



# 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 2017

## **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*)  
Chan Chi Kwong  
Lui Siu Tsuen, Richard  
Yip Chai Tuck

### *Independent Non-executive Directors*

Chan Chi Yuen  
Ng Chi Ho, Dennis  
Zhang Xi

## AUDIT COMMITTEE

Chan Chi Yuen (*Chairman*)  
Ng Chi Ho, Dennis  
Zhang Xi

## NOMINATION COMMITTEE

Zhang Xi (*Chairman*)  
Chan Chi Yuen  
Lui Siu Tsuen, Richard  
Ng Chi Ho, Dennis  
Yip Chai Tuck

## REMUNERATION COMMITTEE

Chan Chi Yuen (*Chairman*)  
Lui Siu Tsuen, Richard  
Ng Chi Ho, Dennis  
Yip Chai Tuck  
Zhang Xi

## 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 HM 11  
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 HM 11  
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 AUDITOR

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

www.mediaasia.com

## INVESTOR RELATIONS

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E-mail: info@mediaasia.com

# INTERIM RESULTS

The board of directors (the “**Board**”) of Media Asia Group Holdings Limited (the “**Company**”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the three months and the six months ended 31 January 2017 together with the comparative unaudited figures for the corresponding periods in 2016 as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 31 January		Six months ended 31 January	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
<b>TURNOVER</b>	4	<b>156,631</b>	80,190	<b>320,825</b>	195,084
Cost of sales		<b>(96,971)</b>	(47,939)	<b>(200,314)</b>	(134,980)
<b>Gross profit</b>		<b>59,660</b>	32,251	<b>120,511</b>	60,104
Other income		<b>1,839</b>	2,666	<b>4,937</b>	3,973
Marketing expenses		<b>(6,907)</b>	(1,960)	<b>(26,231)</b>	(10,156)
Administrative expenses		<b>(45,300)</b>	(38,118)	<b>(72,614)</b>	(64,931)
Other operating gains		<b>1,781</b>	318	<b>2,480</b>	3,019
Other operating expenses		<b>(1,901)</b>	(287)	<b>(10,372)</b>	(6,924)
<b>PROFIT/(LOSS) FROM OPERATING ACTIVITIES</b>		<b>9,172</b>	(5,130)	<b>18,711</b>	(14,915)
Finance costs	5	<b>(6,053)</b>	(5,476)	<b>(12,106)</b>	(11,070)
Share of profits and losses of joint ventures		<b>(1,153)</b>	3,215	<b>(449)</b>	6,980
Share of profit and loss of an associate		<b>(2)</b>	(2)	<b>(2)</b>	(2)
<b>PROFIT/(LOSS) BEFORE TAX</b>	6	<b>1,964</b>	(7,393)	<b>6,154</b>	(19,007)
Income tax expense	7	<b>(388)</b>	(1,213)	<b>(637)</b>	(1,484)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>1,576</b>	(8,606)	<b>5,517</b>	(20,491)
<b>Attributable to:</b>					
Owners of the Company		<b>2,909</b>	(7,230)	<b>9,091</b>	(18,298)
Non-controlling interests		<b>(1,333)</b>	(1,376)	<b>(3,574)</b>	(2,193)
		<b>1,576</b>	(8,606)	<b>5,517</b>	(20,491)
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	8				
Basic and diluted (HK cents)		<b>0.14</b>	(0.34)	<b>0.43</b>	(0.86)

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended 31 January		Six months ended 31 January	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>1,576</b>	(8,606)	<b>5,517</b>	(20,491)
<b>OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX</b>				
Exchange differences on translation of foreign operations	<b>271</b>	(15,148)	<b>(1,272)</b>	(20,336)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>	<b>1,847</b>	(23,754)	<b>4,245</b>	(40,827)
<b>Attributable to:</b>				
Owners of the Company	<b>3,205</b>	(22,274)	<b>7,858</b>	(38,538)
Non-controlling interests	<b>(1,358)</b>	(1,480)	<b>(3,613)</b>	(2,289)
	<b>1,847</b>	(23,754)	<b>4,245</b>	(40,827)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 January 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		8,790	10,462
Film and TV program products		93,324	83,721
Film rights		890	1,389
Investments in joint ventures		42,752	47,788
Investment in an associate		19,343	19,350
Prepayments, deposits and other receivables		24,823	24,902
Total non-current assets		189,922	187,612
<b>CURRENT ASSETS</b>			
Films and TV programs under production		454,333	450,913
Trade receivables	10	64,812	78,522
Prepayments, deposits and other receivables		260,706	265,203
Cash and cash equivalents		421,650	449,973
Total current assets		1,201,501	1,244,611
<b>CURRENT LIABILITIES</b>			
Trade payables	11	1,532	2,926
Accruals and other payables		240,220	235,723
Deposits received		63,866	125,617
Tax payable		7,558	7,583
Total current liabilities		313,176	371,849
<b>NET CURRENT ASSETS</b>		<b>888,325</b>	872,762
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,078,247</b>	1,060,374
<b>NON-CURRENT LIABILITIES</b>			
Convertible notes	12	261,931	249,825
<b>Net assets</b>		<b>816,316</b>	810,549
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	13	21,361	21,361
Reserves		799,302	791,444
<b>Non-controlling interests</b>		<b>820,663</b>	812,805
		(4,347)	(2,256)
<b>Total equity</b>		<b>816,316</b>	810,549

