’ INTERESTS IN SECURITIES**” below pursuant to Part XV of the SFO.
 - (b) Grace Promise is wholly and beneficially owned by Mr. Choi.
- (4) The share option to subscribe for a total of 101,102,576 Shares was granted to Mr. Tang Jun pursuant to the share option scheme adopted by the Company on 19 November 2009 and their particulars are set out in the section headed “**SHARE OPTION SCHEME**” below.
- (5) The total number of the issued Shares as at 31 January 2012 (that is, 13,140,257,612 Shares) has been used for the calculation of the approximate percentage.

Save as disclosed above, as at 31 January 2012, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SECURITIES

So far as was known by or otherwise notified to any Director or chief executive of the Company, as at 31 January 2012, the following corporations or persons had 5% or more interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company (the "Voting Entitlement"):

Long position in the Shares

Name of Shareholders	Capacity in which the Shares and the underlying Share are held	Number of the Shares	Number of the underlying Shares	Deemed interest pursuant to Section 317 of the SFO (Note 7)	Total	Approximate percentage of total issued Shares (Note 10)
Substantial Shareholders						
Dr. Lam Kin Ngok, Peter (Note 1)	Interest of controlled corporations	6,712,925,500	14,132,500,000	11,382,823,103	32,228,248,603	245.26%
Lai Sun Garment (International) Limited (Note 1)	Interest of controlled corporations	6,712,925,500	14,132,500,000	11,382,823,103	32,228,248,603	245.26%
Zimba International Limited (Note 1)	Interest of controlled corporations	6,712,925,500	14,132,500,000	11,382,823,103	32,228,248,603	245.26%
Lai Sun Development Company Limited (Note 1)	Interest of controlled corporations	6,712,925,500	14,132,500,000	11,382,823,103	32,228,248,603	245.26%
Transtrend Holdings Limited (Note 1)	Interest of controlled corporations	6,712,925,500	14,132,500,000	11,382,823,103	32,228,248,603	245.26%
eSun Holdings Limited (Note 1)	Interest of a controlled corporation	6,712,925,500	14,132,500,000	11,382,823,103	32,228,248,603	245.26%
Perfect Sky Holdings Limited (Note 1)	Beneficial owner	6,712,925,500	14,132,500,000	11,382,823,103	32,228,248,603	245.26%
Mr. Tse On Kin (Note 2)	Interest of a controlled corporation	1,064,000,000	430,000,000	30,734,248,603	32,228,248,603	245.26%
Sun Great Investments Limited (Note 2)	Beneficial owner	1,064,000,000	430,000,000	30,734,248,603	32,228,248,603	245.26%
Mr. Yu Feng (Note 3)	Interest of controlled corporations	576,098,633	6,486,699,793	25,165,450,177	32,228,248,603	245.26%
Yunfeng Fund, L.P. (Note 3)	Interest of a controlled corporation	576,098,633	6,486,699,793	25,165,450,177	32,228,248,603	245.26%
Next Gen Entertainment Limited (Note 3)	Beneficial owner	576,098,633	6,486,699,793	25,165,450,177	32,228,248,603	245.26%
SINA Corporation (Note 4)	Interest of a controlled corporation	92,244,576	1,164,487,920	30,971,516,107	32,228,248,603	245.26%
Memestar Limited (Note 4)	Beneficial owner	92,244,576	1,164,487,920	30,971,516,107	32,228,248,603	245.26%
Mr. Choi Chiu Fai, Stanley (Note 5)	Interest of a controlled corporation	—	492,092,899	31,736,155,704	32,228,248,603	245.26%
Ms. Cheung Fung Kuen, Maggie (Note 5)	Interest of a controlled corporation	—	492,092,899	31,736,155,704	32,228,248,603	245.26%
Grace Promise Limited (Note 5)	Beneficial owner	—	492,092,899	31,736,155,704	32,228,248,603	245.26%
Prowise Global Investment Limited (Note 6)	Interest of a controlled corporation	—	1,077,199,282	31,151,049,321	32,228,248,603	245.26%
Mr. Zhou Xin (Note 6)	Interest of a controlled corporation	—	1,077,199,282	31,151,049,321	32,228,248,603	245.26%
嚴紅春 (Note 6)	Interest of a controlled corporation	—	1,077,199,282	31,151,049,321	32,228,248,603	245.26%
On Chance Inc. (Note 6)	Beneficial owner	—	1,077,199,282	31,151,049,321	32,228,248,603	245.26%

Name of Shareholders	Capacity in which the Shares and the underlying Share are held	Number of the Shares	Number of the underlying Shares	Deemed interest pursuant to Section 317 of the SFO (Note 7)	Total	Approximate percentage of total issued Shares (Note 10)
Other Persons						
Ms. Liu Yang (Note 8)	Interest of controlled corporations	658,750,000	—	—	658,750,000	5.01%
Atlantis Capital Holdings Limited (Note 8)	Interest of a controlled corporation	658,750,000	—	—	658,750,000	5.01%
Atlantis Investment Management (Hong Kong) Limited (Note 8)	Beneficial owner	658,750,000	—	—	658,750,000	5.01%
Tencent Holdings Limited (Note 9)	Interest of a controlled corporation	658,750,000	—	—	658,750,000	5.01%
THL G Limited (Note 9)	Beneficial owner	658,750,000	—	—	658,750,000	5.01%

