



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 2019

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

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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 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

Conyers Corporate Services (Bermuda) 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

GEM 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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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 2019 together with the comparative unaudited figures for the corresponding periods in 2018 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 31 January		Six months ended 31 January	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
TURNOVER	4	64,559	209,100	291,942	299,249
Cost of sales		(93,041)	(142,572)	(267,031)	(352,547)
Gross profit/(loss)		(28,482)	66,528	24,911	(53,298)
Other income		932	3,211	2,336	4,850
Marketing expenses		(12,314)	(35,391)	(15,375)	(63,434)
Administrative expenses		(37,005)	(48,817)	(71,131)	(82,933)
Other operating gains		5,449	25,983	8,670	28,160
Other operating expenses		4,554	292	(3,117)	(313)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES		(66,866)	11,806	(53,706)	(166,968)
Finance costs	5	(4,062)	(6,642)	(8,005)	(13,285)
Share of profits and losses of joint ventures		(921)	1,029	(2,692)	(2,974)
Share of profit and loss of an associate		14	(1)	113	(1)
PROFIT/(LOSS) BEFORE TAX	6	(71,835)	6,192	(64,290)	(183,228)
Income tax expense	7	(81)	(178)	(111)	(465)
PROFIT/(LOSS) FOR THE PERIOD		(71,916)	6,014	(64,401)	(183,693)
Attributable to:					
Owners of the Company		(71,740)	8,293	(64,912)	(179,749)
Non-controlling interests		(176)	(2,279)	511	(3,944)
		(71,916)	6,014	(64,401)	(183,693)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8				
Basic and diluted (HK cents)		(3.36)	0.39	(3.04)	(8.41)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended		Six months ended	
	31 January		31 January	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	(71,916)	6,014	(64,401)	(183,693)
OTHER COMPREHENSIVE LOSS TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS				
Exchange differences on translation of foreign operations	(2,502)	(4,594)	(1,682)	(2,579)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(74,418)	1,420	(66,083)	(186,272)
Attributable to:				
Owners of the Company	(73,900)	3,769	(66,403)	(182,237)
Non-controlling interests	(518)	(2,349)	320	(4,035)
	(74,418)	1,420	(66,083)	(186,272)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 January 2019 (Unaudited) HK\$'000	31 July 2018 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		4,184	4,096
Film and TV program products		60,638	40,453
Film rights		1,871	1,871
Investments in joint ventures		15,311	14,511
Investment in an associate		3,970	3,705
Prepayments, deposits and other receivables		36,088	45,937
Total non-current assets		122,062	110,573
CURRENT ASSETS			
Films and TV programs under production		493,103	469,611
Trade receivables	10	47,328	47,943
Prepayments, deposits and other receivables		168,655	118,782
Cash and cash equivalents		262,036	429,983
Total current assets		971,122	1,066,319
CURRENT LIABILITIES			
Trade payables	11	6,261	4,975
Accruals and other payables		274,052	253,467
Deposits received		222,798	263,154
Tax payable		9,532	9,530
Total current liabilities		512,643	531,126
NET CURRENT ASSETS		458,479	535,193
TOTAL ASSETS LESS CURRENT LIABILITIES		580,541	645,766
NON-CURRENT LIABILITIES			
Loan from an intermediate holding company	12	100,000	–
Loan from the ultimate holding company	12	–	100,000
Loan from a fellow subsidiary	13	200,000	–
Loan from a related party	13	–	200,000
Total non-current liabilities		300,000	300,000
Net assets		280,541	345,766
EQUITY			
Equity attributable to owners of the Company			
Issued capital	14	21,361	21,361
Reserves		276,770	343,173
Non-controlling interests		298,131 (17,590)	364,534 (18,768)
Total equity		280,541	345,766

