



# 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 2014

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

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

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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 (“**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 (“**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 (“**Board**”) of Media Asia Group Holdings Limited (“**Company**”) announces the unaudited consolidated results of the Company and its subsidiaries (“**Group**”) for the three months and the six months ended 31 January 2014 together with the comparative unaudited figures for the corresponding periods in 2013 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 31 January		Six months ended 31 January	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
<b>CONTINUING OPERATIONS</b>					
<b>TURNOVER</b>	4	<b>118,714</b>	95,467	<b>266,409</b>	159,993
Cost of sales		<b>(100,698)</b>	(75,453)	<b>(182,495)</b>	(121,185)
Gross profit		<b>18,016</b>	20,014	<b>83,914</b>	38,808
Other income		<b>5,704</b>	2,630	<b>6,036</b>	4,172
Marketing expenses		<b>(9,437)</b>	(11,630)	<b>(26,772)</b>	(12,948)
Administrative expenses		<b>(36,114)</b>	(26,701)	<b>(59,426)</b>	(49,563)
Other operating gains		<b>18,379</b>	1,563	<b>18,848</b>	3,361
Other operating expenses		<b>(18,667)</b>	(4,682)	<b>(43,021)</b>	(12,696)
LOSS FROM OPERATING ACTIVITIES		<b>(22,119)</b>	(18,806)	<b>(20,421)</b>	(28,866)
Finance costs	5	<b>(12,873)</b>	(11,877)	<b>(25,973)</b>	(23,754)
Share of profits and losses of joint ventures		<b>(2,195)</b>	(140)	<b>(3,390)</b>	(180)
Share of profits and losses of an associate		<b>-</b>	-	<b>(1)</b>	-
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	6	<b>(37,187)</b>	(30,823)	<b>(49,785)</b>	(52,800)
Income tax expense	7	<b>(1,524)</b>	(3,590)	<b>(3,113)</b>	(3,027)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		<b>(38,711)</b>	(34,413)	<b>(52,898)</b>	(55,827)
<b>DISCONTINUED OPERATION</b>					
Loss for the period from a discontinued operation		<b>-</b>	(536)	<b>-</b>	(697)
<b>LOSS FOR THE PERIOD</b>		<b>(38,711)</b>	(34,949)	<b>(52,898)</b>	(56,524)
Attributable to:					
Owners of the Company		<b>(39,318)</b>	(33,313)	<b>(55,222)</b>	(55,773)
Non-controlling interests		<b>607</b>	(1,636)	<b>2,324</b>	(751)
		<b>(38,711)</b>	(34,949)	<b>(52,898)</b>	(56,524)
<b>LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>					
	8		(Restated)		(Restated)
Basic and diluted (HK cents)					
For loss for the period		<b>(5.62)</b>	(5.07)	<b>(8.13)</b>	(8.49)
For loss from continuing operations		<b>(5.62)</b>	(4.99)	<b>(8.13)</b>	(8.38)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended		Six months ended	
	31 January 2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	31 January 2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
<b>LOSS FOR THE PERIOD</b>	<b>(38,711)</b>	(34,949)	<b>(52,898)</b>	(56,524)
<b>OTHER COMPREHENSIVE INCOME/ (LOSS) TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS</b>				
Exchange differences on translation of foreign operations	2,374	(69)	3,190	361
Release of foreign currency translation reserve upon disposal of subsidiaries	(1,763)	–	(1,763)	–
<b>OTHER COMPREHENSIVE INCOME/ (LOSS) TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX</b>	<b>611</b>	(69)	<b>1,427</b>	361
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(38,100)</b>	(35,018)	<b>(51,471)</b>	(56,163)
Attributable to:				
Owners of the Company	(38,869)	(33,503)	(54,231)	(55,667)
Non-controlling interests	769	(1,515)	2,760	(496)
	<b>(38,100)</b>	(35,018)	<b>(51,471)</b>	(56,163)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 January 2014 (Unaudited) HK\$'000	31 July 2013 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		4,161	23,225
Goodwill	18	–	10,435
Film products		65,997	48,777
Film rights		5,402	7,935
Other intangible assets	18	–	64,018
Investments in joint ventures		20,047	14,985
Investment in an associate		19,390	17,450
Prepayment, deposits and other receivables		13,341	32,188
<b>Total non-current assets</b>		<b>128,338</b>	219,013
<b>CURRENT ASSETS</b>			
Inventories		155	162
Films under production		179,686	142,246
Trade receivables	10	37,513	58,109
Prepayments, deposits and other receivables		269,821	307,764
Options	11, 18	–	21,579
Cash and cash equivalents		620,342	414,384
<b>Total current assets</b>		<b>1,107,517</b>	944,244
<b>CURRENT LIABILITIES</b>			
Trade payables	12	4,214	2,177
Accruals and other payables		160,290	92,431
Deposits received		67,288	54,656
Loan from a non-controlling shareholder	13	–	6,150
Convertible notes	14	284,019	317,472
Tax payable		6,775	12,455
<b>Total current liabilities</b>		<b>522,586</b>	485,341
<b>NET CURRENT ASSETS</b>		<b>584,931</b>	458,903
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>713,269</b>	677,916
<b>NON-CURRENT LIABILITIES</b>			
Convertible notes	14	198,488	189,304
Deferred tax liabilities		–	16,005
<b>Total non-current liabilities</b>		<b>198,488</b>	205,309
<b>Net assets</b>		<b>514,781</b>	472,607
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	15	9,456	131,403
Reserves		505,413	307,653
<b>Non-controlling interests</b>		<b>514,869 (88)</b>	439,056 33,551
<b>Total equity</b>		<b>514,781</b>	472,607

