



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

For the six months ended 31 January 2013

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

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

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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 2013 together with the comparative unaudited figures for the corresponding periods in 2012 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 31 January		Six months ended 31 January	
		2013 (Unaudited)	2012 (Unaudited)	2013 (Unaudited)	2012 (Unaudited)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	4	95,467	43,561	159,993	54,629
Cost of sales		(75,453)	(35,318)	(121,185)	(41,838)
Gross profit		20,014	8,243	38,808	12,791
Other income		2,634	2,432	4,178	2,804
Marketing expenses		(11,630)	(941)	(12,948)	(973)
Administrative expenses		(27,184)	(16,671)	(50,209)	(29,895)
Fair value gain/(loss) on a forward contract	5	—	114,130	—	(353,096)
Other operating gains		1,563	225	3,361	362
Other operating expenses		(4,739)	(682)	(12,753)	(2,620)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES		(19,342)	106,736	(29,563)	(370,627)
Finance costs	6	(11,877)	(6,942)	(23,754)	(14,091)
Share of profits and losses of joint ventures		(140)	—	(180)	—
PROFIT/(LOSS) BEFORE TAX	7	(31,359)	99,794	(53,497)	(384,718)
Income tax expense	8	(3,590)	(239)	(3,027)	(719)
PROFIT/(LOSS) FOR THE PERIOD		(34,949)	99,555	(56,524)	(385,437)
Attributable to:					
Owners of the Company		(33,313)	99,596	(55,773)	(385,282)
Non-controlling interests		(1,636)	(41)	(751)	(155)
		(34,949)	99,555	(56,524)	(385,437)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	9				
Basic (HK cents)		(0.25)	0.76	(0.42)	(3.08)
Diluted (HK cents)		(0.25)	0.36	(0.42)	(3.08)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended		Six months ended	
	31 January		31 January	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	(34,949)	99,555	(56,524)	(385,437)
OTHER COMPREHENSIVE INCOME/(LOSS)				
Exchange differences on translation of foreign operations	(69)	12	361	220
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	(69)	12	361	220
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(35,018)	99,567	(56,163)	(385,217)
Attributable to:				
Owners of the Company	(33,503)	99,608	(55,667)	(385,062)
Non-controlling interests	(1,515)	(41)	(496)	(155)
	(35,018)	99,567	(56,163)	(385,217)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 January 2013 (Unaudited) HK\$'000	31 July 2012 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		21,200	22,207
Goodwill		10,271	10,182
Film products		50,128	—
Film rights		3,349	1,136
Other intangible assets		67,552	71,502
Investments in joint ventures		5,370	551
Investment in an associate		13,634	5,855
Prepayment, deposits and other receivables		17,965	17,965
Total non-current assets		189,469	129,398
CURRENT ASSETS			
Inventories		173	121
Films under production		182,861	135,641
Trade receivables	11	28,516	3,856
Prepayments, deposits and other receivables		204,887	99,252
Options	12	33,542	32,491
Pledged time deposit		—	9,740
Cash and cash equivalents		498,202	696,869
Total current assets		948,181	977,970
CURRENT LIABILITIES			
Trade payables	13	13,478	653
Accruals and other payables		95,728	49,338
Loan from a non-controlling shareholder	14	6,027	6,027
Tax payable		9,712	5,591
Total current liabilities		124,945	61,609
NET CURRENT ASSETS		823,236	916,361
TOTAL ASSETS LESS CURRENT LIABILITIES		1,012,705	1,045,759

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Notes	31 January 2013 (Unaudited) HK\$'000	31 July 2012 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Convertible notes	15	482,695	458,941
Deferred tax liabilities		16,918	17,897
Total non-current liabilities		499,613	476,838
Net assets		513,092	568,921
EQUITY			
Equity attributable to owners of the Company			
Issued capital	16	131,403	131,403
Reserves		355,380	410,713
Non-controlling interests		486,783	542,116
		26,309	26,805
Total equity		513,092	568,921

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2013

	Attributable to owners of the Company									
	Issued capital	Share premium	Contributed surplus	Capital 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
At 1 August 2012 (audited)	131,403	395,249	44,475	309,993	5,030	5,461	(349,495)	542,116	26,805	568,921
Loss for the period	–	–	–	–	–	–	(55,773)	(55,773)	(751)	(56,524)
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	–	–	–	–	–	106	–	106	255	361
Total comprehensive income/(loss) for the period	–	–	–	–	–	106	(55,773)	(55,667)	(496)	(56,163)
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 January 2013 (unaudited)	131,403	395,249	44,475	309,993	–	5,567	(399,904)	486,783	26,309	513,092
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)	131,403	395,249	44,475	86,414	2,257	5,695	(444,602)	220,891	(2,308)	218,583

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 January 2013

	Six months ended 31 January	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(191,774)	(114,128)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(6,651)	(18,678)
NET CASH FLOWS FROM FINANCING ACTIVITIES	—	290,837
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(198,425)	158,031
Cash and cash equivalents at beginning of period	696,869	507,315
Effect of foreign exchange rates changes, net	(242)	219
CASH AND CASH EQUIVALENTS AT END OF PERIOD	498,202	665,565
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
— Cash and cash equivalents	498,202	665,565

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2013

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 primarily in the People's Republic of China (the "**PRC**") and Macau.