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2019

Attributable to owners of the Company

	Share			Foreign currency			Non-controlling interests	Total equity	
	Issued capital	premium account	Contributed surplus	Capital reserve	translation reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 August 2018 (audited)	21,361	633,661	95,191	—	(8,903)	(376,776)	364,534	(18,768)	345,766
Profit/(loss) for the period	—	—	—	—	—	(64,912)	(64,912)	511	(64,401)
Other comprehensive loss for the period:									
Exchange differences on translation of foreign operations	—	—	—	—	(1,491)	—	(1,491)	(191)	(1,682)
Total comprehensive income/(loss) for the period	—	—	—	—	(1,491)	(64,912)	(66,403)	320	(66,083)
Capital contribution from a non-controlling shareholder	—	—	—	—	—	—	—	858	858
At 31 January 2019 (unaudited)	21,361	633,661	95,191	—	(10,394)	(441,688)	298,131	(17,590)	280,541
At 1 August 2017 (audited)	21,361	633,661	95,191	71,454	(8,631)	(174,727)	638,309	(10,693)	627,616
Loss for the period	—	—	—	—	—	(179,749)	(179,749)	(3,944)	(183,693)
Other comprehensive loss for the period:									
Exchange differences on translation of foreign operations	—	—	—	—	(2,488)	—	(2,488)	(91)	(2,579)
Total comprehensive loss for the period	—	—	—	—	(2,488)	(179,749)	(182,237)	(4,035)	(186,272)
Capital contribution from a non-controlling shareholder	—	—	—	—	—	—	—	2,362	2,362
At 31 January 2018 (unaudited)	21,361	633,661	95,191	71,454	(11,119)	(354,476)	456,072	(12,366)	443,706

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 January 2019

	Six months ended 31 January	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Net cash flows used in operating activities	(156,616)	(45,108)
Cash flows from investing activities		
Capital contribution to a joint venture	(2,500)	—
Advance to joint ventures	(1,285)	(1,589)
Other investing cash flows	(1,543)	573
Net cash flows used in investing activities	(5,328)	(1,016)
Cash flows from financing activities		
Capital contribution from a non-controlling shareholder	858	2,362
Interest paid to an intermediate holding company	(2,736)	—
Interest paid to a fellow subsidiary	(4,730)	—
Net cash flows from/(used in) financing activities	(6,608)	2,362
Net decrease in cash and cash equivalents	(168,552)	(43,762)
Cash and cash equivalents at beginning of period	429,983	402,451
Effect of foreign exchange rates changes	605	16,268
Cash and cash equivalents at end of period	262,036	374,957

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2019

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 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.

In the opinion of the directors of the Company, as at 31 July 2018, the ultimate holding company of the Company was eSun Holdings Limited ("**eSun**"), which was incorporated in Bermuda and whose shares are listed and traded on the Main Board of the Stock Exchange. On 8 August 2018, Lai Sun Garment (International) Limited, which was incorporated in Hong Kong and whose shares are listed and traded on the Main Board of the Stock Exchange, became the ultimate holding company of the Company. Thereafter, eSun became an intermediate holding company of the Company,

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 Standard ("**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 2018. These unaudited condensed consolidated results should be read in conjunction with the Company's annual report for the year ended 31 July 2018.

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. Except as described below, 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 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

HKFRS 9 “Financial Instruments”

HKFRS 9 brings together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9 for annual periods on or after 1 August 2018. The Group has not restated comparative information for financial instruments in the scope of HKFRS 9. Therefore, the comparative information is reported under HKAS 39 and is not comparable to the information presented as at 31 January 2019 and for the period then ended.

Under HKFRS 9, debt instruments are subsequently measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss (“**FVPL**”). The classification is based on two criteria: the Group’s business model for managing the assets; and whether the instruments contractual cash flows represent “solely payments of principal and interest” on the principal amount outstanding (the “**SPPI criterion**”).

(a) Classification and measurement

The new classification and measurement of the Group’s financial assets are as follows:

Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion.

The Group reviewed and assessed its financial assets and financial liabilities as at 1 August 2018 based on the facts and circumstances that existed at that date. The adoption of HKFRS 9 does not have a significant financial effect on the classification and measurement of the Group’s financial assets and financial liabilities.

(b) Impairment

The adoption of HKFRS 9 has fundamentally changed the Group’s accounting for impairment losses for financial assets by replacing HKAS 39’s incurred loss approach with a forward-looking expected credit loss (“**ECL**”) approach.