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2014

	Attributable to owners of the Company							Total	Non-controlling interests	Total equity
	Issued capital	Share premium account	Contributed surplus	Capital reserve	Share-based payment reserve	Foreign currency translation reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 August 2013 (audited)	131,403	395,249	44,475	309,993	-	950	(443,014)	439,056	33,551	472,607
Loss for the period	-	-	-	-	-	-	(55,222)	(55,222)	2,324	(52,898)
Other comprehensive income/(loss) for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	2,754	-	2,754	436	3,190
Release of foreign currency translation reserve upon disposal of subsidiaries	-	-	-	-	-	(1,763)	-	(1,763)	-	(1,763)
Total comprehensive income/(loss) for the period	-	-	-	-	-	991	(55,222)	(54,231)	2,760	(51,471)
Partial conversion of First Completion Convertible Notes before Capital Reorganisation (Note 15(a))	2,433	3,878	-	(1,321)	-	-	-	4,990	-	4,990
Capital Reorganisation (Note 15(b))	(127,144)	(395,249)	50,716	-	-	-	471,677	-	-	-
Partial conversion of First Completion Convertible Notes after Capital Reorganisation (Note 15(c))	1,442	55,535	-	(11,725)	-	-	-	45,252	-	45,252
Placing of new shares (Note 15(d))	1,322	78,954	-	-	-	-	-	80,276	-	80,276
Transaction costs of placing of new shares	-	(474)	-	-	-	-	-	(474)	-	(474)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	386	386
Dividend paid to a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	(8,967)	(8,967)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(27,818)	(27,818)
<b>At 31 January 2014 (unaudited)</b>	<b>9,456</b>	<b>137,893</b>	<b>95,191</b>	<b>296,947</b>	<b>-</b>	<b>1,941</b>	<b>(26,559)</b>	<b>514,869</b>	<b>(88)</b>	<b>514,781</b>
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

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 January 2014

	Six months ended 31 January	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	<b>134,057</b>	(191,774)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	<b>4,921</b>	(6,651)
NET CASH FLOWS FROM FINANCING ACTIVITIES	<b>64,650</b>	—
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<b>203,628</b>	(198,425)
Cash and cash equivalents at beginning of period	<b>414,384</b>	696,869
Effect of foreign exchange rates changes, net	<b>2,330</b>	(242)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>620,342</b>	498,202
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
— Cash and cash equivalents	<b>620,342</b>	498,202

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2014

## 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 ("**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; provision of advertising services and consultancy services in planning and management of cultural, entertainment and live performance projects.

## 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 2013. These unaudited condensed consolidated results should be read in conjunction with the Company's annual report for the year ended 31 July 2013.

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.



#### 4. TURNOVER AND SEGMENT INFORMATION

An analysis of the Group's turnover from continuing operations during the three months and six months ended 31 January 2014 is as follows:

	Three months ended 31 January		Six months ended 31 January	
	2014	2013	2014	2013
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Turnover				
Entertainment event income	65,916	73,331	130,620	124,207
Sales of video products, distribution commission income and licence fee income from film products and film rights	33,238	12,448	93,746	12,649
Album sales, licence income and distribution commission income from music publishing and licensing	6,908	2,592	12,018	9,123
Artiste management fee income	8,292	7,096	21,344	14,014
Advertising income	157	-	3,750	-
Producer fee income and distribution commission income of TV programs	4,203	-	4,931	-
	118,714	95,467	266,409	159,993

Segment revenue/results:

	Continuing operations						Discontinued operation				Consolidated	
	Media and entertainment		Film production and distribution		Corporate		Total		Licensing of software		Six months ended 31 January	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	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	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Sales to external customers	172,663	147,344	93,746	12,649	-	-	266,409	159,993	-	-	266,409	159,993
Other income	5,466	2,060	230	36	340	2,076	6,036	4,172	-	6	6,036	4,178
Segment profit/(loss)	43,459	1,723	(26,340)	(10,121)	(41,961)	(21,519)	(24,842)	(29,917)	-	(697)	(24,842)	(30,614)
Fair value gain/(loss) on options	(5,172)	1,051	-	-	-	-	(5,172)	1,051	-	-	(5,172)	1,051
Gain on disposal of subsidiaries	9,593	-	-	-	-	-	9,593	-	-	-	9,593	-
Finance costs	-	-	-	-	-	-	-	-	-	-	(25,973)	(23,754)
Share of profits and losses of joint ventures	(3,390)	(180)	-	-	-	-	(3,390)	(180)	-	-	(3,390)	(180)
Share of profits and losses of an associate	-	-	(1)	-	-	-	(1)	-	-	-	(1)	-
Loss before tax											(49,785)	(53,497)

Segment assets/liabilities:

	Media and entertainment		Film production and distribution		Corporate		Consolidated	
	31 January 2014	31 July 2013	31 January 2014	31 July 2013	31 January 2014	31 July 2013	31 January 2014	31 July 2013
	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000
Segment assets	366,602	458,480	539,282	457,771	290,534	214,571	1,196,418	1,130,822
Investments in joint ventures	20,047	14,985	-	-	-	-	20,047	14,985
Investment in an associate	-	-	19,390	17,450	-	-	19,390	17,450
Total assets							1,235,855	1,163,257
Segment liabilities	89,715	102,028	138,489	50,976	3,588	2,410	231,792	155,414
Unallocated liabilities							489,282	535,236
Total liabilities							721,074	690,650

## 5. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Six months ended 31 January	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Interest on:		
— First Completion Convertible Notes wholly repayable within five years (Note 14(i))	16,789	15,387
— Second Completion Convertible Notes wholly repayable within five years (Note 14(iii))	9,184	8,367
	25,973	23,754

## 6. LOSS BEFORE TAX

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

	Six months ended 31 January	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Depreciation	3,344	2,628
Amortisation of film products**	54,298	8,561
Amortisation of film rights**	9,369	1,891
Amortisation of other intangible assets**	3,693	4,516
Loss on disposal of items of property, plant and equipment*	-	21
Impairment of property, plant and equipment*	15,775	-
Impairment of other intangible assets*	-	35
Impairment of other receivables*	19,593	-
Fair value loss on options*	5,172	-
Fair value gain on options#	-	(1,051)
Gain on disposal of subsidiaries#	(9,593)	-
Share of net income to co-investors from entertainment events organised by the Group*	2,047	12,672
Share of net income from entertainment events organised by co-investors*	(7,934)	(2,310)
Equity-settled share option expense	-	334

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

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

# These items are included in "Other operating gains" in the condensed consolidated income statement.

## 7. 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 2014 (six months ended 31 January 2013: 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	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Provision for tax for the period		
Current — Hong Kong		
Charge for the period	-	-
Current — Elsewhere		
Charge for the period	4,036	4,156
	4,036	4,156
Deferred tax credit for the period	(923)	(1,129)
Total tax expense for the period	3,113	3,027