2. BASIS OF PREPARATION

The condensed consolidated 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.

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 year ended 31 July 2012. These unaudited condensed consolidated results should be read in conjunction with the Company's annual report for the year ended 31 July 2012.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impact of issued but not yet effective HKFRSs

The Group has not adopted the following new and revised HKFRSs, which are applicable to the Group, that have been issued but are not yet effective, in these interim financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i> ¹
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i> ¹
HKFRS 9	<i>Financial Instruments</i> ³
HKFRS 9 and HKFRS 7 Amendments	Amendments to HKFRS 9 <i>Financial Instruments</i> and HKFRS 7 <i>Financial Instruments: Disclosures – Mandatory Effective Date of HKFRS 9 and Transition Disclosures</i> ³
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendment to HKFRS 10, HKFRS 12 and HKAS 27 (2011) <i>Investment Entities</i> ²
HKFRS 13	<i>Fair Value Measurement</i> ¹
HKAS 19 (2011)	<i>Employee Benefits</i> ¹
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> ²
HK(IFRIC) – Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i> ¹
Annual Improvements to HKFRSs 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012 ¹

¹ Effective for annual periods beginning on or after 1 January 2013

² Effective for annual periods beginning on or after 1 January 2014

³ Effective for annual periods beginning on or after 1 January 2015

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

4. TURNOVER AND SEGMENT INFORMATION

Revenue recognised during the three months and six months ended 31 January 2013 is as follows:

	Three months ended 31 January 2013		Six months ended 31 January 2013	
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Turnover				
Entertainment event income	73,331	40,499	124,207	50,094
Sales of video products, distribution commission income and licence fee income from film products and film rights	12,448	491	12,649	1,439
Album sales, licence income and distribution commission income from music publishing and licensing	2,592	2,297	9,123	2,822
Artiste management fee income	7,096	274	14,014	274
	95,467	43,561	159,993	54,629

Segment revenue/results:

	Media and entertainment		Film production and distribution		Corporate		Consolidated	
	Six months ended 31 January 2013		Six months ended 31 January 2013		Six months ended 31 January 2013		Six months ended 31 January 2013	
	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000
Revenue from external customers	147,344	53,190	12,649	1,439	–	–	159,993	54,629
Other revenue	2,060	174	36	34	2,082	2,596	4,178	2,804
Segment profit/(loss)	1,723	(853)	(10,121)	(5,685)	(22,216)	(10,993)	(30,614)	(17,531)
Fair value gain on options	–	–	–	–	1,051	–	1,051	–
Fair value loss on a forward contract	–	–	–	–	–	(353,096)	–	(353,096)
Finance costs	–	–	–	–	–	–	(23,754)	(14,091)
Share of profits and losses of joint ventures	(180)	–	–	–	–	–	(180)	–
Loss before tax							(53,497)	(384,718)

4. TURNOVER AND SEGMENT INFORMATION (continued)

Segment assets:

	Media and entertainment		Film production and distribution		Corporate		Consolidated	
	31 January 2013	31 July 2012	31 January 2013	31 July 2012	31 January 2013	31 July 2012	31 January 2013	31 July 2012
	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	335,105	209,514	341,144	204,806	442,397	686,642	1,118,646	1,100,962
Investments in joint ventures	5,370	551	—	—	—	—	5,370	551
Investment in an associate	—	—	13,634	5,855	—	—	13,634	5,855
Total assets							1,137,650	1,107,368

5. FAIR VALUE GAIN/(LOSS) ON A FORWARD CONTRACT

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, 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**” (Note 15)); and
- 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\$224,873,937 (the “**Second Completion Convertible Notes**” (Note 15)).

All conditions precedent to the completion of the subscription of the First Completion Convertible Notes and the Second Completion Convertible Notes were fulfilled on 9 June 2011 and 9 June 2012 respectively.

Before 9 June 2012 (the “**Second 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 “Financial Instruments: Recognition and Measurement”, and is recognised at its fair value as an asset or a liability on the commitment date, and is subsequently measured at fair value with changes in fair value recognised in the income statement. During the six months ended 31 January 2012, the Group recognised a fair value loss in respect of the forward contract of approximately HK\$353,096,000 in the income statement.