Notes:

- (1) Perfect Sky is wholly owned by eSun. eSun is owned as to approximately 37.93% by Transtrend Holdings Limited (“**Transtrend**”). Transtrend is wholly owned by LSD. LSD is approximately 47.97% owned by LSG and two of LSG’s wholly-owned subsidiaries, namely Zimba International Limited (“**Zimba**”) and Joy Mind Limited. LSG is approximately 8.07% owned by Dr. Lam and is approximately 29.99% owned by Wisdoman Limited which is in turn 50% beneficially owned by Dr. Lam. Thus, all the above companies are corporations controlled by Dr. Lam, and Dr. Lam, LSG, Zimba, LSD, Transtrend and eSun were deemed to be interested in such Shares which Perfect Sky was interested in pursuant to Part XV of the SFO.
- (2) Sun Great Investments Limited (“**Sun Great**”) is wholly and beneficially owned by Mr. Tse On Kin (“**Mr. Tse**”). Mr. Tse was, therefore, deemed to be interested in such Shares which Sun Great was interested in pursuant to Part XV of the SFO.
- (3) Next Gen is wholly and beneficially owned by Yunfeng Fund, L.P. of which Mr. Yu is the founder and chairman. Mr. Yu and the aforesaid fund were, therefore, deemed to be interested in such Shares which Next Gen was interested in pursuant to Part XV of the SFO. Mr. Yu is also the sole director of the general partner of the aforesaid fund.
- (4) Memestar Limited (“**Memestar**”) is wholly and beneficially owned by SINA Corporation (“**SINA**”). SINA is, therefore, deemed to be interested in such Shares which Memestar was interested in pursuant to Part XV of the SFO.
- (5) Grace Promise is wholly and beneficially owned by Mr. Choi. Mr. Choi and his spouse Ms. Cheung Fung Kuen, Maggie, were, therefore, deemed to be interested in such Shares which Grace Promise was interested in pursuant to Part XV of the SFO.
- (6) On Chance Inc. (“**On Chance**”) is owned as to 95% by Mr. Zhou Xin (“**Mr. Zhou**”) and as to 5% by Prowse Global Investment Limited. Mr. Zhou and his spouse 嚴紅春 were, therefore, deemed to be interested in such Shares which On Chance was interested in pursuant to Part XV of the SFO.
- (7) Pursuant to Section 317 of the SFO, each of the Subscribers was deemed to be interested in the Shares and the underlying Shares held by the other Subscribers.
- (8) Atlantis Investment Management (Hong Kong) Limited (“**Atlantis Investment**”) is wholly and beneficially owned by Atlantis Capital Holdings Limited (“**Atlantis Capital**”) which is in turn wholly and beneficially owned by Ms. Liu Yang (“**Ms. Liu**”). Ms. Liu and Atlantis Capital were, therefore, deemed to be interested in such Shares which Atlantis Investment was interested in pursuant to Part XV of the SFO.
- (9) THL G Limited (“**THL**”) is wholly and beneficially owned by Tencent Holdings Limited (“**Tencent**”). Tencent was, therefore, deemed to be interested in such Shares which THL was interested in pursuant to Part XV of the SFO.
- (10) The total number of the issued Shares as at 31 January 2012 (that is, 13,140,257,612 Shares) has been used for the calculation of the approximate percentage.

Save as disclosed above, at 31 January 2012, there were no other persons who were recorded in the register of the Company as having interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or who had the Voting Entitlement.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Share Option Scheme”) on 19 November 2009, pursuant to which the Directors of the Company may, at their discretion, invite any employee, director, non-executive director (including independent non-executive director), supplier, customer, advisor, consultant, agent, contractor, and any shareholder of any member of the Group or any invested entity or any holder of any securities issued by any member of the Group or any invested entity, to take up options to subscribe for Shares.