## 8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Three months ended		Six months ended	
	31 January		31 January	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Loss</b>				
Loss attributable to owners of the Company used in the basic and diluted loss per share calculation:				
From continuing operations	(39,318)	(32,777)	(55,222)	(55,076)
From a discontinued operation	-	(536)	-	(697)
	(39,318)	(33,313)	(55,222)	(55,773)

	Number of shares			
	Three months ended		Six months ended	
	31 January		31 January	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	'000	'000	'000	'000
		(Restated)		(Restated)

<b>Shares</b>				
Weighted average number of ordinary shares in issue used in the basic and diluted loss per share calculation				
	700,029	657,013	679,276	657,013

<b>Basic and diluted loss per share (HK cents):</b>				
- For loss for the period	(5.62)	(5.07)	(8.13)	(8.49)
- For loss from continuing operations	(5.62)	(4.99)	(8.13)	(8.38)

The weighted average number of ordinary shares in issue used in the basic and diluted loss per share calculation for the three months and six months ended 31 January 2014 and 2013 have been adjusted for the Capital Reorganisation during the period as set out in Note 15(b).

No adjustment has been made to the basic loss per share amounts presented for three months and six months ended 31 January 2014 and 2013 in respect of a dilution as the impact of the share options, First Completion Convertible Notes and Second Completion Convertible Notes (Note 14) outstanding during the periods had an anti-dilutive effect on the basic loss per share amounts presented.

## 9. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 January 2014 (six months ended 31 January 2013: 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. The carrying amounts of trade receivables approximate their fair values.

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:

	<b>31 January 2014 (Unaudited) HK\$'000</b>	31 July 2013 (Audited) HK\$'000
Neither past due nor impaired	<b>12,702</b>	28,149
1 to 90 days past due	<b>17,544</b>	27,314
Over 90 days past due	<b>7,267</b>	2,646
	<b>37,513</b>	58,109

## 11. OPTIONS

	<b>31 January 2014 (Unaudited) HK\$'000</b>	31 July 2013 (Audited) HK\$'000
Options, at fair value	-	21,579

Pursuant to a share transfer agreement entered into between Galaxy Soar Investments Limited ("**Galaxy Soar**"), a wholly owned subsidiary of the Company, and an independent third party ("**Vendor**") regarding 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 to 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.

In December 2013, the Company entered into a sales and purchase agreement with an independent third party to sell the entire equity interest in Galaxy Soar with details set out in Note 18. Upon completion of the disposal of Galaxy Soar on 24 December 2013, the Group has derecognised the Options on the same date.

The Group has recognised a fair value loss in respect of the Options of approximately HK\$5,172,000 (six months ended 31 January 2013: gain of HK\$1,051,000) in the unaudited condensed consolidated income statement for the six months ended 31 January 2014.

## 12. TRADE PAYABLES

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

	31 January 2014 (Unaudited) HK\$'000	31 July 2013 (Audited) HK\$'000
Less than 30 days	2,884	2,121
31 to 60 days	853	–
61 to 90 days	477	56
	<b>4,214</b>	2,177

The carrying amounts of trade payables approximate their fair values.

## 13. LOAN FROM A NON-CONTROLLING SHAREHOLDER

The balance was unsecured, interest-free and had no fixed terms of repayment. The carrying amount of the loan approximated its fair value.

## 14. CONVERTIBLE NOTES

	Notes	31 January 2014 (Unaudited) HK\$'000	31 July 2013 (Audited) HK\$'000
First Completion Convertible Notes	(i)	284,019	317,472
Second Completion Convertible Notes	(ii)	198,488	189,304
		<b>482,507</b>	506,776
Portion classified as current liabilities		<b>(284,019)</b>	(317,472)
Non-current portion		<b>198,488</b>	189,304

Pursuant to a subscription agreement dated 23 March 2011 (“**Subscription Agreement**”) entered into among Perfect Sky Holdings Limited (“**Perfect Sky**”, a wholly-owned subsidiary of eSun Holdings Limited), Sun Great Investments Limited, Next Gen Entertainment Limited, Memestar Limited, On Chance Inc. and Grace Promise Limited (collectively, “**Subscribers**”) and the Company, 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 (“**First Completion Convertible Notes**”); 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 (“**Second Completion Convertible Notes**”).

The First Completion Convertible Notes and the Second Completion Convertible Notes are convertible at the option of the holders into the Company's ordinary shares during the period commencing on the first day of the First Completion Convertible Notes and the first day of the Second Completion Convertible Notes (as the case may be) and expiring on the date which is five business days preceding their respective maturity date.

## (i) First Completion Convertible Notes

The First Completion Convertible Notes were issued to the holders on 9 June 2011. Part of the First Completion Convertible Notes in an aggregate principal amount of HK\$170,000,000 carries the conversion right entitling the relevant holders to subscribe for a total of 10,625,000,000 Shares 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.

Pursuant to the terms and conditions of the First Completion Convertible Notes, as a result of the Share Consolidation (as defined in Note 15(b)), the conversion prices of the outstanding First Completion Convertible Notes set out above were adjusted from HK\$0.016 per Share to HK\$0.32 per New Share (as defined in Note 15(b)) and from HK\$0.02785 per Share to HK\$0.557 per New Share, respectively.

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:

	<b>Liability component</b>	<b>Equity component</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 July 2012 and 1 August 2012 (audited)	286,470	86,414	372,884
Interest charged during the period (Note 5)	15,387	–	15,387
At 31 January 2013 (unaudited)	301,857	86,414	388,271
At 31 July 2013 and 1 August 2013 (audited)	317,472	86,414	403,886
Partial conversion before Capital Reorganisation	(4,990)	(1,321)	(6,311)
Partial conversion after Capital Reorganisation	(45,252)	(11,725)	(56,977)
Interest charged during the period (Note 5)	16,789	–	16,789
At 31 January 2014 (unaudited)	284,019	73,368	357,387

## (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.

Pursuant to the terms and conditions of the Second Completion Convertible Notes, as a result of the Share Consolidation (as defined in Note 15(b)), the conversion price of the Second Completion Convertible Notes set out above was adjusted from HK\$0.02785 per Share to HK\$0.557 per New Share.