5. FAIR VALUE GAIN/(LOSS) ON A FORWARD CONTRACT (continued)

On the Second Completion Date, the Group recognised a financial liability of the forward contract of approximately HK\$172,488,000. On the same date, the Company issued the Second Completion Convertible Notes in an aggregate principal amount of HK\$224,873,937. The fair value of the forward contract of approximately HK\$172,488,000 formed part of the consideration for the issuance of the Second Completion Convertible Notes. Accordingly, no fair value gain or loss in respect of the forward contract was recognised for the six months ended 31 January 2013.

The fair values of the forward contract as at the Second Completion Date and 31 January 2012 were determined with reference to the valuations of the forward contract as at those dates performed by Greater China Appraisal Limited, an independent firm of professional valuers. The valuations have taken into account factors including adjusted weighted average market prices of the Company's shares, volatilities and prevailing market interest rates.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended	
	31 January	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on:		
— First Completion Convertible Notes wholly repayable within five years (Note 15 (i))	15,387	14,091
— Second Completion Convertible Notes wholly repayable within five years (Note 15 (ii))	8,367	—
	23,754	14,091

7. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended	
	31 January	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	2,628	162
Amortisation of film products**	8,561	—
Amortisation of film rights**	1,891	1,048
Amortisation of other intangible assets**	4,516	—
Loss on disposal of items of property, plant and equipment	21	73
Impairment of other intangible assets*	35	—
Impairment of trade and other receivables, net	—	1,094
Fair value gain on options#	(1,051)	—
Share of net income to co-investors from entertainment events organised by the Group*	12,672	775
Share of net income from entertainment events organised by co-investors#	(2,310)	(362)
Equity-settled share option expense	334	2,257

* These items are included in "Other operating expenses" 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.

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

8. INCOME TAX 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 2013 (six months ended 31 January 2012: 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 thereof.

	Six months ended 31 January	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Provision for tax for the period		
Hong Kong	—	—
Elsewhere	4,156	719
	4,156	719
Deferred tax credit for the period	(1,129)	—
Total tax expense for the period	3,027	719

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Three months ended 31 January		Six months ended 31 January	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Earnings/(Loss)				
Profit/(loss) attributable to owners of the Company used in the basic earnings/(loss) per share calculation	(33,313)	99,596	(55,773)	(385,282)
Interest on First Completion Convertible Notes	N/A	6,942	N/A	N/A
Profit/(loss) for the purpose of diluted earnings/(loss) per share	(33,313)	106,538	(55,773)	(385,282)

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (continued)

	Number of shares			
	Three months ended		Six months ended	
	31 January		31 January	
	2013	2012	2013	2012
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
	'000	'000	'000	'000
Shares				
Weighted average number of ordinary shares in issue used in the basic earnings/(loss) per share calculation	13,140,258	13,140,258	13,140,258	12,514,497
Effect of dilutive potential ordinary shares:				
First Completion Convertible Notes	N/A	16,293,618	N/A	N/A
Weighted average number of ordinary shares used in the diluted earnings/(loss) per share calculation	13,140,258	29,433,876	13,140,258	12,514,497
Earnings/(loss) per share:				
– Basic (HK cents)	(0.25)	0.76	(0.42)	(3.08)
– Diluted (HK cents)	(0.25)	0.36	(0.42)	(3.08)

The calculation of diluted loss per share for the three months and six months ended 31 January 2013 had not assumed the exercise of share options and conversion of the First Completion Convertible Notes and Second Completion Convertible Notes as they had an anti-dilutive effect during that periods.

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 Company 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 in issue during the period 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.

10. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 January 2013 (six months ended 31 January 2012: Nil).

11. 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, net of provision for doubtful debts, based on the payment due date, as at the end of the reporting period, is as follows:

	31 January 2013 (Unaudited) HK\$'000	31 July 2012 (Audited) HK\$'000
Neither past due nor impaired	19,545	624
1 to 90 days past due	6,489	2,944
Over 90 days past due	2,482	288
	28,516	3,856

12. OPTIONS

	31 January 2013 (Unaudited) HK\$'000	31 July 2012 (Audited) HK\$'000
Options, at fair value	33,542	32,491

Pursuant to the share transfer agreement entered into between the Group and an independent third party (the "**Vendor**") on the acquisition of Media Magic Holdings Limited ("**Media Magic**") on 30 March 2012, the Group is granted an option to acquire an additional 25% interest in Media Magic by 28 December 2014 and an option to acquire the remaining 24% interest in Media Magic by 28 December 2015. If any one of the options is not exercised, the Vendor is contractually obliged to buy back the Group's interests in Media Magic at the original acquisition cost. The above rights and contractual obligation options are collectively referred as the "**Options**".