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2017

	Attributable to owners of the Company								
	Issued capital	Share premium account	Contributed surplus	Capital reserve	Foreign currency translation reserve	Retained profit/losses (accumulated)	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 August 2016 (audited)	21,361	633,661	95,191	71,454	(4,090)	(4,772)	812,805	(2,256)	810,549
Profit/(loss) for the period	—	—	—	—	—	9,091	9,091	(3,574)	5,517
Other comprehensive loss for the period:									
Exchange differences on translation of foreign operations	—	—	—	—	(1,233)	—	(1,233)	(39)	(1,272)
Total comprehensive income/(loss) for the period	—	—	—	—	(1,233)	9,091	7,858	(3,613)	4,245
Capital contribution from a non-controlling shareholder	—	—	—	—	—	—	—	1,522	1,522
<b>At 31 January 2017 (unaudited)</b>	<b>21,361</b>	<b>633,661</b>	<b>95,191</b>	<b>71,454</b>	<b>(5,323)</b>	<b>4,319</b>	<b>820,663</b>	<b>(4,347)</b>	<b>816,316</b>
At 1 August 2015 (audited)	20,924	614,032	95,191	76,296	1,137	90,774	898,354	(3,538)	894,816
Loss for the period	—	—	—	—	—	(18,298)	(18,298)	(2,193)	(20,491)
Other comprehensive loss for the period:									
Exchange differences on translation of foreign operations	—	—	—	—	(20,240)	—	(20,240)	(96)	(20,336)
Total comprehensive loss for the period	—	—	—	—	(20,240)	(18,298)	(38,538)	(2,289)	(40,827)
Partial conversion of the Specific Mandate Convertible Notes	437	19,629	—	(4,842)	—	—	15,224	—	15,224
Deemed acquisition of a subsidiary	—	—	—	—	—	—	—	3,746	3,746
Capital contribution from a non-controlling shareholder	—	—	—	—	—	—	—	2,999	2,999
At 31 January 2016 (unaudited)	21,361	633,661	95,191	71,454	(19,103)	72,476	875,040	918	875,958

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 January 2017

	<b>Six months ended 31 January</b>	
	<b>2017 (Unaudited) HK\$'000</b>	2016 (Unaudited) HK\$'000
<b>Net cash flows used in operating activities</b>	<b>(26,106)</b>	(148,657)
Cash flows from investing activities		
Deemed acquisition of a subsidiary	—	11,364
Other investing cash flows	<b>4,225</b>	(950)
<b>Net cash flows from investing activities</b>	<b>4,225</b>	10,414
<b>Cash flows from financing activities</b>		
Capital contribution from a non-controlling shareholder	<b>1,522</b>	2,999
<b>Net decrease in cash and cash equivalents</b>	<b>(20,359)</b>	(135,244)
<b>Cash and cash equivalents at beginning of period</b>	<b>449,973</b>	722,002
<b>Effect of foreign exchange rates changes</b>	<b>(7,964)</b>	(11,284)
<b>Cash and cash equivalents at end of period</b>	<b>421,650</b>	575,474



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2017

## 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 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; licensing of media contents; provision of consultancy services in planning and management of cultural, entertainment and live performance projects.

## 2. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group have not been audited by the Company's auditor 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 2016. These unaudited condensed consolidated results should be read in conjunction with the Company's annual report for the year ended 31 July 2016.

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

31 January 2017

## 4. TURNOVER AND SEGMENT INFORMATION

An analysis of the Group's turnover during the three months and six months ended 31 January 2017 is as follows:

	Three months ended 31 January		Six months ended 31 January	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Turnover				
Entertainment event income	41,333	41,322	113,029	110,780
Album sales, licence income and distribution commission income from music publishing and licensing	9,843	10,718	21,131	25,104
Artiste management fee income	6,509	6,147	9,205	10,489
Distribution commission income and licence fee income from film and TV program products and film rights	98,946	22,003	177,460	48,711
	156,631	80,190	320,825	195,084

### Segment revenue/results:

	Media and entertainment		Film and TV program		Corporate		Consolidated	
	Six months ended 31 January	2016 (Unaudited) HK\$'000	Six months ended 31 January	2016 (Unaudited) HK\$'000	Six months ended 31 January	2016 (Unaudited) HK\$'000	Six months ended 31 January	2016 (Unaudited) HK\$'000
Sales to external customers	143,365	146,373	177,460	48,711	–	–	320,825	195,084
Other income	4,322	2,044	598	472	17	1,457	4,937	3,973
Segment profit/(loss)	20,851	25,342	20,268	(16,375)	(22,408)	(23,882)	18,711	(14,915)
Finance costs							(12,106)	(11,070)
Share of profits and losses of joint ventures	(67)	2,439	(382)	4,541	–	–	(449)	6,980
Share of profit and loss of an associate	–	–	(2)	(2)	–	–	(2)	(2)
Profit/(loss) before tax							6,154	(19,007)

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2017

## 4. TURNOVER AND SEGMENT INFORMATION *(continued)*

### Segment assets/liabilities:

	Media and entertainment		Film and TV program		Corporate		Consolidated	
	31 January 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000	31 January 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000	31 January 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000	31 January 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000
Segment assets	207,892	298,846	1,029,765	989,024	91,671	77,215	1,329,328	1,365,085
Investments in joint ventures	16,454	20,547	26,298	27,241	—	—	42,752	47,788
Investment in an associate	—	—	19,343	19,350	—	—	19,343	19,350
Total assets							1,391,423	1,432,223
Segment liabilities	80,023	136,907	225,168	224,721	427	2,638	305,618	364,266
Unallocated liabilities							269,489	257,408
Total liabilities							575,107	621,674

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 31 January	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Interest on:		
— TFN Convertible Notes (Note 12(i))	5,215	4,741
— Specific Mandate Convertible Notes (Note 12(ii))	6,891	6,329
	12,106	11,070

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2017

## 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	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Depreciation	2,177	1,792
Amortisation of film and TV program products <sup>#</sup>	95,391	33,131
Amortisation of film rights <sup>#</sup>	500	42
Reversal of impairment of advances and other receivables*	(17)	(353)
Share of net income <sup>##</sup> /(loss)* to co-investors from entertainment events organised by the Group	(1,220)	411
Share of net income from entertainment events organised by co-investors*	(1,206)	(2,350)
Foreign exchange losses, net <sup>##</sup>	10,307	6,487

