



Media Asia 寰亞

Media Asia Group Holdings Limited

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 8075)

INTERIM REPORT

For the six months ended 31 January 2015



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

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

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

*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 (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.*

CORPORATE INFORMATION

PLACE OF INCORPORATION

Incorporated in the Cayman Islands and continued in Bermuda

BOARD OF DIRECTORS

Executive Directors

Lam Kin Ngok, Peter (*Chairman*)

Yu Feng

Choi Chiu Fai, Stanley

Lui Siu Tsuen, Richard

Chan Chi Kwong

Yip Chai Tuck

Independent Non-executive Directors

Chan Chi Yuen

Zhang Xi

Ng Chi Ho, Dennis

AUDIT COMMITTEE

Chan Chi Yuen (*Chairman*)

Zhang Xi

Ng Chi Ho, Dennis

NOMINATION COMMITTEE

Zhang Xi (*Chairman*)

Chan Chi Yuen

Ng Chi Ho, Dennis

Lui Siu Tsuen, Richard

Yip Chai Tuck

REMUNERATION COMMITTEE

Chan Chi Yuen (*Chairman*)

Zhang Xi

Ng Chi Ho, Dennis

Lui Siu Tsuen, Richard

Yip Chai Tuck

AUTHORISED REPRESENTATIVES

Lui Siu Tsuen, Richard

Lau Siu Mui

COMPLIANCE OFFICER

Lui Siu Tsuen, Richard

COMPANY SECRETARY

Lau Siu Mui

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

PRINCIPAL PLACE OF BUSINESS

11th Floor, Lai Sun Commercial Centre

680 Cheung Sha Wan Road

Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor

Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

INDEPENDENT AUDITORS

Ernst & Young

Certified Public Accountants

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited

Hang Seng Bank Limited

The Hongkong and Shanghai Banking

Corporation Limited

LISTING INFORMATION

Place of Listing

The Growth Enterprise Market of

The Stock Exchange of Hong Kong Limited

Stock Code

8075

Board Lot

4,000 shares

WEBSITE

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INVESTOR RELATIONS

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INTERIM RESULTS

The board of directors (the “**Board**”) of Media Asia Group Holdings Limited (the “**Company**”) presents the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the three months and the six months ended 31 January 2015 together with the comparative unaudited figures for the corresponding periods in 2014 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 31 January		Six months ended 31 January	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
TURNOVER	4	304,726	118,714	383,455	266,409
Cost of sales		(194,319)	(100,698)	(247,352)	(182,495)
Gross profit		110,407	18,016	136,103	83,914
Other income		2,290	5,704	3,336	6,036
Marketing expenses		(43,749)	(9,437)	(51,211)	(26,772)
Administrative expenses		(40,449)	(36,114)	(67,523)	(59,426)
Other operating gains		(203)	18,379	721	18,848
Other operating expenses		(955)	(18,667)	(2,720)	(43,021)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES		27,341	(22,119)	18,706	(20,421)
Finance costs	5	(4,099)	(12,873)	(8,198)	(25,973)
Share of profits and losses of joint ventures		(111)	(2,195)	434	(3,390)
Share of profits and losses of an associate		—	—	(3)	(1)
PROFIT/(LOSS) BEFORE TAX	6	23,131	(37,187)	10,939	(49,785)
Income tax expense	7	(419)	(1,524)	(419)	(3,113)
PROFIT/(LOSS) FOR THE PERIOD		22,712	(38,711)	10,520	(52,898)
Attributable to:					
Owners of the Company		22,580	(39,318)	11,658	(55,222)
Non-controlling interests		132	607	(1,138)	2,324
		22,712	(38,711)	10,520	(52,898)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8				
Basic and diluted (HK cents)		1.69	(5.62)	0.87	(8.13)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended 31 January		Six months ended 31 January	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	22,712	(38,711)	10,520	(52,898)
OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS				
Exchange differences on translation of foreign operations	599	2,374	1,244	3,190
Release of foreign currency translation reserve upon disposal of subsidiaries	(106)	(1,763)	(106)	(1,763)
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX	493	611	1,138	1,427
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	23,205	(38,100)	11,658	(51,471)
Attributable to:				
Owners of the Company	23,071	(38,869)	12,794	(54,231)
Non-controlling interests	134	769	(1,136)	2,760
	23,205	(38,100)	11,658	(51,471)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 January 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		11,531	13,278
Film and TV program products		33,633	31,933
Film rights		1,979	2,400
Investments in joint ventures		29,320	20,604
Investment in an associate		19,387	19,384
Prepayments, deposits and other receivables		33,168	33,168
Total non-current assets		129,018	120,767
CURRENT ASSETS			
Inventories		54	100
Films and TV programs under production		251,827	260,162
Trade receivables	10	45,648	84,141
Prepayments, deposits and other receivables		222,212	135,493
Cash and cash equivalents		319,981	326,999
Total current assets		839,722	806,895
CURRENT LIABILITIES			
Trade payables	11	1,184	340
Accruals and other payables		159,659	159,092
Deposits received		56,915	37,366
Convertible notes	12	177,171	168,973
Tax payable		7,650	7,388
Total current liabilities		402,579	373,159
NET CURRENT ASSETS		437,143	433,736
Net assets		566,161	554,503
EQUITY			
Equity attributable to owners of the Company			
Issued capital	13	13,399	13,399
Reserves		555,946	543,152
		569,345	556,551
Non-controlling interests		(3,184)	(2,048)
Total equity		566,161	554,503