The Options constitute derivatives within the scope of HKAS 39, and are recognised at their fair values as assets or liabilities on initial recognition and are subsequently remeasured at fair value with changes in fair value recognised in the consolidated income statement.

The Group has recognised a fair value gain in respect of the options of approximately HK\$1,051,000 (six months ended 31 January 2012: Nil) in the unaudited condensed consolidated income statement for the six months ended 31 January 2013.

The fair value of the options as at 31 January 2013 and 31 July 2012 were determined with reference to the valuations of the options as at those dates performed by Greater China Appraisal Limited, an independent firm of professional valuers. The valuations were arrived at using the trinomial lattice model which have taken into account factors including related profit projections, exercise prices of options, volatilities, risk-free rate and time to maturity.

13. TRADE PAYABLES

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

	31 January 2013 (Unaudited) HK\$'000	31 July 2012 (Audited) HK\$'000
Less than 30 days	1,478	487
31 to 60 days	12,000	95
61 to 90 days	—	71
	13,478	653

14. LOAN FROM A NON-CONTROLLING SHAREHOLDER

The balance is unsecured, interest-free and has no fixed terms of repayment. The carrying amount of the loan approximates its fair value.

15. CONVERTIBLE NOTES

	Notes	31 January 2013 (Unaudited) HK\$'000	31 July 2012 (Audited) HK\$'000
First Completion Convertible Notes	(i)	301,857	286,470
Second Completion Convertible Notes	(ii)	180,838	172,471
		482,695	458,941

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 (being the First Completion Convertible Notes referred in Note 5 above) and HK\$224,873,937 (being the Second Completion Convertible Notes referred in Note 5 above), which can be 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.

15. CONVERTIBLE NOTES (continued)

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

	Liability component	Equity component	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 August 2011 (audited)	277,153	92,651	369,804
Partial conversion	(18,864)	(6,237)	(25,101)
Interest charged during the period (Note 6)	14,091	—	14,091
At 31 January 2012 (unaudited)	272,380	86,414	358,794
At 31 July 2012 and 1 August 2012 (audited)	286,470	86,414	372,884
Interest charged during the period (Note 6)	15,387	—	15,387
At 31 January 2013 (unaudited)	301,857	86,414	388,271

15. CONVERTIBLE NOTES (continued)

(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 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 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:

	HK\$'000
Face value of convertible notes issued	224,874
Consideration arising from the fair value of the forward contract (Note 5)	172,488
Equity component	(224,439)
Liability component at date of issue	172,923

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

	Liability component HK\$'000	Equity component HK\$'000	Total HK\$'000
At 1 August 2011 and 31 January 2012	—	—	—
Issued during the period	172,923	224,439	397,362
Cost of issue of convertible notes	(2,862)	(860)	(3,722)
Interest charged during the period	2,410	—	2,410
At 31 July 2012 and 1 August 2012 (audited)	172,471	223,579	396,050
Interest charged during period (Note 6)	8,367	—	8,367
At 31 January 2013 (unaudited)	180,838	223,579	404,417

16. SHARE CAPITAL

	31 January 2013		31 July 2012	
	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	60,000,000	600,000	60,000,000	600,000
Issued and fully paid:				
Ordinary shares of HK\$0.01 each	13,140,257	131,403	13,140,257	131,403

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

	Period from 1 August 2012 to 31 January 2013		Period from 1 August 2011 to 31 July 2012	
	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	13,140,257	131,403	10,110,257	101,103
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	13,140,257	131,403	13,140,257	131,403

17. COMMITMENT

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

	31 January 2013 (Unaudited) HK\$'000	31 July 2012 (Audited) HK\$'000
Capital contribution payable to a joint venture to be established	12,601	12,492
Shareholder loan to an associate	5,782	13,561
Acquisition of property, plant and equipment	2,440	3,144
	20,823	29,197

18. CONTINGENT LIABILITIES

The Group had no material contingent liabilities at 31 January 2013 and 31 July 2012.

19. RELATED PARTY TRANSACTIONS

(i) Compensation of key management personnel of the Group

	Six months ended 31 January	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Short-term employee benefits	3,417	6,439
Equity-settled share option expense	334	2,257
Post-employment benefits	19	24
	3,770	8,720

(ii) Transactions with related parties

		Six months ended 31 January	
	Notes	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Fellow subsidiaries:			
Share of net income from entertainment events organised by co-investors	1	1,960	—
Sponsorship income	1	837	—
Distribution commission income	1	431	—
Artiste fee	1	28	288
Rental expenses and building management fee	2	210	—
Related companies:			
Consultancy fee	1	400	—
Production fee	1	680	400
Rental expenses and building management fee	2	450	—

Notes:

- The share of net income from entertainment events organised by co-investors, sponsorship income, distribution commission income, artiste fee, consultancy fee and production fee were charged on bases mutually agreed by the respective parties.
- The rental expenses and building management fee were charged with reference to market rates.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 31 January 2013 (the “**Current Period**”), the Group recorded a turnover of approximately HK\$159,993,000, representing an increase of approximately 193% from approximately HK\$54,629,000 for the corresponding six months ended 31 January 2012 (the “**Corresponding Period**”), mainly due to the increase in revenue from the Group’s entertainment businesses.