HKFRS 9 requires the Group to record an allowance for ECLs for all debt instruments not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset’s original effective interest rate.

The adoption of the ECL requirements of HKFRS 9 does not have a significant financial effect on the condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract. As at 1 August 2018 and 31 January 2019, the Group’s contract liabilities represented deposits received from customers as separately disclosed in the consolidated statement of financial position.

Except for the change of terminology used for deposits received from customers, HKFRS 15 has had no significant effect on these financial statements.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2019

4. TURNOVER AND SEGMENT INFORMATION

An analysis of the Group's turnover during the three months and six months ended 31 January 2019 is as follows:

	Three months ended 31 January		Six months ended 31 January	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Turnover				
Entertainment event income	19,648	99,096	77,054	123,916
Album sales, licence income and distribution commission income from music publishing and licensing	5,343	7,292	14,609	16,673
Artiste management fee income	1,952	7,971	4,600	13,669
Distribution commission income and licence fee income from film and TV program products and film rights	37,616	94,741	195,679	144,991
	64,559	209,100	291,942	299,249

Segment revenue/results:

	Media and entertainment Six months ended 31 January		Film and TV program Six months ended 31 January		Corporate Six months ended 31 January		Consolidated Six months ended 31 January	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Sales to external customers								
Revenue recognised at a point in time	90,011	136,318	195,679	144,991	-	-	285,690	281,309
Revenue recognised over time	6,252	17,940	-	-	-	-	6,252	17,940
	96,263	154,258	195,679	144,991	-	-	291,942	299,249
Other income	1,052	3,879	890	783	394	188	2,336	4,850
Segment profit/(loss)	6,936	38,538	(37,158)	(179,930)	(23,484)	(25,576)	(53,706)	(166,968)
Finance costs							(8,005)	(13,285)
Share of profits and losses of joint ventures	(1,948)	1,234	(744)	(4,208)	-	-	(2,692)	(2,974)
Share of profit and loss of an associate	-	-	113	(1)	-	-	113	(1)
Loss before tax							(64,290)	(183,228)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2019

4. TURNOVER AND SEGMENT INFORMATION *(continued)*

Segment assets/liabilities:

	Media and entertainment		Film and TV program		Corporate		Consolidated	
	31 January 2019 (Unaudited) HK\$'000	31 July 2018 (Audited) HK\$'000	31 January 2019 (Unaudited) HK\$'000	31 July 2018 (Audited) HK\$'000	31 January 2019 (Unaudited) HK\$'000	31 July 2018 (Audited) HK\$'000	31 January 2019 (Unaudited) HK\$'000	31 July 2018 (Audited) HK\$'000
Segment assets	186,989	192,237	832,689	915,214	54,225	51,225	1,073,903	1,158,676
Investments in joint ventures	13,061	14,507	2,250	4	—	—	15,311	14,511
Investment in an associate	—	—	3,970	3,705	—	—	3,970	3,705
Total assets							1,093,184	1,176,892
Segment liabilities	106,381	107,007	390,858	414,005	5,872	584	503,111	521,596
Unallocated liabilities							309,532	309,530
Total liabilities							812,643	831,126

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 31 January	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Interest on:		
— Loan from an intermediate holding company (Note 12)	2,737	—
— Loan from a fellow subsidiary (Note 13)	5,268	—
— TFN convertible notes	—	5,712
— Specific mandate convertible notes	—	7,573
	8,005	13,285

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2019

6. LOSS BEFORE TAX

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

	Six months ended 31 January	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Depreciation	2,205	2,446
Loss on disposal of items of property, plant and machinery ^{##}	—	2
Amortisation of film and TV program products [#]	197,283	261,498
Impairment of trade receivables ^{##}	—	2
Impairment of advances and other receivables ^{##}	3,000	—
Write-off of other receivables ^{##}	339	—
Reversal of impairment of advances and other receivables [*]	(14)	(31)
Share of net income to co-investors from entertainment events organised by the Group ^{##}	102	309
Share of net income from entertainment events organised by co-investors [*]	(4,683)	(620)
Foreign exchange gains, net [*]	(3,625)	(27,481)