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2015

	Attributable to owners of the Company								
	Issued capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Foreign currency translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 August 2014 (audited)	13,399	343,460	95,191	181,821	(2)	(77,318)	556,551	(2,048)	554,503
Profit/(loss) for the period	—	—	—	—	—	11,658	11,658	(1,138)	10,520
Other comprehensive income/(loss) for the period:									
Exchange differences on translation of foreign operations	—	—	—	—	1,242	—	1,242	2	1,244
Release of foreign currency translation reserve upon disposal of subsidiaries	—	—	—	—	(106)	—	(106)	—	(106)
Total comprehensive income/(loss) for the period	—	—	—	—	1,136	11,658	12,794	(1,136)	11,658
At 31 January 2015 (unaudited)	13,399	343,460	95,191	181,821	1,134	(65,660)	569,345	(3,184)	566,161
At 1 August 2013 (audited)	131,403	395,249	44,475	309,993	950	(443,014)	439,056	33,551	472,607
Profit/(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 the First Completion Convertible Notes before Capital Reorganisation (Note 13(a))	2,433	3,878	—	(1,321)	—	—	4,990	—	4,990
Capital Reorganisation (Note 13(b))	(127,144)	(395,249)	50,716	—	—	471,677	—	—	—
Placing of shares (Note 13(c))	1,322	78,954	—	—	—	—	80,276	—	80,276
Transaction costs of placing of shares	—	(474)	—	—	—	—	(474)	—	(474)
Partial conversion of the First Completion Convertible Notes after Capital Reorganisation (Note 13(d))	1,442	55,535	—	(11,725)	—	—	45,252	—	45,252
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)
At 31 January 2014 (unaudited)	9,456	137,893	95,191	296,947	1,941	(26,559)	514,869	(88)	514,781

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 January 2015

	Notes	Six months ended 31 January	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Net cash flows generated from operating activities		4,366	134,057
Cash flows from investing activities			
Additions to film rights		(644)	(6,836)
Disposal of subsidiaries	15	(6,478)	21,462
Capital contribution to a joint venture		(7,500)	—
Advances to joint ventures		(1,188)	(8,367)
Repayment from a joint venture		3,474	—
Other investing cash flows		(7)	(1,338)
Net cash flows from/(used in) investing activities		(12,343)	4,921
Cash flows from financing activities			
Proceeds from placing of shares		—	80,276
Issue costs for placing of shares		—	(474)
Repayment of a loan from a non-controlling shareholder		—	(6,185)
Dividend paid to a non-controlling shareholder		—	(8,967)
Net cash flows from financing activities		—	64,650
Net increase/(decrease) in cash and cash equivalents		(7,977)	203,628
Cash and cash equivalent at beginning of period		326,999	414,384
Effect of foreign exchange rate changes		959	2,330
Cash and cash equivalent at end of period		319,981	620,342

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2015

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 programs; 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 applicable disclosure requirements of 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 2014. These unaudited condensed consolidated results should be read in conjunction with the Company's annual report for the year ended 31 July 2014.

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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

31 January 2015

4. TURNOVER AND SEGMENT INFORMATION

An analysis of the Group's turnover during the three months and six months ended 31 January 2015 is as follows:

	Three months ended 31 January		Six months ended 31 January	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Turnover				
Entertainment event income	153,838	65,817	204,886	130,521
Album sales, licence income and distribution commission income from music publishing and licensing	7,236	6,908	12,820	12,018
Artiste management fee income	4,605	8,292	9,642	21,344
Advertising income	9,916	157	10,908	4,424
Distribution commission income and licence fee income from film and TV program products and film rights	129,131	37,540	145,199	98,102
	304,726	118,714	383,455	266,409

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

31 January 2015

4. TURNOVER AND SEGMENT INFORMATION *(continued)*

Segment revenue/results:

	Media and entertainment		Film and TV program		Corporate		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended	
	31 January		31 January		31 January		31 January	
	2015	2014	2015	2014	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to external customers	238,256	168,307	145,199	98,102	–	–	383,455	266,409
Other income	2,968	5,281	180	415	188	340	3,336	6,036
Segment profit/(loss)	33,369	45,761	7,067	(28,642)	(22,054)	(41,961)	18,382	(24,842)
Fair value loss on options	–	(5,172)	–	–	–	–	–	(5,172)
Gain on disposal of subsidiaries	324	9,593	–	–	–	–	324	9,593
Finance costs	–	–	–	–	–	–	(8,198)	(25,973)
Share of profits and losses of joint ventures	434	(3,390)	–	–	–	–	434	(3,390)
Share of profits and losses of an associate	–	–	(3)	(1)	–	–	(3)	(1)
Profit/(loss) before tax							10,939	(49,785)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

31 January 2015

4. TURNOVER AND SEGMENT INFORMATION *(continued)*

Segment assets/liabilities:

	Media and entertainment		Film and TV program		Corporate		Consolidated	
	31 January 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000	31 January 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000	31 January 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000	31 January 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000
Segment assets	188,416	210,836	629,307	589,261	102,310	87,577	920,033	887,674
Investments in joint ventures	29,320	20,604	—	—	—	—	29,320	20,604
Investment in an associate	—	—	19,387	19,384	—	—	19,387	19,384
Total assets							968,740	927,662
Segment liabilities	74,217	65,267	142,415	126,971	1,126	4,560	217,758	196,798
Unallocated liabilities							184,821	176,361
Total liabilities							402,579	373,159