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

## These items are included in "Other operating expenses" 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 2017 (six months ended 31 January 2016: 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	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Provision for tax for the period		
Current — Hong Kong		
Charge for the period	—	—
Current — Elsewhere		
Charge for the period	637	1,484
Total tax expense for the period	637	1,484

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2017

## 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	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
<b>Earnings/(loss)</b>				
Profit/(loss) attributable to owners of the Company used in the basic earnings/(loss) per share calculation	2,909	(7,230)	9,091	(18,298)
	Number of shares		Number of shares	
	Three months ended 31 January	Six months ended 31 January	Three months ended 31 January	Six months ended 31 January
	2017 (Unaudited) '000	2016 (Unaudited) '000	2017 (Unaudited) '000	2016 (Unaudited) '000
<b>Shares</b>				
Weighted average number of ordinary shares in issue used in the basic earnings/(loss) per share calculation	2,136,056	2,136,056	2,136,056	2,131,310
<b>Earnings/(loss) per share:</b>				
— Basic and diluted (HK cents)	0.14	(0.34)	0.43	(0.86)

No adjustment has been made to the basic earnings/(loss) per share amounts presented for three months and six months ended 31 January 2017 and 2016 in respect of a dilution as the impact of the TFN Convertible Notes and Specific Mandate Convertible Notes (Note 12) outstanding during the periods had an anti-dilutive effect on the basic earnings/(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 2017 (six months ended 31 January 2016: Nil).

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2017

## 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 related 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:

	<b>31 January 2017 (Unaudited) HK\$'000</b>	31 July 2016 (Audited) HK\$'000
Neither past due nor impaired	<b>40,480</b>	17,269
1 to 90 days past due	<b>17,984</b>	57,607
Over 90 days past due	<b>6,348</b>	3,646
	<b>64,812</b>	78,522

## 11. 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:

	<b>31 January 2017 (Unaudited) HK\$'000</b>	31 July 2016 (Audited) HK\$'000
Less than 30 days	<b>1,324</b>	2,900
31 to 60 days	<b>208</b>	12
61 to 90 days	<b>—</b>	14
	<b>1,532</b>	2,926

## 12. CONVERTIBLE NOTES

	Notes	<b>31 January 2017 (Unaudited) HK\$'000</b>	31 July 2016 (Audited) HK\$'000
TFN Convertible Notes	(i)	<b>115,805</b>	110,590
Specific Mandate Convertible Notes	(ii)	<b>146,126</b>	139,235
		<b>261,931</b>	249,825

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2017

## 12. CONVERTIBLE NOTES *(continued)*

Pursuant to a subscription agreement entered into between TFN Media Co., Ltd. (“**TFN Media**”) and the Company on 17 April 2015, among others, the Company conditionally agreed to issue, and TFN Media conditionally agreed to subscribe for 3-year zero coupon convertible notes in an aggregate principal amount of HK\$130,000,000 (the “**TFN 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 TFN Convertible Notes and expiring on the date which is five business days preceding the maturity date.

Pursuant to each of the subscription agreements entered into by the Company with each of Perfect Sky Holdings Limited, Fubon Financial Holding Venture Capital Corp., Kbro Media Co., Ltd., and MOMO.COM Inc. (collectively the “**Subscribers**”) on 17 April 2015, 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\$186,840,000 (the “**Specific Mandate 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 Specific Mandate Convertible Notes and expiring on the date which is five business days preceding the maturity date.

### *(i) TFN Convertible Notes*

The TFN Convertible Notes were issued to TFN Media, the holder of the TFN Convertible Notes, on 13 May 2015. The TFN Convertible Notes in an aggregate principal amount of HK\$130,000,000 carries the conversion right entitling TFN Media to subscribe for a total of 245,746,691 shares of HK\$0.01 each in the Company at a conversion price of HK\$0.529 per share.

Pursuant to the terms and conditions of the TFN Convertible Notes, as a result of the open offer on the basis at one offer share for every two existing shares at the subscription price of HK\$0.30 per offer share (see the Company’s announcement dated 17 April 2015 and the prospectus of the Company dated 8 May 2015) (the “**Open Offer**”), the conversion price of the TFN Convertible Notes was adjusted from HK\$0.529 per share to HK\$0.458 per share. Based on the issued and outstanding TFN Convertible Notes in the principal amount of HK\$130,000,000 as at 31 July 2016, the number of shares to be allotted and issued to TFN Media would be adjusted from 245,746,691 shares to 283,842,794 shares as a result of the Open Offer assuming the conversion rights attaching thereto were exercised in full. However, as disclosed in the Company’s announcement dated 13 May 2015, the Company elects to redeem the principal amount attributable to conversion shares under the TFN Convertible Notes in excess of the outstanding number of new shares issuable under the general mandate granted to the directors of the Company to issue shares of the Company at the annual general meeting of the Company held on 9 December 2014 (the “**General Mandate**”), and therefore, having taken into account the maximum number of such issuable shares under the General Mandate and assuming no utilisation of the General Mandate (other than that for the allotment and issue of the conversion shares under the TFN Convertible Notes), the maximum number of conversion shares that could be allotted and issued to TFN Media under the TFN Convertible Notes shall be 267,913,164 shares, at the adjusted conversion price of HK\$0.458 per share.

Unless previously converted, redeemed, purchased or cancelled in accordance with the terms and conditions of the TFN Convertible Notes, it will be redeemed by the Company on the maturity date of 13 May 2018 at the principal amount outstanding.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2017

## 12. CONVERTIBLE NOTES *(continued)*

### (i) *TFN Convertible Notes (continued)*

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

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

	HK\$'000
Face value of convertible notes issued	130,000
Equity component	(30,991)
Liability component at date of issue	99,009

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

	Liability component HK\$'000	Equity component HK\$'000	Total HK\$'000
At 1 August 2015 (audited)	100,950	30,951	131,901
Interest charged during the period ended 31 January 2016 (Note 5)	4,741	—	4,741
Interest charged during the period from 1 February 2016 to 31 July 2016	4,899	—	4,899
At 31 July 2016 and 1 August 2016 (audited)	110,590	30,951	141,541
Interest charged during the period (Note 5)	5,215	—	5,215
<b>At 31 January 2017 (unaudited)</b>	<b>115,805</b>	<b>30,951</b>	<b>146,756</b>

### (ii) *Specific Mandate Convertible Notes*

The Specific Mandate Convertible Notes were issued to the Subscribers on 3 July 2015. The Specific Mandate Convertible Notes in an aggregate principal amount of HK\$186,840,000 carries the conversion right entitling the relevant holders to subscribe for a total of 407,947,597 shares of HK\$0.01 each in the Company at a conversion price of HK\$0.458 per share as adjusted for the Open Offer pursuant to the terms and conditions of the Specific Mandate Convertible Notes.