Cost of sales increased to approximately HK\$121,185,000 for the Current Period from approximately HK\$41,838,000 for the Corresponding Period. The Group’s other income increased to approximately HK\$4,178,000 for the Current Period from approximately HK\$2,804,000 for the Corresponding Period. The increase in other income was mainly due to interest income on the bank deposit.

The Group’s marketing expenses increased to approximately HK\$12,948,000 for the Current Period from approximately HK\$973,000 for the Corresponding Period. Administrative expenses increased to approximately HK\$50,209,000 for the Current Period from approximately HK\$29,895,000 for the Corresponding Period. Other operating expenses increased to approximately HK\$12,753,000 for the Current Period from approximately HK\$2,620,000 for the Corresponding Period. Other operating expenses mainly include share of net income to co-investors from entertainment events organised by the Group. The increase in the abovementioned expenses is due to increase in the operating activities of the Group. Setting up and expansion of our China operations during the Current Period also increased the administrative expenses. These expenses are under strict control by the Company’s management.

Finance costs increased to approximately HK\$23,754,000 for the Current Period from approximately HK\$14,091,000 for the Corresponding Period. The increase in finance costs was mainly due to the recognition of interest expenses on the Second Completion Convertible Notes.

Loss attributable to owners of the Company for the Current Period was approximately HK\$55,773,000 compared to that of approximately HK\$385,282,000 for the Corresponding Period. Basic loss per Share was approximately 0.42 HK cents compared to that of approximately 3.08 HK cents for the Corresponding Period. The significant reduction in loss attributable to owners of the Company was mainly due to the fact that the issuance of the Second Completion Convertible Notes was completed on 9 June 2012 and therefore no fair value gain or loss on a forward contract was recognised during the Current Period. The fair value loss on a forward contract of approximately HK\$353,096,000 was recognised for the Corresponding Period.

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 and the Second 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.

At 31 January 2013, the Group had bank and cash balances of approximately HK\$498,202,000, decreased from approximately HK\$696,869,000 at 31 July 2012. The decrease in cash was mainly attributable to the increase of investment in film and media and entertainment business during the period. The operating cycle for film and TV program production usually lasts for 18 months or more. A number of the Group's previously invested products are scheduled to be released in the forthcoming months and are expected to provide profit contributions and cash inflow to the Group in the second half of the current financial year.

Business Review

Events Management

During the Current Period, the Group organised and invested in more than 20 concerts. The total revenue from these concerts amounted to approximately HK\$124,207,000.

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\$12,970,000 arising from the said entertainment service agreement.

Film production

During the Current Period, the Group released 2 films, namely Guillotines and Cloud Atlas. Turnover from the licence fee income and distribution commission income of films was approximately HK\$12,649,000.

Music

During the Current Period, the Group released over 10 albums. Turnover from music publishing and recording was approximately HK\$9,123,000.

Artiste management

During the Current Period, the Group recorded a turnover of approximately HK\$14,014,000 from artiste management.

Prospects

The Group continues to expand its media and entertainment business in the PRC, maximizing income from its film, television, music, live entertainment, talent management and new media businesses in this fast growing market.

The Group has enlarged its movie development and production slate, working with renowned directors, writers, and artistes in the Greater China. A number of the Group's films under production will be released in the current financial year and distributed worldwide by our distribution teams in Beijing and Hong Kong. The Group is actively seeking to acquire materials and intellectual properties suitable for adaptation into films appealing to the PRC market, and working with emerging talents in the region, with the objective of expanding market share and increasing our film revenue.

The Group has been increasing its investment in and production of concerts and live entertainment in China with popular local and international artistes. In addition, the Group has widened the appeal of the Group's Hong Kong artistes by producing more concerts in China in major cities such as Guangzhou, Chengdu, Beijing and Shanghai, thereby elevating the commercial potential of the Group's musical talent.

The Group believes that a strong artiste roster will complement our media and entertainment businesses. In addition to having one of the largest pool of successful artistes in Hong Kong and the PRC, the Group continues to look for opportunities in cooperating with high profile Asian artistes and explore new talent in Asia. The Group's 360° approach of developing projects spanning film, TV, music and live events for our artistes ensures the maximum commercial value and appeal in attracting talent.