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 31 January	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Interest on:		
— First Completion Convertible Notes wholly repayable within five years (<i>Note 12(i)</i>)	—	16,789
— Second Completion Convertible Notes wholly repayable within five years (<i>Note 12(ii)</i>)	8,198	9,184
	8,198	25,973

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

31 January 2015

6. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 31 January	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Depreciation	1,957	3,344
Amortisation of film and TV program products**	57,493	54,298
Amortisation of film rights **	1,065	9,369
Amortisation of other intangible assets **	—	3,693
Impairment of property, plant and equipment *	—	15,775
Impairment of other receivables *	—	19,593
Fair value loss on options *	—	5,172
Gain on disposal of subsidiaries #	(324)	(9,593)
Share of net income to co-investors from entertainment events organised by the Group *	2,146	2,047
Share of net loss/(income) from entertainment events organised by co-investors #	68	(7,934)

* 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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

31 January 2015

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 2015 (six months ended 31 January 2014: 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	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Provision for tax for the period		
Current — Hong Kong		
Charge for the period	—	—
Current — Elsewhere		
Charge for the period	419	4,036
	419	4,036
Deferred tax credit for the period	—	(923)
Total tax expense for the period	419	3,113

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

31 January 2015

8. 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	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Earnings/(Loss)				
Profit/(loss) attributable to owners of the Company used in the basic and diluted earnings/(loss) per share calculation	22,580	(39,318)	11,658	(55,222)
	Number of shares		Number of shares	
	Three months ended 31 January		Six months ended 31 January	
	2015 (Unaudited) '000	2014 (Unaudited) '000	2015 (Unaudited) '000	2014 (Unaudited) '000
Shares				
Weighted average number of ordinary shares in issue used in the basic and diluted earnings/(loss) per share calculation	1,339,865	700,029	1,339,865	679,276
Earnings/(loss) per share:				
— Basic and diluted (HK cents)	1.69	(5.62)	0.87	(8.13)

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 have been adjusted for the Capital Reorganisation during the period ended 31 January 2014 as set out in Note 13(b).

No adjustment has been made to the basic earnings/(loss) per share amounts presented for three months and six months ended 31 January 2015 and 2014 in respect of a dilution as the impact of the First Completion Convertible Notes and Second Completion Convertible Notes (Note 12) outstanding during the periods had an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

31 January 2015

9. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 January 2015 (six months ended 31 January 2014: 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 and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

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

	31 January 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000
Neither past due nor impaired	12,848	30,227
1 to 90 days past due	24,610	44,271
Over 90 days past due	8,190	9,643
	45,648	84,141

11. TRADE PAYABLES

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

	31 January 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000
Less than 30 days	1,182	338
61 to 90 days	2	2
	1,184	340

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

31 January 2015

12. CONVERTIBLE NOTES

	31 January 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000
Second Completion Convertible Notes	177,171	168,973

Pursuant to a subscription agreement entered into between 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, 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 convertibles notes in an aggregate principal amount of HK\$371,386,642 (the “**First Completion Convertible Notes**”) and HK\$224,873,937 (the “**Second Completion Convertible Notes**”), which are convertible at the option of the holders into the Company’s ordinary shares during the period commencing on the first day of the First Completion Convertible Notes and the first day of the Second Completion Convertible Notes and expiring on the date which is five business days preceding the maturity date.

(i) First Completion Convertible Notes

The First Completion Convertible Notes were issued to the holders on 9 June 2011. Part of the First Completion Convertible Notes in an aggregate principal amount of HK\$170,000,000 carries the conversion right entitling the relevant holders to subscribe for a total of 10,625,000,000 shares of HK\$0.01 each in the Company at a conversion price of HK\$0.016 per share. Part of the First Completion Convertible Notes in an aggregate principal amount of HK\$201,386,642 carries the conversion right entitling the relevant holders to subscribe for a total of 7,231,118,192 shares 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 13(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 13(b)) and from HK\$0.02785 per share to HK\$0.557 per New Share respectively.

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.

First Completion Convertible Notes with principal amount of approximately HK\$189,091,000 were redeemed upon maturity on 8 June 2014.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

31 January 2015

12. CONVERTIBLE NOTES *(continued)*

(i) First Completion Convertible Notes *(continued)*

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 31 July 2013 and 1 August 2013 (audited)	317,472	86,414	403,886
Interest charged during the period ended 31 January 2014 (<i>Note 5</i>)	16,789	—	16,789
Interest charged during the period from 1 February 2014 to 31 July 2014	8,857	—	8,857
Partial conversion of convertible notes before the Capital Reorganisation (<i>Note 13(a)</i>)	(4,990)	(1,321)	(6,311)
Partial conversion of convertible notes after the Capital Reorganisation (<i>Note 13(d)</i>)	(149,037)	(37,920)	(186,957)
Redemption of convertible notes	(189,091)	(47,173)	(236,264)
At 31 July 2014 (audited)	—	—	—

(ii) Second Completion Convertible Notes

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

Pursuant to the terms and conditions of the Second Completion Convertible Notes, as a result of the Share Consolidation (as defined in Note 13(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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