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

	<b>Liability component</b>	<b>Equity component</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 July 2012 and 1 August 2012 (audited)	172,471	223,579	396,050
Interest charged during the period (Note 5)	8,367	–	8,367
At 31 January 2013 (unaudited)	180,838	223,579	404,417
At 31 July 2013 and 1 August 2013 (audited)	189,304	223,579	412,883
Interest charged during the period (Note 5)	9,184	–	9,184
At 31 January 2014 (unaudited)	198,488	223,579	422,067

The fair values of liability component of the First Completion Convertible Notes and the Second Completion Convertible Notes at 31 January 2014 were approximately HK\$285,190,000 (31 July 2013: HK\$321,384,000) and HK\$199,769,000 (31 July 2013: HK\$191,135,000), respectively. The fair values as at 31 January 2014 and 31 July 2013 were calculated by discounting the future cash flows at the prevailing market interest rate as at 31 January 2014 and 31 July 2013, respectively.



## 15. SHARE CAPITAL

	31 January 2014		31 July 2013	
	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	945,645	9,456	13,140,257	131,403

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

	Notes	Period from 1 August 2013 to 31 January 2014		Period from 1 August 2012 to 31 July 2013	
		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	13,140,257	131,403
Partial conversion of First Completion Convertible Notes before the Capital Reorganisation	(a)	243,320	2,433	–	–
Capital Reorganisation	(b)	(12,714,398)	(127,144)	–	–
Partial conversion of First Completion Convertible Notes after the Capital Reorganisation	(c)	144,216	1,442	–	–
Placing of new Shares	(d)	132,250	1,322	–	–
Balance at the end of the period		945,645	9,456	13,140,257	131,403

Notes:

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

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

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

(b) Pursuant to a special resolution passed at a special general meeting held on 8 January 2014, the capital reorganisation ("Capital Reorganisation" as detailed in the Company's circular dated 13 December 2013) became effective on 9 January 2014. The Capital Reorganisation involved

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

Upon the Capital Reorganisation became effective on 9 January 2014, the issued share capital of the Company became HK\$6,691,788.82 divided into 669,178,882 ordinary shares ("New Shares") of HK\$0.01 each.

(c) On 21 January 2014, the Company issued 140,625,000 New Shares to Perfect Sky at a conversion price of HK\$0.32 (adjusted as a result of the Share Consolidation) for partial conversion of the First Completion Convertible Notes with a principal amount of HK\$45,000,000.

On 21 January 2014, the Company issued 3,590,664 New Shares to a First Completion Convertible Note holder at a conversion price of HK\$0.557 (adjusted as a result of the Share Consolidation) for partial conversion of the First Completion Convertible Notes with a principal amount of HK\$2,000,000.

Upon the above conversions, the liability component of HK\$45,252,138 and equity component of HK\$11,725,334 of the First Completion Convertible Notes were transferred and recognised as share capital of HK\$1,442,157 and share premium of HK\$55,535,315.

(d) Pursuant to a placing agreement entered into between the Company and Celestial Capital Limited, an independent third party, on 10 January 2014, the Company issued, on 21 January 2014, an aggregate of 132,250,000 New Shares at a price of HK\$0.607 per New Share to two places who were independent of, and not connected with the Group. The gross proceeds from the said placement amounted to approximately HK\$80,276,000 and the related issue expense was approximately HK\$474,000.

## 16. COMMITMENT

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

	<b>31 January 2014 (Unaudited) HK\$'000</b>	31 July 2013 (Audited) HK\$'000
Capital contribution to joint ventures	<b>6,486</b>	11,401
Capital contribution to an associate	-	2,011
Acquisition of items of property, plant and equipment	<b>2,512</b>	2,479
	<b>8,998</b>	15,891

## 17. CONTINGENT LIABILITIES

The Group had no material contingent liabilities at 31 January 2014 and 31 July 2013.

## 18. DISPOSAL OF SUBSIDIARIES

On 17 December 2013, the Company entered into a sale and purchase agreement with an independent third party to sell the entire equity interest in Galaxy Soar and its subsidiaries at a consideration of approximately HK\$63,764,000. The disposal was completed on 24 December 2013. Upon completion of the disposal, the related goodwill, other intangible assets and options were derecognised. A gain on disposal of HK\$9,593,000 has been recognised in the income statement for the current period. Further details of the disposal is set out in the Company's announcement dated 17 December 2013.

## 19. RELATED PARTY TRANSACTIONS

### (i) Compensation of key management personnel of the Group

	Six months ended 31 January	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Short-term employee benefits	4,595	3,417
Equity-settled share option expense	–	334
Post-employment benefits	5	19
	<b>4,600</b>	3,770

## (ii) Transactions with related parties

		Six months ended 31 January	
		2014	2013
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Fellow subsidiaries:			
Share of net income from entertainment events			
organised by fellow subsidiaries	1	1,431	1,960
Sponsorship income	1	–	837
Film distribution commission income	1	–	431
Film distribution commission fee	1	271	–
Music royalty commission income	1	269	–
Concert right fee	1	100	–
Artiste fee	1	111	28
Rental expenses and building management fee	2	352	210
Acquisition of a subsidiary	3	900	–
Related companies:			
Consultancy fee	1	400	400
Production fee	1	570	680
Artiste fee	1	516	–
Recording fee	1	260	–
Rental expenses and building management fee	2	476	450

### Notes:

1. *The share of net income from entertainment events organised by fellow subsidiaries, sponsorship income, film distribution commission income, film distribution commission fee, music royalty commission income, concert right fee, artiste fee, consultancy fee, production fee and recording fee were charged on bases mutually agreed by the respective parties.*
2. *The rental expenses and building management fee were charged with reference to market rates.*
3. *The consideration was determined after arm's length negotiation between the parties with reference to the net asset value of the subsidiary as at the date of acquisition.*

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

For the six months ended 31 January 2014 (the “**Current Period**”), the Group recorded a turnover of approximately HK\$266,409,000, representing an increase of approximately 67% from approximately HK\$159,993,000 for the corresponding six months in 2013 (the “**Corresponding Period**”), mainly due to the increase in revenue from the Group’s film production and distribution and entertainment events business.