In view of the continued strong demand for good quality television drama from TV stations and online video websites in the PRC, the Group plans on increasing its investment in premium quality programmes with well-known producers and artistes. Additionally the Group is looking to work with renowned TV producers on other types of programmes such as variety shows, singing contests and reality series.

In light of the enormous and rapidly growing PRC market, the Group endeavors to continue expansion of its integrated entertainment platform with the view to provide the highest quality and most comprehensive Chinese language content. The Group will also continue to explore strategic alliance and investment opportunities to enrich its portfolio and broaden its income stream with primary focus in the PRC market.

Liquidity and Financial Resources

The Group financed its operations with internal resources and convertible notes. As at 31 January 2013, the Group had unsecured and unguaranteed 3-years zero coupon convertible notes with an outstanding principal amount of approximately HK\$571,261,000. 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\$482,695,000 as at 31 January 2013. As at 31 January 2013, the Group had no unutilised letter of credit facility (31 July 2012: US\$1,250,000). At 31 January 2013, cash and bank balances amounted to approximately HK\$498,202,000 (31 July 2012: approximately HK\$706,609,000) including pledged bank deposit of HK\$ Nil (31 July 2012: approximately HK\$9,740,000), which consisted of approximately 81% in Hong Kong dollars, 8% in Renminbi and 11% 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 Current Period, the Group has net cash outflow of approximately HK\$191,774,000 for its operating activities and net cash outflow of approximately HK\$6,651,000 for its investing activities. The decrease in cash during the period was mainly attributable to the increase of investment in film and media and entertainment projects during the period. The gearing ratio was approximately 99% as at 31 January 2013 (31 July 2012: 85%). Gearing ratio is calculated as total borrowings divided by shareholders' equity to the owners of the Company.

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 2013, the Group has no outstanding foreign currency hedge contract.

Charge on Group Assets

At 31 January 2013, the Group did not have any charge on its assets.

Capital Structure

At 31 January 2013, the Group's shareholders' funds decreased by approximately 10% to approximately HK\$486,783,000 (31 July 2012: approximately HK\$542,116,000). Total assets amounted to approximately HK\$1,137,650,000 (31 July 2012: approximately HK\$1,107,368,000) which included current assets amounting to approximately HK\$948,181,000 (31 July 2012: approximately HK\$977,970,000). Current liabilities were approximately HK\$124,945,000 (31 July 2012: approximately HK\$61,609,000). Net assets value per Share as at 31 January 2013 was approximately HK\$0.039 (31 July 2012: approximately HK\$0.043). Current ratio was approximately 7.6 (31 July 2012: approximately 15.9).

Acquisition/Disposal and Significant Investments

The Group did not make any material acquisition or disposal of subsidiaries during the Current Period.

Contingent Liabilities

The Group had no material contingent liabilities at 31 January 2013.

Employee Information

At 31 January 2013, the Group had 243 (31 January 2012: 91) full-time employees. Staff costs amounted to approximately HK\$31,491,000 for the Current Period (31 January 2012: approximately HK\$15,669,000). The Group's remuneration policy remained the same as detailed in the Company's annual report for the year ended 31 July 2012.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

At 31 January 2013, 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 4)
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	1,521,093,209	11.57%
	Total	8,234,018,709	62.66%
Mr. Yu Feng (Note 2)	(i) Interest of controlled corporations	576,098,633	4.38%
	(ii) Deemed interest under S.317 of the SFO	7,657,920,076	58.28%
	Total	8,234,018,709	62.66%
Mr. Choi Chiu Fai, Stanley (Note 3)	Deemed interest under S.317 of the SFO	8,234,018,709	62.66%
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	Approximate percentage of total issued Shares (Note 4)
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	23,782,979,894	180.99%
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	23,782,979,894	180.99%
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	23,782,979,894	180.99%

(2) Associated Corporations

(a) eSun Holdings Limited (“eSun”)

(a.1) Long positions in eSun shares

Ordinary shares of HK\$0.50 each			Approximate percentage of total issued shares
Name of Director	Capacity in which shares are held	Number of shares	
Dr. Lam Kin Ngok, Peter	(i) Interest of controlled corporations	496,404,186	39.93%
	(ii) Beneficial owner	2,794,443	0.22%
Total		499,198,629	40.15%

(a.2) Long positions in eSun underlying shares

Dr. Lam Kin Ngok, Peter was granted an option on 18 January 2013 to subscribe for 1,243,212 eSun shares.

Mr. Lui Siu Tsuen, Richard was granted an option on 18 January 2013 to subscribe for 3,729,636 eSun shares.