31 January 2015

12. CONVERTIBLE NOTES *(continued)*

(ii) Second Completion Convertible Notes *(continued)*

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 31 July 2013 and 1 August 2013 (audited)	189,304	223,579	412,883
Interest charged during the period (<i>Note 5</i>)	9,184	—	9,184
At 31 January 2014 (unaudited)	198,488	223,579	422,067
At 31 July 2014 and 1 August 2014 (audited)	168,973	181,821	350,794
Interest charged during the period (<i>Note 5</i>)	8,198	—	8,198
At 31 January 2015 (unaudited)	177,171	181,821	358,992

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

31 January 2015

13. SHARE CAPITAL

	31 January 2015		31 July 2014	
	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	1,339,865	13,399	1,339,865	13,399

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

	Notes	Period from 1 August 2014 to 31 January 2015		Period from 1 August 2013 to 31 July 2014	
		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		1,339,865	13,399	13,140,257	131,403
Partial conversion of First Completion Convertible Notes before the Capital Reorganisation	(a)	—	—	243,320	2,433
Capital Reorganisation	(b)	—	—	(12,714,399)	(127,144)
Placing of shares	(c)	—	—	132,250	1,322
Partial conversion of First Completion Convertible Notes after the Capital Reorganisation	(d)	—	—	463,033	4,631
Partial conversion of Second Completion Convertible Notes after the Capital Reorganisation	(e)	—	—	75,404	754
Balance at the end of the period		1,339,865	13,399	1,339,865	13,399

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

31 January 2015

13. SHARE CAPITAL *(continued)*

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 (the “**Capital Reorganisation**”) became effective on 9 January 2014. The Capital Reorganisation involved:
- (i) the consolidation of every twenty issued shares into one consolidated share (the “**Consolidated Share(s)**”) of a par value of HK\$0.20 (the “**Share Consolidation**”);
 - (ii) the reduction of issued share capital of the Company of HK\$127,143,987 whereby the par value of each Consolidated Share was reduced from HK\$0.20 to HK\$0.01 by cancelling HK\$0.19 of the paid-up capital on each Consolidated Share and any fraction of a Consolidated Share in the issued share capital of the Company arising from the Share Consolidation was eliminated in order to round down the total number of Consolidated Shares to a whole number (“**Capital Reduction**”);
 - (iii) the cancellation of HK\$395,248,558 standing to the credit of the share premium account of the Company (“**Share Premium Reduction**”); and
 - (iv) the transfer of the entire amount of the credit arising from the Capital Reduction and Share Premium Reduction to the contributed surplus account of the Company and the application of part of the amount standing to the contributed surplus account to set off against the accumulated losses of the Company as at 31 July 2013 of HK\$471,676,874.

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

- (c) Pursuant to 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 share to two placees who were independent of, and not connected with the Group. The gross proceeds from the said placement amounted to approximately HK\$80,276,000 and the related issue expense was approximately HK\$641,000.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

31 January 2015

13. SHARE CAPITAL *(continued)*

Notes:

- (d) On 21 January 2014, the Company issued 140,625,000 shares to Perfect Sky at a conversion price of HK\$0.32 per New Share (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 shares to a First Completion Convertible Note holder at a conversion price of HK\$0.557 per New Share (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 approximately HK\$45,252,000 and equity component of approximately HK\$11,725,000 of the First Completion Convertible Notes were transferred and recognised as share capital of approximately HK\$1,442,000 and share premium of approximately HK\$55,535,000.

During the period from 5 February 2014 to 5 May 2014, the Company issued 284,750,000 shares to Perfect Sky at a conversion price of HK\$0.32 per New Share (adjusted as a result of the Share Consolidation) for partial conversion of the First Completion Convertible Notes with a principal amount of HK\$91,120,000.

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

During the period from 5 February 2014 to 17 March 2014, the Company issued 12,567,324 shares to a First Completion Convertible Note holder at a conversion price of HK\$0.557 per New Share (adjusted as a result of the Share Consolidation) for partial conversion of the First Completion Convertible Notes with a principal amount of HK\$7,000,000.

Upon the above conversions, the liability component of approximately HK\$103,785,000 and equity component of approximately HK\$26,195,000 of the First Completion Convertible Notes were transferred and recognised as share capital of approximately HK\$3,189,000 and share premium of approximately HK\$126,791,000.

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

Upon the above conversions, the liability component of approximately HK\$37,939,000 and equity component of approximately HK\$41,758,000 of the Second Completion Convertible Notes were transferred and recognised as share capital of approximately HK\$754,000 and share premium of approximately HK\$78,943,000.

14. CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The Group had no material contingent liabilities and capital commitment at 31 January 2015 and 31 July 2014.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

31 January 2015

15. DISPOSAL OF SUBSIDIARIES

- (a) During the period ended 31 January 2015, the Group disposed of 50% equity interest in 鼎紅文化傳播(上海)有限公司 (formerly known as “寰亞榮盛文化傳播(上海)有限公司”), a then wholly-owned subsidiary of the Group, to a third party. Upon the disposal, the Group retained 50% equity interest in 鼎紅文化傳播(上海)有限公司. A net cash outflow of HK\$2,637,000 was resulted from the disposal. A gain on disposal of HK\$303,000 has been recognised in the income statement for the current period.
- (b) During the period ended 31 January 2015, the Group disposed of 50% equity interest in Hole in One Capital Partners Limited (formerly known as “Skill Delight Limited”), a then wholly-owned subsidiary of the Group, to a third party. Upon the disposal, the Group retained 50% of equity interest in Hole in One Capital Partners Limited. A net cash outflow of HK\$3,841,000 was resulted from the disposal. A gain on disposal of HK\$21,000 has been recognised in the income statement for the current period.
- (c) 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 Investments Limited and its subsidiaries. The disposal was completed on 24 December 2013. A gain on disposal of HK\$9,593,000 has been recognised in the income statement for the period ended 31 January 2014. A net cash inflows of HK\$21,462,000 was resulted from the disposal. Further details of the disposal are set out in the Company’s announcement dated 17 December 2013.