This item is 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 2019 (six months ended 31 January 2018: 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	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Provision for tax for the period		
Current — Hong Kong		
Charge for the period	—	—
Overprovision in prior years	(21)	(9)
Current — Elsewhere		
Charge for the period	132	606
Overprovision in prior years	—	(132)
Total tax expense for the period	111	465

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2019

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	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
	Earnings/(Loss)			
Profit/(loss) attributable to owners of the Company used in the basic earnings/(loss) per share calculation	(71,740)	8,293	(64,912)	(179,749)
	Number of shares			
	Three months ended 31 January		Six months ended 31 January	
	2019 (Unaudited) '000	2018 (Unaudited) '000	2019 (Unaudited) '000	2018 (Unaudited) '000
Shares				
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	2,136,056
Earnings/(loss) per share:				
— Basic and diluted (HK cents)	(3.36)	0.39	(3.04)	(8.41)

No adjustment has been made to the basic loss per share amounts presented for three months and six months ended 31 January 2019 as there is no potential ordinary shares outstanding during the periods.

No adjustment had been made to the basic earnings/(loss) per share amounts presented for three months and six months ended 31 January 2018 in respect of a dilution as the impact of the TFN Convertible Notes and Specific Mandate Convertible Notes 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 2019 (six months ended 31 January 2018: Nil).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2019

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:

	31 January 2019 (Unaudited) HK\$'000	31 July 2018 (Audited) HK\$'000
Neither past due nor impaired	32,026	38,458
1 to 90 days past due	7,696	4,971
Over 90 days past due	7,606	4,514
	47,328	47,943

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 2019 (Unaudited) HK\$'000	31 July 2018 (Audited) HK\$'000
Less than 30 days	1,073	4,838
31 to 60 days	1,182	62
Over 60 days	4,006	75
	6,261	4,975

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2019

12. LOAN FROM AN INTERMEDIATE HOLDING COMPANY/THE ULTIMATE HOLDING COMPANY

The balance represented a loan from eSun. The balance is unsecured, interest-bearing at 3-month Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 3.3% per annum and repayable on 3 July 2020.

13. LOAN FROM A FELLOW SUBSIDIARY/A RELATED PARTY

The balance represented a loan from Hibright Limited (“**Hibright**”), a wholly-owned subsidiary of Lai Sun Development Company Limited (“**LSD**”). The balance is unsecured, interest-bearing at 3-month HIBOR plus 3.3% per annum and repayable on 11 May 2020.

LSD was a substantial shareholder of eSun as at 31 July 2018 and became an intermediate holding company of the Company since 8 August 2018. Accordingly, the loan from Hibright was presented as loan from a fellow subsidiary as at 31 January 2019 and loan from a related party as at 31 July 2018.

14. SHARE CAPITAL

	31 January 2019		31 July 2018	
	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

15. RELATED PARTY TRANSACTIONS

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

	Six months ended 31 January	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Short-term employee benefits	8,035	7,506
Post-employment benefits	26	26
	8,061	7,532

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2019

15. RELATED PARTY TRANSACTIONS *(continued)*

(ii) Transactions with related parties

		Six months ended 31 January	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Notes			
Fellow subsidiaries:			
Rental expenses and building management fee	(i)	1,730	500
Artiste fee	(ii)	100	—
Film distribution commission income	(ii)	1,179	782
Film distribution fee	(ii)	28	171
Music distribution commission income	(ii)	3,439	—
Sharing of corporate salaries on a cost basis allocated from		4,298	4,775
Sharing of administrative expenses on a cost basis allocated from		1,346	761
Sharing of corporate salaries on a cost basis allocated to		6,738	5,762
Sharing of administrative expenses on a cost basis allocated to		3,009	2,762
Interest expense	(iii)	5,268	—
Intermediate holding companies:			
Rental expenses and building management fee	(i)	569	—
Interest expense	(iii)	2,737	—
Related parties:			
Rental expenses and building management fee *	(i)	—	1,841
Production fee #	(ii)	1,200	1,730

* LSD 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, film distribution commission income, film distribution fee, music distribution commission income and production fee were charged in accordance with contractual terms with the respective parties.
- (iii) The interest expenses were charged at 3-month HIBOR plus 3.3% per annum on loans from an intermediate holding company and a fellow subsidiary, details of which are set out in notes 12 and 13 to the interim financial statements, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 31 January 2019 (the “**Current Period**”), the Group recorded a turnover of approximately HK\$291,942,000, representing a decrease of approximately 2% from approximately HK\$299,249,000 for the corresponding six months in 2018 (the “**Corresponding Period**”).