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2017

## 12. CONVERTIBLE NOTES *(continued)*

### *(ii) Specific Mandate Convertible Notes (continued)*

Unless previously converted, redeemed, purchased or cancelled in accordance with the terms and conditions of the Specific Mandate Convertible Notes, it will be redeemed by the Company on the maturity date of 3 July 2018 at the principal amount outstanding.

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

The various components of the Specific Mandate Convertible Notes recognised on initial recognition are as follows:

	HK\$'000
Face value of convertible notes issued	186,840
Equity component	(45,530)
Liability component at date of issue	141,310

The movements of the liability component and the equity component of the Specific Mandate Convertible Notes are as follows:

	<b>Liability component</b> HK\$'000	<b>Equity component</b> HK\$'000	<b>Total</b> HK\$'000
At 1 August 2015 (audited)	141,844	45,345	187,189
Partial conversion of convertible notes (Note 13(a))	(15,224)	(4,842)	(20,066)
Interest charged during the period ended 31 January 2016 (Note 5)	6,329	—	6,329
Interest charged during the period from 1 February 2016 to 31 July 2016	6,286	—	6,286
At 31 July 2016 and 1 August 2016 (audited)	139,235	40,503	179,738
Interest charged during the period (Note 5)	6,891	—	6,891
<b>At 31 January 2017 (unaudited)</b>	<b>146,126</b>	<b>40,503</b>	<b>186,629</b>

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2017

## 13. SHARE CAPITAL

	31 January 2017		31 July 2016	
	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	2,136,056	21,361	2,136,056	21,361

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

	Note	Period from 1 August 2016 to 31 January 2017		Period from 1 August 2015 to 31 July 2016	
		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		2,136,056	21,361	2,092,388	20,924
Partial conversion of Specific Mandate Convertible Notes	(a)	—	—	43,668	437
Balance at the end of the period		2,136,056	21,361	2,136,056	21,361

Note:

- (a) On 20 August 2015, the Company issued 43,668,122 shares to a holder of Specific Mandate Convertible Notes at a conversion price of HK\$0.458 per share with a principal amount of HK\$20,000,000. Upon conversion, the liability component of approximately HK\$15,224,000 and the equity component of approximately HK\$4,842,000 of the Specific Mandate Convertible Notes were transferred and recognised as share capital of approximately HK\$437,000 and share premium of approximately HK\$19,629,000.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2017

## 14. RELATED PARTY TRANSACTIONS

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

	<b>Six months ended 31 January</b>	
	<b>2017 (Unaudited) HK\$'000</b>	2016 (Unaudited) HK\$'000
Short-term employee benefits	<b>7,609</b>	7,268
Post-employment benefits	<b>25</b>	24
	<b>7,634</b>	7,292

### (ii) Transactions with related parties

		<b>Six months ended 31 January</b>	
	Notes	<b>2017 (Unaudited) HK\$'000</b>	2016 (Unaudited) HK\$'000
Fellow subsidiaries:			
Rental expenses and building management fee	(i)	<b>456</b>	650
Artiste fee	(ii)	<b>295</b>	312
Music royalty commission income	(ii)	<b>—</b>	668
Film distribution commission income	(ii)	<b>1,811</b>	345
Film distribution fee	(ii)	<b>150</b>	413
Share of net income by the Group on concerts organised by fellow subsidiaries		<b>—</b>	195
Sharing of corporate salaries on a cost basis allocated from		<b>3,908</b>	3,617
Sharing of administrative expenses on a cost basis allocated from		<b>486</b>	1,088
Sharing of corporate salaries on a cost basis allocated to		<b>7,735</b>	8,496
Sharing of administrative expenses on a cost basis allocated to		<b>1,200</b>	1,595
Related companies:			
Rental expenses and building management fee *	(i)	<b>1,834</b>	1,603
Production fee #	(ii)	<b>1,290</b>	2,090

\* Lai Sun Development Company Limited, a major shareholder of the ultimate holding company of the Company, and its subsidiaries.

# The company is a joint venture of the Group.

Notes:

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

For the six months ended 31 January 2017 (the “**Current Period**”), the Group recorded a turnover of approximately HK\$320,825,000, representing an increase of approximately 64% from approximately HK\$195,084,000 for the corresponding six months in 2016 (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\$200,314,000 for the Current Period from approximately HK\$134,980,000 for the Corresponding Period. The Group’s marketing expenses increased to approximately HK\$26,231,000 for the Current Period from approximately HK\$10,156,000 for the Corresponding Period. The increase in the abovementioned expenses was due to the increase in the operating activities of the Group. Administrative expenses increased to approximately HK\$72,614,000 for the Current Period from approximately HK\$64,931,000 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 increased to approximately HK\$10,372,000 for the Current Period from approximately HK\$6,924,000 for the Corresponding Period. Other operating expenses for the Current Period mainly included exchange losses arising from the depreciation in Renminbi.

Finance costs increased to approximately HK\$12,106,000 for the Current Period from approximately HK\$11,070,000 for the Corresponding Period. The increase in finance costs was mainly due to the issuance of the TFN Convertible Notes and Specific Mandate Convertible Notes on 13 May 2015 and 3 July 2015, respectively.