16. RELATED PARTY TRANSACTIONS

(i) Compensation of key management personnel of the Group

	Six months ended 31 January	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Short-term employee benefits	1,696	4,595
Post-employment benefits	4	5
	1,700	4,600

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

31 January 2015

16. RELATED PARTY TRANSACTIONS *(continued)*

(ii) Transactions with related parties

		Six months ended 31 January	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
	Notes		
Fellow subsidiaries:			
Rental expenses and building management fee	(i)	339	352
Artiste fee	(ii)	1,124	111
Artiste fee commission income	(ii)	12	—
Music royalty commission income	(ii)	1,102	269
Film distribution commission income	(ii)	655	—
Film distribution fee	(ii)	1,177	271
Share of net income from entertainment events organised by fellow subsidiaries	(ii)	—	1,431
Sharing of corporate salaries on a cost basis allocated from		3,851	3,479
Sharing of administrative expenses on a cost basis allocated from		1,550	1,647
Sharing of corporate salaries on a cost basis allocated to		9,050	8,554
Sharing of administrative expenses on a cost basis allocated to		967	898
Video consignment commission expenses	(ii)	17	—
Video distribution commission expenses	(ii)	148	—
Acquisition of a subsidiary	(iii)	—	900
Related companies:			
Rental expenses and building management fee	(i)	1,420	476
Production fee	(ii)	2,240	970
Artiste fee	(ii)	—	516
Recording fee	(ii)	—	260

Notes:

- (i) The rental expenses and building management fee were charged with reference to market rates.
- (ii) The artiste fee, artiste fee commission income, music royalty commission income, film distribution commission income, film distribution fee, video consignment commission expenses, video distribution commission expenses, production fee and recording fee were charged in accordance with contractual terms with the respective parties.
- (iii) 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.

17. COMPARATIVE AMOUNTS

Certain comparative amounts in the turnover and segment information have been reclassified to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 31 January 2015 (the “**Current Period**”), the Group recorded a turnover of approximately HK\$383,455,000, representing an increase of approximately 44% from approximately HK\$266,409,000 for the corresponding six months in 2014 (the “**Corresponding Period**”), mainly due to the increase in revenue from the Group’s film production and distribution and entertainment events.

Cost of sales increased to approximately HK\$247,352,000 for the Current Period from approximately HK\$182,495,000 for the Corresponding Period. The Group’s marketing expenses increased to approximately HK\$51,211,000 for the Current Period from approximately HK\$26,772,000 for the Corresponding Period. The increase in the abovementioned expenses is due to increase in the operating activities of the Group. Administrative expenses increased to approximately HK\$67,523,000 for the Current Period from approximately HK\$59,426,000 for the Corresponding Period due to the strengthening of our management structures. Nevertheless, these expenses are under strict control by the Company’s management. Other operating expenses decreased to approximately HK\$2,720,000 for the Current Period from approximately HK\$43,021,000 for the Corresponding Period. Other operating expenses for the Current Period mainly included share of net income to co-investors from entertainment events organised by the Group.

Finance costs decreased to approximately HK\$8,198,000 for the Current Period from approximately HK\$25,973,000 for the Corresponding Period. The decrease in finance costs was mainly due to the redemption of the First Completion Convertible Notes on 8 June 2014.

Profit attributable to owners of the Company for the Current Period was approximately HK\$11,658,000 compared to loss attributable to owners of the Company of approximately HK\$55,222,000 for the Corresponding Period. The turnaround is mainly due to satisfactory performance of the Group’s films released and events held during the Current Period. Basic earnings per share was approximately HK cent 0.87 compared to basic loss per share of approximately HK cents 8.13 for the Corresponding Period.

As at 31 January 2015, the Group’s equity attributable to owners of the Company amounted to approximately HK\$569,345,000 (31 July 2014: approximately HK\$556,551,000) and the net asset value per share attributable to the owners of the Company was HK cents 42.5 (31 July 2014: HK cents 41.5).

BUSINESS REVIEW

Media and Entertainment Segment

Events Management

During the Current Period, the Group organised and invested in 37 (2014: 35) shows by popular local Asian and internationally renowned artistes, including EXO, SM Town, Super Junior, Show Lo, Sammi Cheng, Miriam Yeung, Grasshopper, Justin Lo and C AllStar. The total revenue from these concerts amounted to approximately HK\$204,886,000.

Music

During the Current Period, the Group released 11 (2014: 17) albums, including titles by Super Junior, Henry@SJM, Sammi Cheng, Miriam Yeung, C AllStar and RubberBand. Turnover from music publishing and recording was approximately HK\$12,820,000.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Media and Entertainment Segment *(continued)*

Artiste Management

During the Current Period, the Group recorded a turnover of approximately HK\$9,642,000 from artiste management. The Group currently has more than 30 artistes under its management.

Advertising

During the Current Period, the Group recorded a turnover of approximately HK\$10,908,000 from advertising business.