Details of the movements in the share options granted pursuant to the Share Option Scheme and exercised during the six months ended 31 January 2012 are as follows:

Name of Grantee	Number of underlying Shares comprised in share options					Date of grant	Exercise period (dd/mm/yyyy)	Exercise price per Share (Note 3) (HK\$)
	Outstanding as at 1 August 2011	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	Outstanding as at 31 January 2012			
Director								
Mr. Tang Jun (Notes 1 and 2)	—	31,341,666	—	—	31,341,666	26 August 2011	06/08/2012 to 05/08/2013	0.2042
	—	31,341,666	—	—	31,341,666	26 August 2011	06/08/2013 to 05/08/2014	0.24504
	—	31,341,668	—	—	31,341,668	26 August 2011	06/08/2014 to 05/09/2015	0.26546
	—	2,359,192	—	—	2,359,192	17 January 2012	06/08/2012 to 05/08/2013	0.1448
	—	2,359,192	—	—	2,359,192	17 January 2012	06/08/2013 to 05/08/2014	0.17376
	—	2,359,192	—	—	2,359,192	17 January 2012	06/08/2014 to 05/09/2015	0.18824
Total	—	101,102,576	—	—	101,102,576			

Notes:

1. Mr. Tang Jun was appointed an executive Director and the chief executive officer of the Company with effect from 6 September 2011.
2. (a) Any part of the share option in respect of the Shares comprised therein not exercised in whole in the original exercise period may be carried forward and exercised in the subsequent periods subject to the payment of the appropriate exercise price per Share.
- (b) Regarding the share option granted on 26 August 2011, the first tranche of the share option, the vesting period is from 26 August 2011 to 5 August 2012. For the second tranche of the share option, the vesting period is from 26 August 2011 to 5 August 2013. For the third tranche of the share option, the vesting period is from 26 August 2011 to 5 August 2014.
- (c) Regarding the share option granted on 17 January 2012, the first tranche of the share option, the vesting period is from 17 January 2012 to 5 August 2012. For the second tranche of the share option, the vesting period is from 17 January 2012 to 5 August 2013. For the third tranche of the share option, the vesting period is from 17 January 2012 to 5 August 2014.
- (d) The closing prices of the Shares immediately before the dates on which the share options were granted, which were 26 August 2011 and 17 January 2012, were HK\$0.203 per share and HK\$0.138 per share respectively. The corresponding fair value of share options granted on 26 August 2011 and 17 January 2012 were HK\$8,181,000 and HK\$400,000 respectively.

3. The exercise price of share options is subject to adjustment in case of rights issue or other specific changes in the Company's share capital.

The fair value of equity-settled share options granted during the six months ended 31 January 2012 was estimated as at the date of grant, using the binominal option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the share options granted during the six months ended 31 January 2012:

	Granted on 26 August 2011	Granted on 17 January 2012
Share Price (HK\$)	0.200	0.138
Risk Free Rate (%)	0.563	0.555
Contractual Life (Years)	4.030	3.636
Expected Volatility (%)	77.116	73.085
Expected Dividend Yield (%)	—	—
Early Exercise Multiple	2.2	2.2
Option Type	Call	Call

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

During the period under review, no share options were exercised or cancelled in accordance with terms of the Share Option Scheme.

At 31 January 2012 and the date of this report, the Company had a total number of 101,102,576 share options outstanding under the Share Option Scheme which represented approximately 0.77% of the Shares in issue as at these dates (13,140,257,612 Shares). The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 101,102,576 additional Shares and additional share capital of approximately HK\$1,011,000 and share premium of approximately HK\$22,585,000 (before issue expenses).

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 January 2012, the following Director was considered to have interests in the business, which compete or are likely to compete, either directly or indirectly, with the business of the Group pursuant to the GEM Listing Rules:

Mr. Yu Feng held shareholding interests and/or directorship in companies engaged in the entertainment business in the Mainland of China.

However, the Board is independent from the board of directors of the aforesaid companies and Mr. Yu cannot personally control the Board. Further, Mr. Yu 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 its Shareholders as a whole. Therefore, the Group is capable of carrying on its business independently of, and at arm's length from the business of such companies.

AUDIT COMMITTEE

The Company has established an audit committee on 21 May 2001 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The audit committee has three members comprising the three independent non-executive Directors, namely Mr. Chan Chi Yuen, Mr. Zhang Xi and Mr. Ng Chi Ho, Dennis. The audit committee has reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated financial information for the six months ended 31 January 2012.

REPORT ON CORPORATE GOVERNANCE

The Company applied the principles and complied with all the code provisions set out in the Code on Corporate Governance Practice contained in Appendix 15 of the GEM Listing Rules throughout the six months ended 31 January 2012.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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 had also made specific enquiry of all Directors who have confirmed their compliance with the required standard set out in the Securities Code during the six months ended 31 January 2012.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 January 2012.

By Order of the Board
Media Asia Group Holdings Limited
Lui Siu Tsuen, Richard
Executive Director

Hong Kong, 14 March 2012

As at the date of this report, the Board comprises eight executive Directors, namely Dr. Lam Kin Ngok, Peter (Chairman), Mr. Yu Feng, Mr. Choi Chiu Fai, Stanley, Mr. Tang Jun (Chief Executive Officer), Mr. Lui Siu Tsuen, Richard, Mr. Chan Chi Kwong, Ms. Etsuko Hoshiyama and Mr. Chan Chi Ming, Alvin; and three independent non-executive Directors, namely Mr. Chan Chi Yuen, Mr. Zhang Xi and Mr. Ng Chi Ho, Dennis.