Cost of sales decreased to approximately HK\$267,031,000 for the Current Period from approximately HK\$352,547,000 for the Corresponding Period. The Group’s marketing expenses decreased to approximately HK\$15,375,000 for the Current Period from approximately HK\$63,434,000 for the Corresponding Period. The decrease in the above-mentioned expenses was due to the decrease in the number of large-scale films released and events held during the Current Period. Administrative expenses decreased to approximately HK\$71,131,000 for the Current Period from approximately HK\$82,933,000 for the Corresponding Period. Nevertheless, these expenses are under strict control by the Company’s management. Other operating expenses increased to approximately HK\$3,117,000 for the Current Period from approximately HK\$313,000 for the Corresponding Period. Other operating expenses mainly included impairment of advances and other receivables.

Finance costs decreased to approximately HK\$8,005,000 for the Current Period from approximately HK\$13,285,000 for the Corresponding Period. Finance costs in Current Period represented the interest expense arising from the loans from an intermediate holding company and a fellow subsidiary.

Loss attributable to owners of the Company for the Current Period decreased to approximately HK\$64,912,000 from approximately HK\$179,749,000 for the Corresponding Period. Basic loss per share decreased to approximately HK3.04 cents from approximately HK8.41 cents for the Corresponding Period.

As at 31 January 2019, the Group’s equity attributable to owners of the Company amounted to approximately HK\$298,131,000 (31 July 2018: approximately HK\$364,534,000) and the net asset value per share attributable to the owners of the Company was approximately HK14.0 cents (31 July 2018: approximately HK17.1 cents).

BUSINESS REVIEW

Media and Entertainment Segment

Events Management

During the Current Period, the Group organised and invested in 46 (2018: 48) shows by popular local, Asian and internationally renowned artistes, including Andy Lau, Sammi Cheng, Ivana Wong, JJ Lin, MayDay and EXO. The total revenue from these concerts amounted to approximately HK\$77,054,000.

Music

During the Current Period, the Group released 10 (2018: 4) albums, including titles by Sammi Cheng, Grasshopper, Remus Choy and Andy Leung. Turnover from music publishing and recording was approximately HK\$14,609,000.

Artiste Management

During the Current Period, the Group recorded a turnover of approximately HK\$4,600,000 from artiste management. The Group currently has 25 artistes under its management.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(continued)*

Film and TV Program Segment

Film Production and Distribution

During the Current Period, the Group released 2 films, namely “Kung Fu Monster” and “Dead Pigs”. Turnover from the licence fee income and distribution commission income of films was approximately HK\$31,087,000.

TV Program Production and Distribution

During the Current Period, the Group recorded a turnover of approximately HK\$164,592,000 from TV program licence fee and distribution commission.

PROSPECTS

Targeting at the PRC film market, the Group continues to invest in original production of quality films with Chinese themes. “Bodies At Rest”, an action crime film by director Renny Harlin casting Nick Cheung and Richie Jen, “Fagara in Mara”, a romance film produced by Ann Hui featuring Sammi Cheng, and “I’m Living It”, a feature film produced by Cheang Pou Soi with Aaron Kwok and Miriam Yeung, are in post-production stage. Projects under production include an action film “Knockout” by director Roy Chow featuring Han Geng and a romance comedy film “The Calling of a Bus Driver” by director Patrick Kong with Ivana Wong.

A 52 episode romance drama series “New Horizon”, starring Zheng Kai and Chen Chiao-en, is in the post-production stage and the Group is in discussion with various Chinese and overseas portals and video web sites for new project development.

The exclusive distribution license of our music products with Tencent Music Entertainment (Shenzhen) Co., Ltd and Warner Music continue to provide stable income contribution to the Group. The Group is actively looking for new talent in Greater China and further co-operation with Asian artistes with an aim to build up a strong artiste roster.