Cost of sales increased to approximately HK\$182,495,000 for the Current Period from approximately HK\$121,185,000 for the Corresponding Period. The Group’s marketing expenses increased to approximately HK\$26,772,000 for the Current Period from approximately HK\$12,948,000 for the Corresponding Period. The increase in the abovementioned expenses is due to increase in the operation activities of the Group. Administrative expenses increased to approximately HK\$59,426,000 for the Current Period from approximately HK\$49,563,000 for the Corresponding Period. These expenses are under strict control by the Company’s management. Other operating gains were approximately HK\$18,848,000 for the Current Period, representing an increase of 461% from approximately HK\$3,361,000 for the Corresponding Period. Other operating gains mainly include the gain on disposal of subsidiaries and the share of net income from entertainment events organised by co-investors. Other operating expenses increased to approximately HK\$43,021,000 for the Current Period from approximately HK\$12,696,000 for the Corresponding Period. Other operating expenses mainly include the impairment of other receivables and property, plant and equipment.

Finance costs increased to approximately HK\$25,973,000 for the Current Period from approximately HK\$23,754,000 for the Corresponding Period. The increase in finance costs was mainly due to the increase in the recognition of interest expenses on the First Completion Convertible Notes and the Second Completion Convertible Notes.

Loss attributable to owners of the Company for the Current Period was approximately HK\$55,222,000 compared to that of approximately HK\$55,773,000 for the Corresponding Period. Basic loss per Share was approximately 8.13 HK cents compared to that of approximately 8.49 HK cents for the Corresponding Period. The weighted average number of ordinary shares in issue used in the basic loss per share calculation for the Current Period and the Corresponding Period have been adjusted for the Capital Reorganisation, which came into effect on 9 January 2014.

As at 31 January 2014, the Group’s equity attributable to owners of the Company amounted to approximately HK\$514,869,000 (31 July 2013: approximately HK\$439,056,000) and the net asset value per share attributable to the owners of the Company was HK cents 54.4 (31 July 2013: HK cents 66.8). The number of ordinary shares in issue used in the calculation of net asset value per share attributable to the owners of the Company as at 31 January 2014 and 31 July 2013 have been adjusted for the Capital Reorganisation, which came into effect on 9 January 2014.

## **BUSINESS REVIEW**

### **Media and Entertainment segment**

#### *Events Management*

During the Current Period, the Group organised and invested in 35 (2013: 20) shows by popular local Asian and internationally renowned artistes, including Super Junior, Girls' Generation, Andy Lau, Grasshopper x Softward, Ekin Cheng, Jordan Chan, Michael Tse, Jerry Lamb, Chin Ka Lok, Denise Ho, Justin Lo. The total revenue from these concerts amounted to approximately HK\$130,620,000.

#### *Music*

During the Current Period, the Group released 17 (2013: 6) albums, including titles by Sammi Cheng, Super Junior, C AllStar, Denise Ho, Mark Lui and Justin Lo. Turnover from music publishing and recording was approximately HK\$12,018,000.

#### *Artiste management*

During the Current Period, the Group recorded a turnover of approximately HK\$21,344,000 from artiste management. The Group currently has more than 20 artistes under its management.

#### *Advertising*

During the Current Period, the Group recorded a turnover of approximately HK\$3,750,000 from advertising business.

#### *TV Program distribution*

During the Current Period, the Group has made investments in production of 140 episodes of television dramas in the PRC which are expected to generate return to the Group in the coming financial year. The Group recorded a turnover of approximately HK\$4,931,000 from TV program distribution and TV program production.

### **Film Production and Distribution Segment**

During the Current Period, the Group released 5 films, namely "One Night Surprise", "The Wrath of Vajra", "Control", "Campus Confidential" and "As The Light Goes Out". Turnover from the licence fee income and distribution commission income of films was approximately HK\$93,746,000.

## CAPITAL REORGANISATION AND CHANGE IN BOARD LOT SIZE

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

The Capital Reorganisation was approved by the shareholders of the Company (“**Shareholders**”) at the special general meeting (“**SGM**”) on 8 January 2014 and became effective on 9 January 2014.

The board lot size for trading on the Stock Exchange was changed from 2,000 Shares to 4,000 New Shares (as defined in Note 15(b)) from the effective date of the Capital Reorganisation.

The details of the Capital Reorganisation and Change in Board Lot Size are set out in the announcement of the Company dated 2 December 2013, the circular of the Company dated 13 December 2013 and Note 15(b) to the condensed consolidated financial statements respectively.

## PROSPECTS

The Group is still aiming at Mainland China as its primary market. On its solid foundation, the Group stands ready to fully seize the opportunities arising from the market’s unprecedented growth in entertainment consumption.

The film market in Mainland China remains as the Group’s focus. With the successful release of its recent film productions “*One Night Surprise*” and “*Blind Detective*”, the Group is on a continued drive to increase original production of films which appeal to the Chinese audience and foresees a solid distribution pipeline in the year to come with the slate of films currently in development and production.

On Live Entertainment during the period under review, the Group has successfully produced and promoted several major concerts in Hong Kong and the Mainland performed by prominent local, Asian and international artistes. The Group is continuing to expand its activities and maintain a driving force in this area whilst exploring other types of live entertainment such as musicals and theatrical performances in addition to concerts.

The Group has expanded its activities in production and investments in quality television drama series in line with the continued strong demand for good program from TV stations and online video websites in the Mainland. Moreover, the Group is also looking to step into other types of TV programmes such as variety shows and reality series which shall create synergy with the Group’s other media and entertainment businesses.

To complement the Group's development, a strong artiste roster is important. In addition to expanding our Chinese artiste roster, the Group has been collaborating with high profile Asian artistes such as top Korean music groups. With the diverse projects including film, TV, music and live events which ensure maximum commercial value and appeal, the Group is in a good position to attract stars and develop new talents.

Turning to the Mainland's music market, as international music labels are coming to a mutually acceptable licensing model with major Chinese music portals, the long awaited pay model for digital music is taking shape. With a vast and well-known Chinese music library under management and a continual supply of new hits, the Group is ideally poised to capitalise on this new economic model.

In summary, the Group believes that its integrated media platform comprising film, TV, music, talent and events management, and live entertainment presents the most balanced and synergistic approach to growing a Chinese entertainment powerhouse. The Group will continue to optimise its resources and strive towards this goal.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group financed its operations with internal resources and convertible notes. As at 31 January 2014, the Group had unsecured and unguaranteed 3-years zero coupon convertible notes with an outstanding principal amount of approximately HK\$518,965,000. 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\$482,507,000 as at 31 January 2014.