Film and TV Program Segment

Film production and distribution

During the Current Period, the Group released 3 films, namely “Break Up 100”, “Don’t Go Breaking My Heart II” and “Miss Granny (20, Once Again)”. Turnover from the licence fee income and distribution commission income of films was approximately HK\$137,930,000.

TV program production and distribution

During the Current Period, the Group recorded a turnover HK\$7,269,000 from TV program licence fee and distribution commission. The Group has made investments in production of 4 television drama series in the PRC which are expected to generate return to the Group in the coming financial year.

PROSPECTS

The China entertainment market continues to grow at a robust pace and the Group continues to expand its media and entertainment businesses to capitalize on this growth.

With the successful release of its recent films “Don’t Go Breaking My Heart II” and “Miss Granny (20, Once Again)”, the Group is on a continued drive to increase original production of films with Chinese themes and build up a solid distribution pipeline. During the period, famed producer and scriptwriter Mr. Chan Hing Kai has joined the Group as Deputy Head of Film Division to further enhance Film Division on creative ideas and strategies on the slate of films targeting in the China market.

On TV Division, the Group has commenced production of TV drama “Don’t Go Breaking My Heart” and is in collaboration with various leading TV stations for TV program production and distribution. In addition, the Group is in the process of negotiation with Chinese portals and video web sites for new project development.

Dragon Tiger Capital Partners L.P., the Group’s investment fund set up with SM Entertainment Group (“**SM**”) and Fubon Group (“**Fubon**”) last year, is also leveraging the resources and talents of both SM and Fubon for development of film and TV projects and continues to seek for investment opportunities in different areas including variety shows and reality series.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

PROSPECTS *(continued)*

The Group remains highly active on the live entertainment in Hong Kong and China. The recent successful concerts “Touch Mi - Sammi Cheng 2014”, “Let’s Begin - Miriam Yeung 2015” and “SM Town Tour 2014” have earned good reputation and public praises. The Group will continue to work with local and international stars for concert promotion.

On the music side, whilst the team continued output of new hits from top artistes, the Group is actively seeking collaboration with top internet companies for new pay model for digital distribution in China.

The Group believes its expanded Chinese artiste roster along with the exclusive management of various artistes of SM in China will complement our media and entertainment businesses. The diverse projects of the Group including film, TV, music and live events ensure maximum commercial value and appeal in attracting talent.

In summary, we are convinced that with our upcoming quality movies, dramas and variety programs and popular music products and live entertainment events, the Group is going to capitalize the growth of China entertainment market by a most balanced and synergetic approach.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations with internal resources and convertible notes. As at 31 January 2015, the Group had unsecured and unguaranteed 3-years zero coupon convertible notes with an outstanding principal amount of approximately HK\$182,874,000. For accounting purpose after deducting the equity portion of the convertible notes from the principal amount, the resultant carrying amount of the convertible notes after adjusting for accrued interest was approximately HK\$177,171,000 as at 31 January 2015.

At 31 January 2015, cash and cash equivalents decreased to approximately HK\$319,981,000 (31 July 2014: approximately HK\$326,999,000). The balances were approximately 51% in Hong Kong dollars, 43% in Renminbi and 6% 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 2015, the Group did not have any bank loans, overdrafts or any other borrowing. No interests have been capitalized during the six months ended 31 January 2015.

As at 31 January 2015, the gearing ratio of the Group, being the total borrowings to the shareholders’ equity attributable to the owners of the Company, was approximately 31.1% (31 July 2014: 30.4%).

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 2015, the Group has no outstanding foreign currency hedge contract.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

CHARGE ON GROUP ASSETS

At 31 January 2015, the Group did not have any charge on its assets.

CAPITAL STRUCTURE

At 31 January 2015, the Group's equity attributable to owners of the Company increased by approximately 2.3% to approximately HK\$569,345,000 (31 July 2014: approximately HK\$556,551,000). Total assets amounted to approximately HK\$968,740,000 (31 July 2014: approximately HK\$927,662,000) which included current assets amounting to approximately HK\$839,722,000 (31 July 2014: approximately HK\$806,895,000). Current liabilities were approximately HK\$402,579,000 (31 July 2014: approximately HK\$373,159,000). Net assets value per Share attributable to owners of the Company as at 31 January 2015 was approximately HK cents 42.5 (31 July 2014: approximately HK cents 41.5). Current ratio was approximately 2.1 (31 July 2014: approximately 2.2).

ACQUISITION/DISPOSAL AND SIGNIFICANT INVESTMENTS

Details of the disposal of subsidiaries of the Group during the Current Period is set out in Note 15 to the condensed consolidated financial statements. The Group did not make any material acquisition during the Current Period.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities at 31 January 2015.

EMPLOYEE INFORMATION

At 31 January 2015, the Group had 221 (31 January 2014: 180) full-time employees. Staff costs amounted to approximately HK\$45,681,000 for the Current Period (2014: HK\$44,942,000). The Group's remuneration policy remained the same as detailed in the Company's annual report for the year ended 31 July 2014.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

The Company has 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 2015 save for the following deviation:

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

Due to other pre-arranged business commitments, Dr. Lam Kin Ngok, Peter, the chairman of the Board, had not attended the annual general meeting held on 9 December 2014 (the “**AGM**”). However, Mr. Lui Siu Tsuen, Richard, an Executive Director present at the AGM, took the chair of the AGM pursuant to bye-law 63 of the bye-laws of the Company to ensure effective communication with the shareholders of the Company 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 (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 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 2015.