Profit attributable to owners of the Company for the Current Period was approximately HK\$9,091,000 compared to loss attributable to owners of the Company of approximately HK\$18,298,000 for the Corresponding Period. Basic earnings per share was approximately HK0.43 cent compared to basic loss per share of approximately HK0.86 cent for the Corresponding Period.

As at 31 January 2017, the Group’s equity attributable to owners of the Company amounted to approximately HK\$820,663,000 (31 July 2016: approximately HK\$812,805,000) and the net asset value per share attributable to the owners of the Company was approximately HK38.4 cents (31 July 2016: approximately HK38.1 cents).

## BUSINESS REVIEW

### *Media and Entertainment Segment*

#### *Events Management*

During the Current Period, the Group organised and invested in 48 (2016: 58) shows by popular local, Asian and internationally renowned artistes, including Chan Po Chu and Mui Suet See, Sammi Cheng, Grasshopper, Kelly Chen, Rene Liu, Tsai Chin, Ronald Cheng and Della. The total revenue from these concerts amounted to approximately HK\$113,029,000.

#### *Music*

During the Current Period, the Group released 4 (2016: 8) albums, including titles by Sammi Cheng, Jan Lamb and Tang Siu Hau. Turnover from music publishing and recording was approximately HK\$21,131,000.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **BUSINESS REVIEW** *(continued)*

### *Media and Entertainment Segment (continued)*

#### *Artiste Management*

During the Current Period, the Group recorded a turnover of approximately HK\$9,205,000 from artiste management. The Group currently has 28 artistes under its management.

#### *Film and TV Program Segment*

##### *Film Production and Distribution*

During the Current Period, the Group released 1 film, namely “Line Walker”. Turnover from the licence fee income and distribution commission income of films was approximately HK\$89,368,000.

##### *TV Program Production and Distribution*

During the Current Period, the Group recorded a turnover of approximately HK\$88,092,000 from TV program licence fee and distribution commission. The Group has also made investments in the production of 7 television drama series in the PRC which are expected to generate return to the Group in the coming financial years.

## **PROSPECTS**

With continued demand for entertainment consumption from the emerging middle class and the Government’s support on development of the cultural industry in China, the Group remains positive and targets China as the primary market.

Good news from Film Division is that crime thriller “Trivisa” has won the best original screenplay and best editing Golden Horse Film Awards in Taiwan while in Hong Kong “Trivisa” and “Three” have received seven and two nominations respectively in this year’s 36th Hong Kong Film Awards.

Upcoming release includes a romantic comedy “Love Off The Cuff” directed by Pang Ho-cheung and starring Miriam Yeung and Shawn Yue, and a costume action film “God of War” directed by Gordon Chan and starring Sammo Hung and Vincent Zhao. A costume action film “Legend of the Naga Pearls” produced by Gordon Chan and casting Wang Talu and Zhang Tianai, as well as a John Woo action-thriller “Manhunt” featuring Zhang Han Yu and Fukuyama Masaharu, are in their post-production stage.

For TV Division, a 36 episode drama series “Infernal Affairs”, an adaption of the legend movie, has commenced to broadcast in iQiyi platform since December last year. The Cantonese version will be shown in TVB soon. The Group is in the discussion with various Chinese partners for new project development, including “Soul Mate” adapted from a popular writer Anni Baobei.

For music and live entertainment businesses, the exclusive distribution licenses of our music products with Taobao China Software Co. Ltd. and Warner Music continue to provide stable income to the Group. The recent “EXO Planet #3 Tour 2017 Hong Kong” and “Ivana & Hins in Concert 2017” have earned good reputation and public praises. The Group will continue to work with prominent local and Asian artistes for concert promotion. Upcoming events include concerts of Yoga Lin, Liza Wang and C AllStar.

On top of its current artiste portfolio, the Group has continued to sign new talent in Greater China and further co-operates with Asian artistes to build up a strong artiste roster. We have entered into management agreements with a number of fresh talents in Hong Kong as well as Taiwan and they have already participated in our various film and TV program productions.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PROSPECTS *(continued)*

Looking forward, we believe that the Group's integrated media platform comprising movies, TV, music, new media, artiste management and live entertainment put us in a strong position to capture the opportunities of China entertainment market by a balanced and synergistic approach and we will continue to explore cooperation and investment opportunities to enrich our portfolio, broaden our income stream and maximise value for our shareholders.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations with internal resources and convertible notes. As at 31 January 2017, the Group had unsecured and unguaranteed 3-year zero coupon convertible notes with an outstanding principal amount of approximately HK\$296,840,000. 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\$261,931,000 as at 31 January 2017.

As at 31 January 2017, cash and cash equivalents decreased to approximately HK\$421,650,000 (31 July 2016: approximately HK\$449,973,000). The balances were approximately 32% in Hong Kong dollars, 58% in Renminbi and 10% in US dollars and Japanese Yen currencies. The Renminbi denominated balances were placed with licensed banks in the PRC and Hong Kong. The conversion of the Renminbi balances placed within the PRC 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 2017, 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 2017.

As at 31 January 2017, the gearing ratio of the Group, being the total borrowings to the shareholders' equity attributable to the owners of the Company, was approximately 31.9% (31 July 2016: 30.7%).

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group's exposures to foreign currencies mainly arises from trade receipts from overseas customers and its investment in foreign subsidiaries which are financed internally. In order to mitigate the potential impact of currency fluctuations, the Group closely monitors its foreign currency exposures and uses suitable hedging instruments against significant foreign currency exposures, where necessary. No foreign currency hedge contract was entered into by the Group during the period. At 31 January 2017, the Group has no outstanding foreign currency hedge contract.

## CHARGE ON GROUP ASSETS

At 31 January 2017, the Group did not have any charge on its assets.