At 31 January 2014, cash and cash equivalents increased to approximately HK\$620,342,000 (31 July 2013: approximately HK\$414,384,000). The increase in cash and cash equivalents during the period was mainly attributable to the proceeds received from the share placement in January 2014. The balances were approximately 39% in Hong Kong dollars, 46% in Renminbi and 14% in US dollars. The Renminbi denominated balances were placed with licensed banks in the PRC. The conversion of these RMB balances into foreign currencies and the remittance of such foreign currencies balances, are subject to the rules and regulation of foreign exchange control promulgated by the PRC government. Save for the aforesaid, as at 31 January 2014, the Group did not have any bank loans, overdrafts or any other borrowing. No interests have been capitalised during the six months ended 31 January 2014. As at 31 January 2014, the gearing ratio of the Group, being the total borrowings to the shareholders' equity attributable to the owners of the Company, was approximately 94% (31 July 2013: 117%).

## **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 2014, the Group has no outstanding foreign currency hedge contract.



## **CHARGE ON GROUP ASSETS**

At 31 January 2014, the Group did not have any charge on its assets.

## **CAPITAL STRUCTURE**

At 31 January 2014, the Group's equity attributable to owners of the Company increased by approximately 17% to approximately HK\$514,869,000 (31 July 2013: approximately HK\$439,056,000). Total assets amounted to approximately HK\$1,235,855,000 (31 July 2013: approximately HK\$1,163,257,000) which included current assets amounting to approximately HK\$1,107,517,000 (31 July 2013: approximately HK\$944,244,000). Current liabilities were approximately HK\$522,586,000 (31 July 2013: approximately HK\$485,341,000). Net assets value per Share as at 31 January 2014 was approximately HK cents 54.4 (31 July 2013: approximately HK cents 66.8). Current ratio was approximately 2.1 (31 July 2013: approximately 1.9).

## **ACQUISITION/DISPOSAL AND SIGNIFICANT INVESTMENTS**

Details of the acquisition of a subsidiary and the disposal of subsidiaries of the Group during the Current Period are set out in Note 19 and Note 18 to the condensed consolidated financial statements, respectively.

## **CONTINGENT LIABILITIES**

The Group had no material contingent liabilities as at 31 January 2014.

## **EMPLOYEE INFORMATION**

At 31 January 2014, the Group had 180 (2013: 243) full-time employees. Staff costs amounted to approximately HK\$44,942,000 for the Current Period (2013: HK\$31,491,000). The Group's remuneration policy remained the same as detailed in the Company's annual report for the year ended 31 July 2013.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

At 31 January 2014, 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 corporations (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 the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

### (1) Interests in the Company

Name of Directors	Long positions in the Shares and underlying Shares				Approximate percentage of total issued Shares <sup>(Note 5)</sup>
	Number of Shares		Number of underlying Shares	Total	
	Corporate interests	Personal interests	Corporate interests		
Dr. Lam Kin Ngok, Peter	482,521,275	–	559,750,000 <sup>(Note 4)</sup>	1,042,271,275	110.22% <sup>(Note 1)</sup>
Mr. Yu Feng	28,804,931	–	324,334,989 <sup>(Note 4)</sup>	353,139,920	37.34% <sup>(Note 2)</sup>
Mr. Choi Chiu Fai, Stanley	–	–	24,604,644 <sup>(Note 4)</sup>	24,604,644	2.60% <sup>(Note 3)</sup>
Mr. Chan Chi Yuen	–	115,000	–	115,000	0.01%

## (2) Interests in Associated Corporations

### (a) eSun Holdings Limited (“eSun”)

(a.1) Long positions in eSun shares and underlying shares

Name of Directors	Ordinary shares of HK\$0.50 each				Approximate percentage of total issued shares
	Number of shares		Share options		
	Corporate interests	Personal interests	Personal interests	Total	
Dr. Lam Kin Ngok, Peter	512,890,186 <sup>(Note 6)</sup>	2,794,443	1,243,212 <sup>(Note 7)</sup>	516,927,841	41.58%
Mr. Lui Siu Tsuen, Richard	-	-	3,729,636 <sup>(Note 8)</sup>	3,729,636	0.30%

### (b) Lai Fung Holdings Limited (“Lai Fung”)

(b.1) Long positions in Lai Fung shares and underlying shares

Name of Director	Ordinary shares of HK\$0.10 each			Approximate percentage of total issued shares
	Number of shares		Share options	
	Corporate interests	Personal interests	Total	
Dr. Lam Kin Ngok, Peter	8,274,270,422 <sup>(Note 9)</sup>	16,095,912 <sup>(Note 10)</sup>	8,290,366,334	51.49%

(b.2) By virtue of his deemed controlling shareholding interests in eSun as described in Note (1)(b) below, as at 31 January 2014, Dr. Lam Kin Ngok, Peter (“**Dr. Lam**”) was also deemed to be interested in a principal amount of US\$1,025,000 in the 9.125% Senior Notes due 2014 issued by Lai Fung, which was beneficially owned by a wholly-owned subsidiary of eSun.

Notes:

- (1) (a) *By virtue of the interest of Dr. Lam in his controlled corporations described in paragraph (b) immediately below, Dr. Lam was deemed to be interested in the Shares and underlying Shares owned indirectly by eSun as shown in the section headed “**SUBSTANTIAL SHAREHOLDERS’ AND OTHER PERSONS’ INTERESTS IN SECURITIES**” below pursuant to Part XV of the SFO.*