(b) Perfect Sky Holdings Limited

Ordinary shares of US\$1.00 each			Approximate percentage of total issued shares
Name of Director	Capacity in which share is held	Number of shares	
Dr. Lam Kin Ngok, Peter	Interest of controlled corporations	1	100.00%

(c) Lai Fung Holdings Limited (“Lai Fung”)

(c.1) Long positions in Lai Fung underlying shares

Dr. Lam Kin Ngok, Peter was granted an option on 18 January 2013 to subscribe for 16,095,912 Lai Fung shares.

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 Holdings Limited (“**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 as at 31 January 2013, eSun was indirectly owned as to approximately 39.93% by Lai Sun Development Company Limited (“**LSD**”) which was approximately 49.97% directly and indirectly owned by Lai Sun Garment (International) Limited (“**LSG**”). LSG was approximately 8.07% owned by Dr. Lam and was approximately 29.99% owned by Wisdoman Limited which was 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 total number of the issued Shares as at 31 January 2013 (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 2013, 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 2013, 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 positions in the Shares

Name of shareholders	Capacity in which the Shares and the underlying Shares 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 9)
Substantial shareholders						
Dr. Lam Kin Ngok, Peter (Note 1)	Interest of controlled corporations	6,712,925,500	14,132,500,000	11,171,573,103	32,016,998,603	243.66%
Lai Sun Garment (International) Limited (Note 1)	Interest of controlled corporations	6,712,925,500	14,132,500,000	11,171,573,103	32,016,998,603	243.66%
Zimba International Limited (Note 1)	Interest of controlled corporations	6,712,925,500	14,132,500,000	11,171,573,103	32,016,998,603	243.66%
Lai Sun Development Company Limited (Note 1)	Interest of controlled corporations	6,712,925,500	14,132,500,000	11,171,573,103	32,016,998,603	243.66%
Transtrend Holdings Limited (Note 1)	Interest of controlled corporations	6,712,925,500	14,132,500,000	11,171,573,103	32,016,998,603	243.66%
eSun Holdings Limited (Note 1)	Interest of a controlled corporation	6,712,925,500	14,132,500,000	11,171,573,103	32,016,998,603	243.66%
Perfect Sky Holdings Limited (Note 1)	Beneficial owner	6,712,925,500	14,132,500,000	11,171,573,103	32,016,998,603	243.66%
Mr. Tse On Kin (Note 2)	Interest of a controlled corporation	852,750,000	430,000,000	30,734,248,603	32,016,998,603	243.66%
Sun Great Investments Limited (Note 2)	Beneficial owner	852,750,000	430,000,000	30,734,248,603	32,016,998,603	243.66%
Mr. Yu Feng (Note 3)	Interest of controlled corporations	576,098,633	6,486,699,793	24,954,200,177	32,016,998,603	243.66%
Yunfeng Fund, L.P. (Note 3)	Interest of a controlled corporation	576,098,633	6,486,699,793	24,954,200,177	32,016,998,603	243.66%
Next Gen Entertainment Limited (Note 3)	Beneficial owner	576,098,633	6,486,699,793	24,954,200,177	32,016,998,603	243.66%
SINA Corporation (Note 4)	Interest of a controlled corporation	92,244,576	1,164,487,920	30,760,266,107	32,016,998,603	243.66%
Memestar Limited (Note 4)	Beneficial owner	92,244,576	1,164,487,920	30,760,266,107	32,016,998,603	243.66%
Mr. Choi Chiu Fai, Stanley (Note 5)	Interest of a controlled corporation	—	492,092,899	31,524,905,704	32,016,998,603	243.66%
Ms. Cheung Fung Kuen, Maggie (Note 5)	Interest of a controlled corporation	—	492,092,899	31,524,905,704	32,016,998,603	243.66%
Grace Promise Limited (Note 5)	Beneficial owner	—	492,092,899	31,524,905,704	32,016,998,603	243.66%
Mr. Zhou Xin (Note 6)	Interest of a controlled corporation	—	1,077,199,282	30,939,799,321	32,016,998,603	243.66%
嚴紅春 (Note 6)	Interest of a controlled corporation	—	1,077,199,282	30,939,799,321	32,016,998,603	243.66%
On Chance Inc. (Note 6)	Beneficial owner	—	1,077,199,282	30,939,799,321	32,016,998,603	243.66%
Other Persons						
Tencent Holdings Limited (Note 8)	Interest of a controlled corporation	658,750,000	—	—	658,750,000	5.01%
THL G Limited (Note 8)	Beneficial owner	658,750,000	—	—	658,750,000	5.01%

Notes:

- (1) Perfect Sky is wholly owned by eSun. As at 31 January 2013, eSun was owned as to approximately 39.93% by Transtrend Holdings Limited ("**Transtrend**"). Transtrend is wholly owned by LSD. LSD was approximately 49.97% owned by LSG and two of LSG's wholly-owned subsidiaries, namely Zimba International Limited ("**Zimba**") and Joy Mind Limited. LSG was approximately 8.07% owned by Dr. Lam and was approximately 29.99% owned by Wisdoman Limited which was 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**"). 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) 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.
- (9) The total number of the issued Shares as at 31 January 2013 (that is, 13,140,257,612 Shares) has been used for the calculation of the approximate percentage.