The recent “Along With Ekin Live Concert 2019” has 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 Sammi Cheng and Yoga Lin.

Looking forward, we believe that the Group’s integrated media platform comprising movies, TV programs, 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, loans from an intermediate holding company and a fellow subsidiary. At 31 January 2019, the Group has unsecured and interest-bearing loans from an intermediate holding company and a fellow subsidiary with an outstanding principal amount of HK\$100,000,000 and HK\$200,000,000 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES *(continued)*

As at 31 January 2019, cash and cash equivalents decreased to approximately HK\$262,036,000 (31 July 2018: approximately HK\$429,983,000). The balances were approximately 42% in Hong Kong dollars, 53% in Renminbi and 5% in US dollars 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 2019, 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 2019.

As at 31 January 2019, the gearing ratio of the Group, being the total borrowings to the shareholders' equity attributable to the owners of the Company, was approximately 101% (31 July 2018: approximately 82%).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group's exposure 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 Current Period. As at 31 January 2019, the Group has no outstanding foreign currency hedge contract (as at 31 July 2018: Nil).

CHARGE ON GROUP ASSETS

At 31 January 2019, the Group did not have any charge on its assets.

CAPITAL STRUCTURE

At 31 January 2019, the Group's equity attributable to owners of the Company decreased by approximately 18% to approximately HK\$298,131,000 (31 July 2018: approximately HK\$364,534,000). Total assets amounted to approximately HK\$1,093,184,000 (31 July 2018: approximately HK\$1,176,892,000) which included current assets amounting to approximately HK\$971,122,000 (31 July 2018: approximately HK\$1,066,319,000). Current liabilities were approximately HK\$512,643,000 (31 July 2018: approximately HK\$531,126,000). Net asset value per share attributable to the owners of the Company as at 31 January 2019 was approximately HK14.0 cents (31 July 2018: approximately HK17.1 cents). Current ratio was approximately 1.9 (31 July 2018: approximately 2.0).

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 2019.

EMPLOYEE INFORMATION

At 31 January 2019, the Group had 180 (2018: 187) full-time employees. Staff costs amounted to approximately HK\$51,678,000 for the Current Period (2018: approximately HK\$54,547,000). The Group's remuneration policy remained the same as detailed in the Company's annual report for the year ended 31 July 2018.

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 2019 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 21 December 2018. 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 2019. The office of chief executive officer of the Company remains vacant since 15 September 2012. During the six months ended 31 January 2019, 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 2019.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 January 2019, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 of the Company			Total	Approximate percentage of issued shares <i>(Note 1)</i>
	Number of shares		Personal interests		
	Corporate interests	Personal interests			
Lam Kin Ngok, Peter	1,443,156,837 <i>(Note 2)</i>	—	—	1,443,156,837	67.56%
Chan Chi Yuen	—	172,500	—	172,500	0.01%

(2) *Interests in Associated Corporations*

(a) *Lai Sun Garment (International) Limited (“LSG”)*

Name of Directors	Long positions in shares and underlying shares of LSG				Total	Approximate percentage of issued shares
	Number of shares		Share options	Personal interests		
	Corporate interests	Personal interests	Personal interests			
Lam Kin Ngok, Peter	113,127,277 <i>(Note 3)</i>	48,116,366	708,575 <i>(Note 4)</i>	—	161,952,218	42.05%
Lui Siu Tsuen, Richard	—	—	185,600 <i>(Note 5)</i>	—	185,600	0.05%

(b) *Lai Sun Development Company Limited (“LSD”)*

Name of Directors	Long positions in shares and underlying shares of LSD				Total	Approximate percentage of issued shares
	Number of shares		Share options	Personal interests		
	Corporate interests	Personal interests	Personal interests			
Lam Kin Ngok, Peter	340,023,572 <i>(Note 6)</i>	429,232	417,308 <i>(Note 7)</i>	—	340,870,112	56.24%
Lui Siu Tsuen, Richard	—	—	104,000 <i>(Note 8)</i>	—	104,000	0.02%

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' INTERESTS IN SECURITIES (continued)