- (b) eSun is the Company's ultimate holding company. As at 31 January 2014, eSun was indirectly owned as to approximately 41.26% by Lai Sun Development Company Limited ("LSD"). LSD was approximately 51.97% directly and indirectly owned by Lai Sun Garment (International) Limited ("LSG"). LSG was approximately 10.06% owned by Dr. Lam and approximately 29.99% owned by Wisdoman Limited which was in turn over 99.99% beneficially owned by Dr. Lam. Further, Lai Fung was approximately 51.39% owned by eSun indirectly.
- (2) (a) By virtue of the interest of Mr. Yu Feng ("Mr. Yu") in his controlled corporations described in paragraph (b) immediately below, Mr. Yu was deemed to be interested in the Shares and underlying Shares 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) By virtue of the interest of Mr. Choi Chiu Fai, Stanley ("**Mr. Choi**") in his wholly-owned corporation, Grace Promise Limited ("**Grace Promise**"), Mr. Choi was deemed to be interested in the underlying Shares owned by Grace Promise pursuant to Part XV of the SFO.
- (4) These are underlying Shares comprised in the First Completion Convertible Notes issued by the Company on 9 June 2011 and/or underlying Shares comprised in the Second Completion Convertible Notes issued by the Company on 9 June 2012 pursuant to a subscription agreement dated 23 March 2011 and entered into between the Company and other parties for the subscription of certain shares in and convertible notes of the Company.
- (5) The total number of the issued Shares as at 31 January 2014 (that is, 945,644,546 Shares) has been used for the calculation of the approximate percentage.
- (6) By virtue of his deemed controlling shareholding interests in LSD as described in Note (1)(b) above, Dr. Lam was deemed to be interested in such eSun shares owned indirectly by LSD.
- (7) On 18 January 2013, Dr. Lam was granted an option by eSun to subscribe for 1,243,212 underlying eSun shares at a subscription price of HK\$1.612 per share between 18 January 2013 and 17 January 2023.
- (8) On 18 January 2013, Mr. Lui Siu Tsuen, Richard was granted an option by eSun to subscribe for 3,729,636 underlying eSun shares at a subscription price of HK\$1.612 per share between 18 January 2013 and 17 January 2023.
- (9) By virtue of Dr. Lam's deemed controlling shareholding interests in eSun as described in Note (1)(b) above, he was deemed to be interested in such Lai Fung shares owned indirectly by eSun.
- (10) On 18 January 2013, Dr. Lam was granted an option by Lai Fung to subscribe for 16,095,912 underlying Lai Fung shares at a subscription price of HK\$0.228 per share between 18 January 2013 and 17 January 2023.

Save as disclosed above, as at 31 January 2014, none of the Directors or chief executive of the Company or their respective associates had, or was deemed to have, 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 the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company, 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 2014, 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 (“**Voting Entitlement**”):

### Long position in the Shares

Name of shareholders	Capacity in which Shares and underlying Shares are held	Number of Shares	Number of underlying Shares	Total	Approximate percentage of total issued Shares <sup>(Note 9)</sup>
Dr. Lam Kin Ngok, Peter <sup>(Note 1)</sup>	Interest of controlled corporations	482,521,275	559,750,000	1,042,271,275	110.22% <sup>(Note 3)</sup>
Lai Sun Garment (International) Limited <sup>(Note 1)</sup>	Interest of controlled corporations	482,521,275	559,750,000	1,042,271,275	110.22% <sup>(Note 3)</sup>
Lai Sun Development Company Limited <sup>(Note 1)</sup>	Interest of controlled corporations	482,521,275	559,750,000	1,042,271,275	110.22% <sup>(Note 3)</sup>
eSun Holdings Limited <sup>(Notes 1 and 2)</sup>	Interest of a controlled corporation	482,521,275	559,750,000	1,042,271,275	110.22% <sup>(Note 3)</sup>
Mr. Yu Feng	Interest of controlled corporations	28,804,931	324,334,989	353,139,920	37.34% <sup>(Note 4)</sup>

Name of shareholders	Capacity in which Shares and underlying Shares are held	Number of Shares	Number of underlying Shares	Total	Approximate percentage of total issued Shares <sup>(Note 9)</sup>
Yunfeng Fund, L.P.	Interest of a controlled corporation	28,804,931	324,334,989	353,139,920	37.34% <sup>(Note 4)</sup>
Next Gen Entertainment Limited	Beneficial owner	28,804,931	324,334,989	353,139,920	37.34% <sup>(Note 4)</sup>
SINA Corporation	Interest of a controlled corporation	4,612,228	58,224,395	62,836,623	6.64% <sup>(Note 5)</sup>
Memestar Limited	Beneficial owner	4,612,228	58,224,395	62,836,623	6.64% <sup>(Note 5)</sup>
Mr. Zhou Xin	Interest of a controlled corporation	-	53,859,963	53,859,963	5.70% <sup>(Note 6)</sup>
嚴紅春	Interest of a controlled corporation	-	53,859,963	53,859,963	5.70% <sup>(Note 6)</sup>
On Chance Inc.	Beneficial owner	-	53,859,963	53,859,963	5.70% <sup>(Note 6)</sup>
Fubon Financial Holding Co., Ltd.	Interest of a controlled corporation	66,125,000	-	66,125,000	6.99% <sup>(Note 7)</sup>
Fubon Financial Holding Venture Capital Corp.	Beneficial owner	66,125,000	-	66,125,000	6.99% <sup>(Note 7)</sup>
Ming Tone Co., Ltd.	Interest of controlled corporations	66,125,000	-	66,125,000	6.99% <sup>(Note 8)</sup>
Wealth Media Co., Ltd.	Interest of controlled corporations	66,125,000	-	66,125,000	6.99% <sup>(Note 8)</sup>
Cheng Ting Co., Ltd.	Interest of controlled corporations	66,125,000	-	66,125,000	6.99% <sup>(Note 8)</sup>
Cheng Hao Co., Ltd.	Interest of controlled corporations	66,125,000	-	66,125,000	6.99% <sup>(Note 8)</sup>
Kbro Co., Ltd.	Interest of controlled corporations	66,125,000	-	66,125,000	6.99% <sup>(Note 8)</sup>
Kbro Media Co., Ltd.	Beneficial owner	66,125,000	-	66,125,000	6.99% <sup>(Note 8)</sup>

Notes:

- (1) As at 31 January 2014, Dr. Lam, the Chairman and an Executive Director, was also an executive director of each of LSG, LSD and eSun.
- (2) As at 31 January 2014, Mr. Lui Siu Tsuen, Richard, an Executive Director, was also an executive director of eSun.
- (3) Dr. Lam, LSG, LSD and eSun were deemed to be interested in the same 1,042,271,275 Shares held indirectly by eSun. Please refer to Note (1) as shown in the section headed "**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES**" above for further details.
- (4) Next Gen is wholly and beneficially owned by Yunfeng Fund, L.P. of which Mr. Yu (an Executive Director of the Company) is the founder, chairman and the sole director of its general partner. 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.
- (5) Memestar Limited ("**Memestar**") is wholly and beneficially owned by SINA Corporation ("**SINA**"). SINA was, therefore, deemed to be interested in such Shares which Memestar 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) Fubon Financial Holding Venture Capital Corp. ("**FFHVCC**") is a subsidiary of Fubon Financial Holding Co., Ltd. ("**FFHCL**"). FFHCL was, therefore, deemed to be interested in the same 66,125,000 Shares owned by FFHVCC pursuant to Part XV of the SFO.
- (8) Kbro Media Co., Ltd. ("**Kbro Media**") was owned as to approximately 53% by Kbro Co., Ltd. ("**Kbro Co**"). Kbro Co was wholly-owned by Cheng Hao Co., Ltd. ("**Cheng Hao**") and Cheng Hao was wholly-owned by Cheng Ting Co., Ltd. ("**Cheng Ting**"). Cheng Ting was approximately 80% owned by Wealth Media Co., Ltd. ("**Wealth Media**") which was in turn 35.7% owned by Ming Tone Co., Ltd. ("**Ming Tone**"). Therefore, Kbro Co, Cheng Hao, Cheng Ting, Wealth Media and Ming Tone were deemed to be interested in such Shares owned by Kbro Media pursuant to Part XV of the SFO.
- (9) The total number of the issued Shares as at 31 January 2014 (that is, 945,644,546 Shares) has been used for the calculation of the approximate percentage.

Save as disclosed above, at 31 January 2014, 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 (“**New Share Option Scheme**”) and terminated the share option scheme adopted by the Company on 19 November 2009. 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 were set out in the circular of the Company dated 1 December 2012.

During the period under review, no share options had been granted, exercised, cancelled or lapsed under the New Share Option Scheme.

## DIRECTORS’ INTEREST IN COMPETING BUSINESS

As at 31 January 2014, 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 Mainland 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 independent 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 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 2014.



## REPORT ON CORPORATE GOVERNANCE

The Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules throughout the six months ended 31 January 2014 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 2014. The position of chief executive officer of the Company remains vacant since 15 September 2012. 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, including members of the audit, remuneration and nomination committees, attended the annual general meeting of the Company held on 22 November 2013 and were available to answer Shareholders' questions thereat.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees ("**Securities Code**") on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has 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 2014.

## **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 2014.

## **UPDATE ON DIRECTORS' INFORMATION**

Pursuant to Rule 17.50A of the GEM Listing Rules, changes in the Directors' information since the disclosure made in the Company's annual report 2012–2013 are set out as follows:

- (a) The Company has been informed by the following Directors of their respective changes:
- (i) Dr. Lam Kin Ngok, Peter, the Chairman and an Executive Director,
    - was appointed a member of Aviation Development Advisory Committee for two years with effect from 1 September 2013;
    - was appointed on 7 October 2013 a non-official member of the Consultative Committee on Economic and Trade Co-operation between Hong Kong and the Mainland for a term of two years from 7 October 2013 to 6 October 2015;
    - resigned as an executive director of eSun and ceased to be a member of its executive committee with effect from 14 February 2014; and
    - was appointed as a member of the Lantau Development Advisory Committee on an ad personam basis for a term of two years from 1 February 2014 to 31 January 2016.
  - (ii) Mr. Ng Chi Ho, Dennis, an Independent Non-executive Director, was appointed the chief financial officer of Celebrate International Holdings Limited (a company listed and traded on the GEM Board of the Stock Exchange (Stock Code: 8212)) in December 2011.
  - (iii) Mr. Chan Chi Yuen, an Independent Non-executive Director, was appointed an executive director of South East Group Limited (a company listed and traded on the Main Board of the Stock Exchange (Stock Code: 726)) on 20 December 2013.

- (b) The Group usually makes annual adjustment to basic salaries and pays discretionary bonuses in January. With effect from 1 January 2014, the basic salaries of Mr. Jeffrey Soong and Mr. Chan Chi Kwong have been adjusted upward by 2% to 4.5%. Directors' remuneration for the six months ended 31 January 2014 and 2013 are as follows:

	Fees HK\$'000	Salaries and allowances HK\$'000	Equity-settled share option expense HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
<b>Six months ended 31 January 2014</b>					
<i>Executive Directors</i>					
Lam Kin Ngok, Peter	60	-	-	-	60
Yu Feng	60	-	-	-	60
Choi Chiu Fai, Stanley	60	-	-	-	60
Jeffrey Soong	60	2,652	-	-	2,712
Lui Siu Tsuen, Richard	60	-	-	-	60
Chan Chi Kwong	60	1,403	-	5	1,468
	<b>360</b>	<b>4,055</b>	<b>-</b>	<b>5</b>	<b>4,420</b>
<i>Independent Non-executive Directors</i>					
Chan Chi Yuen	60	-	-	-	60
Zhang Xi	60	-	-	-	60
Ng Chi Ho, Dennis	60	-	-	-	60
	<b>180</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>180</b>
	<b>540</b>	<b>4,055</b>	<b>-</b>	<b>5</b>	<b>4,600</b>

	Fees HK\$'000	Salaries and allowances HK\$'000	Equity-settled share option expense HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
<b>Six months ended 31 January 2013</b>					
<i>Executive Directors</i>					
Lam Kin Ngok, Peter	60	-	-	-	60
Yu Feng	60	-	-	-	60
Choi Chiu Fai, Stanley	60	-	-	-	60
Jeffrey Soong (appointed on 22 November 2012)	23	469	-	-	492
Tang Jun (resigned on 15 September 2012)	15	460	334	-	809
Lui Siu Tsuen, Richard	60	-	-	-	60
Chan Chi Kwong	60	1,452	-	8	1,520
Chan Chi Ming, Alvin (retired on 20 November 2012)	-	151	-	5	156
Etsuko Hoshiyama (resigned on 15 December 2012)	-	367	-	6	373
	338	2,899	334	19	3,590
<i>Independent Non-executive Directors</i>					
Chan Chi Yuen	60	-	-	-	60
Zhang Xi	60	-	-	-	60
Ng Chi Ho, Dennis	60	-	-	-	60
	180	-	-	-	180
	518	2,899	334	19	3,770

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

Hong Kong, 13 March 2014

*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.*