Save as disclosed above, at 31 January 2013, 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

On 18 December 2012, the Company adopted a new share option scheme (the “**New Share Option Scheme**”) and terminated the share option scheme adopted by the Company on 19 November 2009 (the “**Old Share Option Scheme**”) as (i) the Company has become a subsidiary of eSun in June 2011 and Rule 23.01 (4) of the GEM Listing Rules requires the relevant provisions of the Old Share Option Scheme which are required to be approved by the shareholders/independent non-executive directors of the Company to be simultaneously approved by the shareholders/independent non-executive directors of eSun; and (ii) eSun would like to have a unified set of share option scheme rules for its all subsidiaries. The purpose of the New Share Option Scheme is to recognise the contribution or future contribution of the eligible participants for their contribution to the Group by granting share options to them as incentives or rewards and to attract, retain and motivate high-calibre eligible participants in line with the performance goals of the Group or the affiliated companies. Eligible participants include any employee, director, officer or consultant of the Group and the affiliated companies, and any other group or classes of participants which the Board, in its absolute discretion, considers to have contributed or will contribute, whether by way of business alliance or other business arrangement, to the development and growth of the Group. The details of the New Share Option Scheme are set out in the circular of the Company dated 1 December 2012.

As at 31 January 2013, no share options had been granted under the New Share Option Scheme.

Details of the movements in the share options under the Old Share Option Scheme during the six months ended 31 January 2013 are as follows:

Name of grantee	Number of underlying Shares comprised in share options				Outstanding as at 31 January 2013	Date of grant	Exercise period (dd/mm/yyyy)	Exercise price per Share (HK\$)
	Outstanding as at 1 August 2012	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period				
Director								
Mr. Tang Jun (Notes)	31,341,666	–	–	(31,341,666)	–	26 August 2012	06/08/2012 to 05/08/2013	0.20420
	31,341,666	–	–	(31,341,666)	–	26 August 2012	06/08/2013 to 05/08/2014	0.24504
	31,341,668	–	–	(31,341,668)	–	26 August 2012	06/08/2014 to 05/09/2015	0.26546
	2,359,192	–	–	(2,359,192)	–	17 January 2013	06/08/2012 to 05/08/2013	0.14480
	2,359,192	–	–	(2,359,192)	–	17 January 2013	06/08/2013 to 05/08/2014	0.17376
	2,359,192	–	–	(2,359,192)	–	17 January 2013	06/08/2014 to 05/09/2015	0.18824
Total	101,102,576	–	–	(101,102,576)	–			

Notes: Mr. Tang Jun (“**Mr. Tang**”) resigned as an executive Director and the chief executive officer of the Company with effect from 15 September 2012. All the outstanding share options had lapsed during the period as the share options were not exercised by Mr. Tang within one month from the date of his resignation.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 January 2013, 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 2013.

REPORT ON CORPORATE GOVERNANCE

The Company applied the principles and complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules throughout the six months ended 31 January 2013 save for the following deviations.

Under the code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Dr. Lam Kin Ngok, Peter was the Chairman of the Board throughout the six months ended 31 January 2013. Mr. Tang Jun resigned as an executive Director and the chief executive officer of the Company with effect from 15 September 2012 and since then the position of the chief executive officer of the Company remains vacant. The responsibilities of the chief executive officer have been shared amongst the other executive Directors.

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 Chairman may not always be able to attend the annual general meeting due to other business commitment. Other Directors attended the annual general meeting of the Company held on 20 November 2012 (the “**AGM**”) and were available to answer the questions. The chairmen of the audit, remuneration and nomination committee of the Company attended the AGM.

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 2013.

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 2013.

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

Hong Kong, 13 March 2013

As at the date of this report, the Board comprises six executive Directors, namely Dr. Lam Kin Ngok, Peter (Chairman), Mr. Yu Feng, Mr. Choi Chiu Fai, Stanley, Mr. Jeffrey Soong, Mr. Lui Siu Tsuen, Richard and Mr. Chan Chi Kwong; and three independent non-executive Directors, namely Mr. Chan Chi Yuen, Mr. Zhang Xi and Mr. Ng Chi Ho, Dennis.