DIRECTORS’ INTERESTS IN SECURITIES

As at 31 January 2015, the interests and short positions of the Directors and chief executive of the Company 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 (the “**SFO**”), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

DIRECTORS' INTERESTS IN SECURITIES *(continued)*

(1) *Interests in the Company*

Name of Directors	Long positions in the Shares and underlying Shares				
	Number of Shares		Number of underlying Shares	Total	Approximate percentage of issued Shares <i>(Note 1)</i>
	Corporate interests	Personal interests	Corporate interests		
Dr. Lam Kin Ngok, Peter	842,675,225 <i>(Note 3)</i>	—	79,596,050 <i>(Notes 2 and 3)</i>	922,271,275	68.83%
Mr. Yu Feng	28,804,931 <i>(Note 4)</i>	—	96,751,469 <i>(Notes 2 and 4)</i>	125,556,400	9.37%
Mr. Chan Chi Yuen	—	115,000	—	115,000	0.01%

(2) *Interests in Associated Corporations*

(a) *eSun Holdings Limited (“eSun”)*

Name of Directors	Long positions in eSun shares and underlying shares of HK\$0.50 each				
	Number of shares		Share options	Total	Approximate percentage of issued shares
	Corporate interests	Personal interests	Personal interests		
Dr. Lam Kin Ngok, Peter	521,204,186 <i>(Note 5)</i>	2,794,443	1,243,212 <i>(Note 6)</i>	525,241,841	42.25%
Mr. Lui Siu Tsuen, Richard	—	—	3,729,636 <i>(Note 7)</i>	3,729,636	0.30%
Mr. Chan Chi Kwong	—	—	1,500,000 <i>(Note 8)</i>	1,500,000	0.12%

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

Name of Director	Long positions in Lai Fung shares and underlying shares of HK\$0.10 each				
	Number of shares		Share options	Total	Approximate percentage of issued shares
	Corporate interests	Personal interests	Personal interests		
Dr. Lam Kin Ngok, Peter	8,274,270,422 <i>(Note 9)</i>	—	16,095,912 <i>(Note 10)</i>	8,290,366,334	51.40%

CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

DIRECTORS' INTERESTS IN SECURITIES *(continued)*

Notes:

- (1) The number of issued Shares as at 31 January 2015 (that is, 1,339,865,820 Shares) has been used for the calculation of the approximate percentage.
- (2) These are 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.
- (3) (a) By virtue of the interest of Dr. Lam Kin Ngok, Peter ("**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' INTERESTS IN SECURITIES**" below pursuant to Part XV of the SFO.

(b) eSun is the Company's ultimate holding company. As at 31 January 2015, eSun was indirectly owned as to approximately 41.92% by Lai Sun Development Company Limited ("**LSD**"). LSD was approximately 51.88% directly and indirectly owned by Lai Sun Garment (International) Limited ("**LSG**"). LSG was approximately 12.62% (excluding share option) owned by Dr. Lam and approximately 29.91% owned by Wisdoman Limited which was in turn 100% beneficially owned by Dr. Lam.
- (4) (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' 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.
- (5) By virtue of his deemed controlling shareholding interests in LSD as described in Note (3)(b) above, Dr. Lam was deemed to be interested in such eSun shares owned indirectly by LSD.
- (6) On 18 January 2013, Dr. Lam was granted an option by eSun to subscribe for 1,243,212 eSun shares at a subscription price of HK\$1.612 per share between 18 January 2013 and 17 January 2023.
- (7) On 18 January 2013, Mr. Lui Siu Tsuen, Richard ("**Mr. Lui**") was granted an option by eSun to subscribe for 3,729,636 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. Chan Chi Kwong ("**Mr. Chan**") was granted an option by eSun to subscribe for 1,500,000 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 (3)(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 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 2015, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.



CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 January 2015, the interests and short positions of the persons, other than Directors and chief executive of the Company, in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long position in the Shares

Name of shareholders	Capacity in which interests are held	Number of Shares	Number of underlying Shares	Total	Approximate percentage of issued Shares <i>(Note 1)</i>
Lai Sun Garment (International) Limited	Interest of controlled corporations	842,675,225	79,596,050	922,271,275 <i>(Note 2)</i>	68.83%
Lai Sun Development Company Limited	Interest of controlled corporations	842,675,225	79,596,050	922,271,275 <i>(Note 2)</i>	68.83%
eSun Holdings Limited	Interest of controlled corporation	842,675,225	79,596,050	922,271,275 <i>(Note 2)</i>	68.83%
Fubon Financial Holding Co., Ltd.	Interest of controlled corporation	66,125,000	60,000,000	126,125,000 <i>(Note 3)</i>	9.41%
Fubon Financial Holding Venture Capital Corp.	Beneficial owner	66,125,000	60,000,000	126,125,000	9.41%
Ming Tone Co., Ltd.	Interest of controlled corporations	66,125,000	60,000,000	126,125,000 <i>(Note 4)</i>	9.41%
Wealth Media Co., Ltd.	Interest of controlled corporations	66,125,000	60,000,000	126,125,000 <i>(Note 4)</i>	9.41%
Cheng Ting Co., Ltd.	Interest of controlled corporations	66,125,000	60,000,000	126,125,000 <i>(Note 4)</i>	9.41%
Cheng Hao Co., Ltd.	Interest of controlled corporations	66,125,000	60,000,000	126,125,000 <i>(Note 4)</i>	9.41%
Kbro Co., Ltd.	Interest of controlled corporation	66,125,000	60,000,000	126,125,000 <i>(Note 4)</i>	9.41%
Kbro Media Co., Ltd.	Beneficial owner	66,125,000	60,000,000	126,125,000	9.41%
Yunfeng Fund, L.P.	Interest of controlled corporation	28,804,931	96,751,469	125,556,400 <i>(Note 5)</i>	9.37%
Next Gen Entertainment Limited	Beneficial owner	28,804,931	96,751,469	125,556,400	9.37%

CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES *(continued)*

Notes:

- (1) The number of issued Shares as at 31 January 2015 (that is, 1,339,865,820 Shares) has been used for the calculation of the approximate percentage.
- (2) LSG, LSD and eSun were deemed to be interested in the same 922,271,275 Shares and underlying Shares held indirectly by eSun. Please refer to Note (3) as shown in the section headed "**DIRECTORS' INTERESTS IN SECURITIES**" above for further details.
- (3) 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 126,125,000 Shares and underlying Shares owned by FFHVCC pursuant to Part XV of the SFO.
- (4) 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 the same 126,125,000 Shares and underlying Shares owned by Kbro Media pursuant to Part XV of the SFO.
- (5) Next Gen was wholly and beneficially owned by Yunfeng Fund, L.P. which was, therefore, deemed to be interested in the same 125,556,400 Shares and underlying Shares owned by Next Gen pursuant to Part XV of the SFO.

Save as disclosed above, as at 31 January 2015, no other persons (other than the Directors and chief executive of the Company) had any interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

On 18 December 2012, the Company adopted a share option scheme ("**Share Option Scheme**"), the purpose of which 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.

No share options had been granted under the Share Option Scheme since its adoption.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the period under review and up to the date of this Report, the following Directors (together, “**Interested Directors**”) are considered to have interests in the businesses which compete or may compete with the businesses of the Group pursuant to the GEM Listing Rules.

Four Executive Directors, namely, Dr. Lam, Mr. Lui, Mr. Chan and Mr. Yip Chai Tuck, held shareholding interests and/or other interests and/or directorships in companies/entities in the group of eSun which engage in the businesses including development, operation of and investment in media, entertainment, music production and distribution, the investment in and production and distribution of television programs, film and video format products, cinema operation and the provision of advertising agency services. Mr. Yu, an Executive Director, held shareholding interests and/or directorship in companies engaged in entertainment business in Mainland China.

However, the Board is independent from the boards of directors/governing committees of the aforesaid companies/entities and none of the Interested Directors can personally control the Board. Further, each of the Interested Directors is fully aware of, and has been discharging, his fiduciary duty to the Company and has acted and will continue to act in the best interest of the Company and the shareholders of the Company as a whole. Therefore, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies/entities.

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 2013/2014 are set out as follows:

- (1) Dr. Choi Chiu Fai, Stanley, an Executive Director, was appointed an executive director of Target Insurance (Holdings) Limited (listed and traded on the Main Board of the Stock Exchange on 15 January 2015 under the Stock Code 6161) on 12 September 2014.
- (2) Mr. Chan Chi Yuen, an Independent Non-executive Director, was appointed an executive director of Co-Prosperty Holdings Limited (listed and traded on the Main Board of the Stock Exchange under the Stock Code 707) on 11 December 2014.
- (3) The Group usually makes annual adjustment to basic salaries and pays discretionary bonuses in January. Directors' remuneration for the six months ended 31 January 2015 and 2014 are as follows:

CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

UPDATE ON DIRECTORS' INFORMATION *(continued)*

(3) *(continued)*

	Fees HK\$'000	Salaries and allowances HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
Six months ended 31 January 2015				
<i>Executive Directors</i>				
Lam Kin Ngok, Peter	60	—	—	60
Yu Feng	60	—	—	60
Choi Chiu Fai, Stanley	60	—	—	60
Lui Siu Tsuen, Richard	60	—	—	60
Chan Chi Kwong	60	622	2	684
Yip Chai Tuck (appointed on 21 July 2014)	—	594	2	596
	300	1,216	4	1,520
<i>Independent Non-executive Directors</i>				
Chan Chi Yuen	60	—	—	60
Zhang Xi	60	—	—	60
Ng Chi Ho, Dennis	60	—	—	60
	180	—	—	180
Total	480	1,216	4	1,700
Six months ended 31 January 2014				
<i>Executive Directors</i>				
Lam Kin Ngok, Peter	60	—	—	60
Yu Feng	60	—	—	60
Choi Chiu Fai, Stanley	60	—	—	60
Lui Siu Tsuen, Richard	60	—	—	60
Chan Chi Kwong	60	1,403	5	1,468
Jeffrey Soong (resigned on 24 June 2014)	60	2,652	—	2,712
	360	4,055	5	4,420
<i>Independent Non-executive Directors</i>				
Chan Chi Yuen	60	—	—	60
Zhang Xi	60	—	—	60
Ng Chi Ho, Dennis	60	—	—	60
	180	—	—	180
Total	540	4,055	5	4,600

CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

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 2015.

REVIEW OF INTERIM REPORT

The audit committee of the Company comprises 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 interim report (containing the unaudited condensed consolidated financial statements) of the Company for the six months ended 31 January 2015.

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

Hong Kong, 10 March 2015