## CAPITAL STRUCTURE

At 31 January 2017, the Group's equity attributable to owners of the Company increased by approximately 1% to approximately HK\$820,663,000 (31 July 2016: approximately HK\$812,805,000). Total assets amounted to approximately HK\$1,391,423,000 (31 July 2016: approximately HK\$1,432,223,000) which included current assets amounting to approximately HK\$1,201,501,000 (31 July 2016: approximately HK\$1,244,611,000). Current liabilities were approximately HK\$313,176,000 (31 July 2016: approximately HK\$371,849,000). Net assets value per share attributable to the owners of the Company as at 31 January 2017 was approximately HK38.4 cents (31 July 2016: approximately HK38.1 cents). Current ratio was approximately 3.8 (31 July 2016: approximately 3.3).

# MANAGEMENT DISCUSSION AND ANALYSIS

## ACQUISITION/DISPOSAL AND SIGNIFICANT INVESTMENTS

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

## CONTINGENT LIABILITIES

The Group had no material contingent liabilities at 31 January 2017.

## EMPLOYEE INFORMATION

At 31 January 2017, the Group had 176 (2016: 185) full-time employees. Staff costs amounted to approximately HK\$45,506,000 for the Current Period (2016: approximately HK\$46,670,000). The Group's remuneration policy remained the same as detailed in the Company's annual report for the year ended 31 July 2016.

# 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 (the “**CG Code**”) contained in Appendix 15 to the GEM Listing Rules throughout the six months ended 31 January 2017 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 of the Company held on 16 December 2016. However, Mr. Lui Siu Tsuen, Richard, an executive Director present at that meeting, took the chair pursuant to bye-law 63 of the bye-laws of the Company to ensure effective communication with the shareholders of the Company (the “**Shareholders**”) thereat.

### *Board*

The Board oversees the overall management of the business and affairs of the Company. The Board’s primary duty is to ensure the viability of the Company and to ensure that it is managed in the best interests of the Shareholders as a whole while taking into account the interests of other stakeholders.

The Board has established specific committees with written terms of reference to assist it in the efficient implementation of its functions, namely the Audit Committee, the Nomination Committee, the Remuneration Committee and the Executive Committee. The Company has also established a Management Committee comprising of the executive Directors and certain key department heads. Specific responsibilities have been delegated to the above committees.

The day-to-day management of the Company’s business has been vested with the management, the Management Committee and the Executive Committee whilst the Board focuses its attention on matters affecting the Company’s long-term objectives and plans for achieving these objectives, the overall business and commercial strategy of the Group as well as overall policies and guidelines.

Decisions relating to any acquisition or disposal of businesses, investments, or transactions or commitments of any kind where the actual or potential liability or value exceeds the threshold for discloseable transactions (as defined in the GEM Listing Rules from time to time) for the Company are reserved for the Board. Decisions regarding matters set out in the terms of reference of the Executive Committee are delegated to the Executive Committee and those not specifically reserved for the Board, including overseeing and monitoring the development and progress of individual projects and reviewing and approving high budget items, are entrusted to the management and the Management Committee.



# CORPORATE GOVERNANCE AND OTHER INFORMATION

## CORPORATE GOVERNANCE *(continued)*

### *Board (continued)*

The Board currently comprises seven members, of whom four are executive Directors and three are independent non-executive Directors. The current composition of the Board is characterised by diversity, whether considered in terms of nationality, professional background and skills.

The Board meets at least four times a year with meeting dates scheduled prior to the beginning of the year. Additional board meetings will be held when warranted. Directors also participate in consideration and approval of matters of the Company by way of written resolutions circulated to Directors together with supporting explanatory materials as and when required.

All Directors have been provided, on a monthly basis, with the Group's management information updates, giving a balanced and understandable assessment of the Group's performance, position, recent developments and prospects in sufficient detail to keep them abreast of the Group's affairs and facilitate them to discharge their duties under the relevant requirements of the GEM Listing Rules.

### *Chairman and Chief Executive Officer*

The CG Code provides that the roles of the chairman and the chief executive officer be separated and not be performed by the same individual.

Dr. Lam Kin Ngok, Peter was the chairman of the Board throughout the six months ended 31 January 2017. The office of chief executive officer of the Company remains vacant since 15 September 2012. During the six months ended 31 January 2017, the responsibilities of the chief executive officer were shared amongst other executive Directors.

## DIRECTORS' SECURITIES TRANSACTIONS

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 has made specific enquiry of all Directors who have confirmed in writing their compliance with the required standard set out in the Securities Code during the six months ended 31 January 2017.

## DIRECTORS' INTERESTS IN SECURITIES

As at 31 January 2017, the interests and short positions of the Directors 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

### DIRECTORS' INTERESTS IN SECURITIES *(continued)*

#### (1) *Interests in the Company*

Name of Directors	Long positions in the shares and underlying shares of the Company					Approximate percentage of issued shares <i>(Note 1)</i>
	Number of shares		Number of underlying shares		Total	
	Corporate interests	Personal interests	Corporate interests	Personal interests		
Lam Kin Ngok, Peter	1,443,156,837 <i>(Note 2(a))</i>	—	218,340,611 <i>(Note 2(a))</i>	—	1,661,497,448 <i>(Note 2(b))</i>	77.78%
Chan Chi Yuen	—	172,500	—	—	172,500	0.01%

#### (2) *Interests in Associated Corporations*

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

Name of Directors	Long positions in shares and underlying shares of eSun					Approximate percentage of issued shares
	Number of shares		Share options		Total	
	Corporate interests	Personal interests	Personal interests	Personal interests		
Lam Kin Ngok, Peter	521,204,186 <i>(Note 3)</i>	2,794,443	1,243,212 <i>(Note 4)</i>	—	525,241,841	42.25%
Chan Chi Kwong	—	—	1,500,000 <i>(Note 5)</i>	—	1,500,000	0.12%
Lui Siu Tsuen, Richard	—	—	3,729,636 <i>(Note 6)</i>	—	3,729,636	0.30%

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

Name of Director	Long positions in shares and underlying shares of Lai Fung					Approximate percentage of issued shares
	Number of shares		Share options		Total	
	Corporate interests	Personal interests	Personal interests	Personal interests		
Lam Kin Ngok, Peter	8,274,270,422 <i>(Note 7)</i>	—	16,095,912 <i>(Note 8)</i>	—	8,290,366,334	50.91%

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### DIRECTORS' INTERESTS IN SECURITIES *(continued)*

Notes:

- (1) The number of issued shares of the Company (the “**Shares**”) as at 31 January 2017 (that is, 2,136,056,825 Shares) has been used for the calculation of the approximate percentage.
- (2) (a) The Shares were owned by Perfect Sky Holdings Limited (“**Perfect Sky**”), a wholly-owned subsidiary of eSun. The underlying Shares comprised the conversion shares to be allotted and issued upon conversion of the convertible notes issued by the Company to Perfect Sky pursuant to a subscription agreement dated 17 April 2015.  
  