(2) Interests in Associated Corporations (continued)

(c) eSun Holdings Limited (“eSun”)

Long positions in shares and underlying shares of eSun					
Name of Director	Number of shares		Share options	Total	Approximate percentage of issued shares
	Corporate interests	Personal interests	Personal interests		
Lam Kin Ngok, Peter	1,113,260,072	2,794,443	—	1,116,054,515	74.81%
	(Note 9)				

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

Long positions in shares and underlying shares of Lai Fung					
Name of Director	Number of shares		Share options	Total	Approximate percentage of issued shares
	Corporate interests	Personal interests	Personal interests		
Lam Kin Ngok, Peter	165,502,573	—	321,918	165,824,491	50.70%
	(Note 10)		(Note 11)		

Notes:

- The number of issued shares of the Company (the “Shares”) as at 31 January 2019 (that is, 2,136,056,825 Shares) has been used for the calculation of the approximate percentage.
- The Shares were owned by Perfect Sky Holdings Limited (“Perfect Sky”), a wholly-owned subsidiary of eSun.

As at 31 January 2019, eSun was indirectly owned as to approximately 74.62% (after taking into account of the sale of 41,150,000 shares in eSun pursuant to an agreement entered into between Transtrend Holdings Limited, a wholly-owned subsidiary of LSD, as the offeror and an independent third party as the offeree on 25 January 2019 and completed on 11 February 2019) by LSD. LSD was approximately 56.10% directly and indirectly owned by LSG. LSG was approximately 12.49% (excluding share option) owned by Dr. Lam Kin Ngok, Peter (“Dr. Lam”) and approximately 29.37% owned by Wisdoman Limited (“Wisdoman”) which was in turn 100% beneficially owned by Dr. Lam. Therefore, Dr. Lam was deemed to be interested in the Shares owned indirectly by eSun as shown in the section headed “Substantial Shareholders’ Interests in Securities” below pursuant to Part XV of the SFO.
- By virtue of his interests in Wisdoman as described in Note (2) above, Dr. Lam was deemed to be interested in such LSG shares owned directly by Wisdoman.
- On 18 January 2013 and 19 June 2017, Dr. Lam was granted share options by LSG to subscribe (after the adjustments for the rights issue effective on 7 February 2014 (if applicable) and share consolidation effective on 15 August 2017 of LSG) for 375,242 and 333,333 LSG shares at the respective exercise prices of HK\$6.05 and HK\$15 per share with the respective exercise periods from 18 January 2013 to 17 January 2023 and from 19 June 2017 to 18 June 2027.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' INTERESTS IN SECURITIES *(continued)*

Notes: *(continued)*

- (5) On 18 January, 2013, Mr. Lui Siu Tsuen, Richard ("**Mr. Lui**") was granted share options by LSG to subscribe (after the adjustments for the rights issue effective on 7 February 2014 and share consolidation effective on 15 August 2017 of LSG) for 185,600 LSG shares at an exercise price of HK\$6.05 per share with an exercise period from 18 January 2013 to 17 January 2023.
- (6) By virtue of his deemed controlling shareholding interests in LSG as described in Note (2) above, Dr. Lam was deemed to be interested in such LSD shares owned directly and indirectly by LSG.
- (7) On 18 January 2013, Dr. Lam was granted share options by LSD to subscribe (after the adjustments for the rights issue effective on 17 February 2016 and share consolidation effective on 15 August 2017 of LSD) for 417,308 LSD shares at an exercise price of HK\$16.1 per share with an exercise period from 18 January 2013 to 17 January 2023.
- (8) On 18 January 2013, Mr. Lui was granted share options by LSD to subscribe (after the adjustments for the rights issue effective on 17 February 2016 and share consolidation effective on 15 August 2017 of LSD) for 104,000 LSD shares at an exercise price of HK\$16.1 per share with an exercise period from 18 January 2013 to 17 January 2023.
- (9) By virtue of his deemed controlling shareholding interests in LSD as described in Note (2) above, Dr. Lam was deemed to be interested in such eSun shares owned indirectly by LSD.
- (10) By virtue of his deemed controlling shareholding interests in LSD and eSun as described in Note (2) above, Dr. Lam was deemed to be interested in 17,167 Lai Fung shares held by a wholly-owned subsidiary of LSD and 165,485,406 Lai Fung shares owned indirectly by eSun.
- (11) On 18 January 2013, Dr. Lam was granted share options by Lai Fung to subscribe (after the adjustment for the share consolidation effective on 15 August 2017 of Lai Fung) for 321,918 Lai Fung shares at an exercise price of HK\$11.4 per share with an exercise period from 18 January 2013 to 17 January 2023.