1,415,132,837 Shares owned by Perfect Sky were pledged as security under a share mortgage dated 21 September 2016 pursuant to a facility agreement of eSun.
- (b) eSun was the Company's ultimate holding company. As at 31 January 2017, eSun was indirectly owned as to approximately 41.92% by Lai Sun Development Company Limited (“**LSD**”). LSD was approximately 61.75% directly and indirectly owned by Lai Sun Garment (International) Limited (“**LSG**”). LSG was approximately 12.52% (excluding share option) owned by Dr. Lam Kin Ngok, Peter (“**Dr. Lam**”) and approximately 29.45% owned by Wisdoman Limited which was in turn 100% beneficially owned by Dr. Lam. Therefore, 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.
- (3) By virtue of his deemed controlling shareholding interests in LSD as described in Note (2)(b) above, Dr. Lam was deemed to be interested in such eSun shares owned indirectly by LSD.
- (4) 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 during the period from 18 January 2013 to 17 January 2023.
- (5) On 18 January 2013, Mr. Chan Chi Kwong was granted an option by eSun to subscribe for 1,500,000 eSun shares at a subscription price of HK\$1.612 per share during the period from 18 January 2013 to 17 January 2023.
- (6) On 18 January 2013, Mr. Lui Siu Tsuen, Richard was granted an option by eSun to subscribe for 3,729,636 eSun shares at a subscription price of HK\$1.612 per share during the period from 18 January 2013 to 17 January 2023.
- (7) By virtue of his deemed controlling shareholding interests in eSun as described in Note (2)(b) above, Dr. Lam was deemed to be interested in such Lai Fung shares owned indirectly by eSun.
- (8) 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 during the period from 18 January 2013 to 17 January 2023.

Save as disclosed above, as at 31 January 2017, none of the Directors 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

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 January 2017, the interests and short positions of the persons, other than Directors, 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	1,443,156,837	218,340,611	1,661,497,448 <i>(Note 2)</i>	77.78%
Lai Sun Development Company Limited	Interest of controlled corporations	1,443,156,837	218,340,611	1,661,497,448 <i>(Note 2)</i>	77.78%
eSun Holdings Limited	Interest of controlled corporation	1,443,156,837	218,340,611	1,661,497,448 <i>(Note 2)</i>	77.78%
Taiwan Mobile Co., Ltd.	Interest of controlled corporations	43,668,122	267,973,164 <i>(Note 3(a))</i>	311,641,286 <i>(Note 3(b))</i>	14.59%
Wealth Media Technology Co., Ltd.	Interest of controlled corporations	43,668,122	267,973,164 <i>(Note 3(a))</i>	311,641,286 <i>(Note 3(b))</i>	14.59%
TFN Media Co., Ltd.	Beneficial owner	—	267,973,164 <i>(Note 3(a))</i>	267,973,164	12.55%
Fubon Financial Holding Co., Ltd.	Interest of controlled corporation	99,187,500	72,969,432 <i>(Note 4(a))</i>	172,156,932 <i>(Note 4(b))</i>	8.06%
Fubon Financial Holding Venture Capital Corp.	Beneficial owner	99,187,500	72,969,432 <i>(Note 4(a))</i>	172,156,932	8.06%
Ming Tone Co., Ltd.	Interest of controlled corporations	99,187,500	72,969,432 <i>(Note 5(a))</i>	172,156,932 <i>(Note 5(b))</i>	8.06%
Wealth Media Co., Ltd.	Interest of controlled corporations	99,187,500	72,969,432 <i>(Note 5(a))</i>	172,156,932 <i>(Note 5(b))</i>	8.06%
Cheng Ting Co., Ltd.	Interest of controlled corporations	99,187,500	72,969,432 <i>(Note 5(a))</i>	172,156,932 <i>(Note 5(b))</i>	8.06%
Cheng Hao Co., Ltd.	Interest of controlled corporations	99,187,500	72,969,432 <i>(Note 5(a))</i>	172,156,932 <i>(Note 5(b))</i>	8.06%
Kbro Co., Ltd.	Interest of controlled corporation	99,187,500	72,969,432 <i>(Note 5(a))</i>	172,156,932 <i>(Note 5(b))</i>	8.06%
Kbro Media Co., Ltd.	Beneficial owner	99,187,500	72,969,432 <i>(Note 5(a))</i>	172,156,932	8.06%

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES *(continued)*

### *Long Position in the Shares (continued)*

Notes:

- (1) *The number of issued Shares as at 31 January 2017 (that is, 2,136,056,825 Shares) has been used for the calculation of the approximate percentage.*
- (2) *LSG, LSD and eSun were deemed to be interested in the same 1,661,497,448 Shares and underlying Shares held by Perfect Sky. Please refer to Note (2) as shown in the section headed "Directors' Interests in Securities" above for further details.*
- (3)
  - (a) *The underlying Shares comprised the conversion shares to be allotted and issued upon conversion of the convertible notes issued by the Company to TFN Media Co., Ltd. ("**TFN Media**") pursuant to a subscription agreement dated 17 April 2015.*
  - (b) *MOMO.COM Inc. ("**MOMO.COM**", interested in 43,668,122 Shares as at 31 January 2017) and TFN Media were owned as to approximately 44.38% and 100% by Wealth Media Technology Co., Ltd. ("**WMT**") respectively. WMT was wholly-owned by Taiwan Mobile Co., Ltd. ("**TMC**"). Therefore, WMT and TMC were deemed to be interested in 43,668,122 Shares owned by MOMO.COM and 267,973,164 underlying Shares owned by TFN Media pursuant to Part XV of the SFO.*
- (4)
  - (a) *The underlying Shares comprised the conversion shares to be allotted and issued upon conversion of the convertible notes issued by the Company to Fubon Financial Holding Venture Capital Corp. ("**Fubon Financial**") pursuant to a subscription agreement dated 17 April 2015.*
  - (b) *Fubon Financial was a subsidiary of Fubon Financial Holding Co., Ltd. which was, therefore, deemed to be interested in the same 172,156,932 Shares and underlying Shares owned by Fubon Financial pursuant to Part XV of the SFO.*
- (5)
  - (a) *The underlying Shares comprised the conversion shares to be allotted and issued upon conversion of the convertible notes issued by the Company to Kbro Media Co., Ltd. ("**Kbro Media**") pursuant to a subscription agreement dated 17 April 2015.*
  - (b) *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 approximately 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 172,156,932 Shares and underlying Shares owned by Kbro Media pursuant to Part XV of the SFO.*

Save as disclosed above, as at 31 January 2017, no other persons (other than the Directors) 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.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### SHARE OPTION SCHEME

On 18 December 2012, the Company adopted a share option scheme (the “**Share Option Scheme**”), the purpose of which is to recognise the contribution or future contribution of the eligible participants 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.

In compliance with Chapter 23 of the GEM Listing Rules, the Shareholders resolved at the annual general meeting of the Company held on 11 December 2015 to refresh the scheme limit under the Share Option Scheme, allowing the Company to grant options to subscribe for up to a total of 213,605,682 Shares, representing 10% of the issued Shares at the date of passing the relevant resolution. The refreshment of the scheme limit was also approved by the shareholders of eSun at the annual general meeting of eSun held on 11 December 2015 pursuant to the requirements of Rule 17.01(4) of the Rules Governing the Listing of Securities on the Stock Exchange and Rule 23.01(4) of the GEM Listing Rules.

No share options had been granted under the Share Option Scheme since its adoption. As at the date of this report, the Company might grant options under the Share Option Scheme to subscribe for a maximum of 213,605,682 Shares, representing 10% of the issued Shares.

### INTERESTS IN COMPETING BUSINESSES

During the period under review and up to the date of this report, eSun and four executive Directors, namely, Dr. Lam Kin Ngok, Peter, Mr. Chan Chi Kwong, Mr. Lui Siu Tsuen, Richard and Mr. Yip Chai Tuck (the “**Interested Directors**”) are considered to have interests in businesses which compete or may compete with the businesses of the Group pursuant to the GEM Listing Rules.

The Interested Directors 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 and operation of and investment in media and entertainment, music production and distribution, investment in and production and distribution of television programs, films and video format products and cinema operation.

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 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.

Save as disclosed above, none of the Directors, the controlling Shareholder and their respective close associates competes or may compete with the business of the Group and has or may have any other conflict of interest with the Group.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### 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 2015-2016 are set out as follows:

- (1) Mr. Chan Chi Kwong, an executive Director, was elected to become the chairman of International Federation of the Phonographic Industry (Hong Kong Group) Limited on 31 October 2016.
- (2) Mr. Chan Chi Yuen, an independent non-executive Director, was appointed as an independent non-executive director of Affluent Partners Holdings Limited (listed and traded on the Main Board of the Stock Exchange) on 20 December 2016.
- (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 2017 and 2016 are as follows:

	Fees HK\$'000	Salaries and allowances HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
<b>Six months ended 31 January 2017</b>				
<i>Executive Directors</i>				
Lam Kin Ngok, Peter	60	—	—	60
Chan Chi Kwong	60	1,745	7	1,812
Lui Siu Tsuen, Richard	60	—	—	60
Yip Chai Tuck	—	672	9	681
	<b>180</b>	<b>2,417</b>	<b>16</b>	<b>2,613</b>
<i>Independent Non-executive Directors</i>				
Chan Chi Yuen	75	—	—	75
Ng Chi Ho, Dennis	75	—	—	75
Zhang Xi	75	—	—	75
	<b>225</b>	<b>—</b>	<b>—</b>	<b>225</b>
<b>Total</b>	<b>405</b>	<b>2,417</b>	<b>16</b>	<b>2,838</b>

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## UPDATE ON DIRECTORS' INFORMATION *(continued)*

	<b>Fees</b>	<b>Salaries and allowances</b>	<b>Pension scheme contributions</b>	<b>Total remuneration</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 31 January 2016				
<i>Executive Directors</i>				
Lam Kin Ngok, Peter	60	—	—	60
Chan Chi Kwong	60	1,471	6	1,537
Lui Siu Tsuen, Richard	60	—	—	60
Yip Chai Tuck	—	609	9	618
Yu Feng (resigned on 30 September 2015)	20	—	—	20
Choi Chiu Fai, Stanley (resigned on 30 September 2015)	20	—	—	20
	220	2,080	15	2,315
<i>Independent Non-executive Directors</i>				
Chan Chi Yuen	63	—	—	63
Ng Chi Ho, Dennis	63	—	—	63
Zhang Xi	63	—	—	63
	189	—	—	189
Total	409	2,080	15	2,504

## PURCHASE, SALE OR REDEMPTION OF 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 2017.

## REVIEW OF INTERIM REPORT

The audit committee of the Company comprises three independent non-executive Directors, namely Mr. Chan Chi Yuen, Mr. Ng Chi Ho, Dennis and Mr. Zhang Xi. 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 2017.

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

Hong Kong, 15 March 2017