Save as disclosed above, as at 31 January 2019, 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 2019, 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	Approximate percentage of issued Shares <i>(Note 1)</i>
Lai Sun Garment (International) Limited	Interest of controlled corporations	1,443,156,837 <i>(Note 2)</i>	67.56%
Lai Sun Development Company Limited	Interest of controlled corporations	1,443,156,837 <i>(Note 2)</i>	67.56%
eSun Holdings Limited	Interest of controlled corporation	1,443,156,837 <i>(Note 2)</i>	67.56%

Notes:

- (1) The number of issued Shares as at 31 January 2019 (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 1,443,156,837 Shares held by Perfect Sky. Please refer to Note (2) as shown in the section headed "Directors' Interests in Securities" above for further details.

Save as disclosed above, as at 31 January 2019, 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.

SHARE OPTION SCHEME

On 18 December 2012, the Company adopted a share option scheme (the "Share Option Scheme") which will remain in force for 10 years commencing from the adoption date. The purpose of the Share Option Scheme 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE OPTION SCHEME *(continued)*

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 number 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 number 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 the development, operation of and investment in media and entertainment, music production and distribution, the 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.

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 2017-2018 are set out as follows:

- (1) Dr. Lam Kin Ngok, Peter, the Chairman, (a) was appointed as a member of the board of West Kowloon Cultural District Foundation Limited (a wholly-owned subsidiary of West Kowloon Cultural District Authority) for a term from 30 January 2019 to 15 November 2020; (b) will cease to act as the chairman of the Hong Kong Tourism Board on 1 April 2019 following the expiry of his terms of appointment; and (c) was appointed as the chairman of the Hong Kong Trade Development Council for a term of two years from 1 June 2019 to 31 May 2021.

CORPORATE GOVERNANCE AND OTHER INFORMATION

UPDATE ON DIRECTORS' INFORMATION *(continued)*

- (2) Mr. Ng Chi Ho, Dennis, an independent non-executive Director, was appointed as a non-executive director of My Heart Bodibra Group Limited (listed and traded on GEM of the Stock Exchange) on 11 December 2018.
- (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 2019 and 2018 are as follows:

	Fees HK\$'000	Salaries and allowances HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
Six months ended 31 January 2019				
<i>Executive Directors</i>				
Lam Kin Ngok, Peter	60	—	—	60
Chan Chi Kwong	60	1,782	7	1,849
Lui Siu Tsuen, Richard	60	—	—	60
Yip Chai Tuck	—	689	9	698
	180	2,471	16	2,667
<i>Independent Non-executive Directors</i>				
Chan Chi Yuen	75	—	—	75
Ng Chi Ho, Dennis	75	—	—	75
Zhang Xi	75	—	—	75
	225	—	—	225
Total	405	2,471	16	2,892

CORPORATE GOVERNANCE AND OTHER INFORMATION

UPDATE ON DIRECTORS' INFORMATION *(continued)*

	Fees	Salaries and allowances	Pension scheme contributions	Total remuneration
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 31 January 2018				
<i>Executive Directors</i>				
Lam Kin Ngok, Peter	60	—	—	60
Chan Chi Kwong	60	2,063	8	2,131
Lui Siu Tsuen, Richard	60	—	—	60
Yip Chai Tuck	—	646	9	655
	180	2,709	17	2,906
<i>Independent Non-executive Directors</i>				
Chan Chi Yuen	75	—	—	75
Ng Chi Ho, Dennis	75	—	—	75
Zhang Xi	75	—	—	75
	225	—	—	225
Total	405	2,709	17	3,131

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 2019.

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 2019.

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

Hong Kong, 14 March 2019