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Media Asia Group Holdings Limited

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8075)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 JANUARY 2016

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 announcement, 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 announcement 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 announcement misleading.*

INTERIM RESULTS

The board of directors (the “**Board**”) of Media Asia Group Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the three months and the six months ended 31 January 2016 together with the comparative unaudited figures for the corresponding periods in 2015 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Three months ended		Six months ended	
		31 January		31 January	
		2016	2015	2016	2015
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	4	80,190	304,726	195,084	383,455
Cost of sales		(47,939)	(194,319)	(134,980)	(247,352)
Gross profit		32,251	110,407	60,104	136,103
Other income		2,666	2,290	3,973	3,336
Marketing expenses		(1,960)	(43,749)	(10,156)	(51,211)
Administrative expenses		(38,118)	(40,449)	(64,931)	(67,523)
Other operating gains		318	(203)	3,019	721
Other operating expenses		(287)	(955)	(6,924)	(2,720)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES		(5,130)	27,341	(14,915)	18,706
Finance costs	5	(5,476)	(4,099)	(11,070)	(8,198)
Share of profits and losses of joint ventures		3,215	(111)	6,980	434
Share of profits and losses of an associate		(2)	—	(2)	(3)
PROFIT/(LOSS) BEFORE TAX	6	(7,393)	23,131	(19,007)	10,939
Income tax expense	7	(1,213)	(419)	(1,484)	(419)
PROFIT/(LOSS) FOR THE PERIOD		(8,606)	22,712	(20,491)	10,520
Attributable to:					
Owners of the Company		(7,230)	22,580	(18,298)	11,658
Non-controlling interests		(1,376)	132	(2,193)	(1,138)
		(8,606)	22,712	(20,491)	10,520
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8				
Basic and diluted (HK cents)		(0.34)	1.69	(0.86)	0.87

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended		Six months ended	
	31 January		31 January	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT/(LOSS) FOR THE PERIOD	(8,606)	22,712	(20,491)	10,520
OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS				
Exchange differences on translation of foreign operations	(15,148)	599	(20,336)	1,244
Release of foreign currency translation reserve upon disposal of subsidiaries	—	(106)	—	(106)
OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX	(15,148)	493	(20,336)	1,138
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(23,754)	23,205	(40,827)	11,658
Attributable to:				
Owners of the Company	(22,274)	23,071	(38,538)	12,794
Non-controlling interests	(1,480)	134	(2,289)	(1,136)
	(23,754)	23,205	(40,827)	11,658

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	31 January 2016 (Unaudited) HK\$'000	31 July 2015 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		11,191	10,136
Film and TV program products		39,831	40,909
Film rights		921	962
Investments in joint ventures		50,928	57,282
Investment in an associate		19,384	19,380
Prepayment, deposits and other receivables		53,756	53,455
		176,011	182,124
CURRENT ASSETS			
Films and TV programs under production		349,041	246,265
Trade receivables	10	52,298	28,801
Prepayments, deposits and other receivables		202,366	323,287
Cash and cash equivalents		575,474	722,002
		1,179,179	1,320,355
CURRENT LIABILITIES			
Trade payables	11	4,975	1,681
Accruals and other payables		177,672	285,794
Deposits received		46,009	66,277
Tax payable		11,936	11,117
		240,592	364,869
NET CURRENT ASSETS		938,587	955,486
TOTAL ASSETS LESS CURRENT LIABILITIES		1,114,598	1,137,610
NON-CURRENT LIABILITIES			
Convertible notes	12	238,640	242,794
Net assets		875,958	894,816
EQUITY			
Equity attributable to owners of the Company			
Issued capital	13	21,361	20,924
Reserves		853,679	877,430
		875,040	898,354
Non-controlling interests		918	(3,538)
Total equity		875,958	894,816

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2016

	Attributable to owners of the Company							Non- controlling interests	Total equity
	Issued capital	Share premium account	Contributed surplus	Capital reserve	Foreign currency translation reserve	Retained profits/ (accumulated losses)	Total		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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 (Note 13(c))	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
At 1 August 2014 (audited)	13,399	343,460	95,191	181,821	(2)	(77,318)	556,551	(2,048)	554,503
Profit/(loss) for the period	—	—	—	—	—	11,658	11,658	(1,138)	10,520
Other comprehensive income/(loss) for the period:									
Exchange differences on translation of foreign operations	—	—	—	—	1,242	—	1,242	2	1,244
Release of foreign currency translation reserve upon disposal of subsidiaries	—	—	—	—	(106)	—	(106)	—	(106)
Total comprehensive income/(loss) for the period	—	—	—	—	1,136	11,658	12,794	(1,136)	11,658
At 31 January 2015 (unaudited)	13,399	343,460	95,191	181,821	1,134	(65,660)	569,345	(3,184)	566,161

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 31 January 2016*

	Six months ended	
	31 January	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash flows from/(used in) operating activities	(148,657)	3,722
Cash flows from investing activities		
Deemed acquisition of a subsidiary	11,364	—
Disposal of subsidiaries	—	(6,478)
Capital contribution to a joint venture	—	(7,500)
Advances to joint ventures	—	(1,188)
Repayment from a joint venture	—	3,474
Other investing cash flows	(950)	(7)
Net cash flows from/(used in) investing activities	10,414	(11,699)
Cash flows from financing activities		
Capital contribution from a non-controlling shareholder	2,999	—
Net decrease in cash and cash equivalents	(135,244)	(7,977)
Cash and cash equivalents at beginning of period	722,002	326,999
Effect of foreign exchange rates changes	(11,284)	959
Cash and cash equivalents at end of period	<u>575,474</u>	<u>319,981</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2016

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 advertising services and 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 auditors but have been reviewed by the Company's Audit Committee.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants, and applicable disclosure requirements of the GEM Listing Rules and the applicable disclosure requirements of the Hong Kong Companies Ordinance.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements for the period under review are consistent with those used in the Group's audited consolidated financial statements for the year ended 31 July 2015. These unaudited condensed consolidated results should be read in conjunction with the Company's annual report for the year ended 31 July 2015.

In addition, the Group has adopted a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) which are applicable to the Group for the first time for the current period's unaudited condensed consolidated interim financial statements. The adoption of these new and revised HKFRSs has had no material impact on the reported results or financial position of the Group.

4. TURNOVER AND SEGMENT INFORMATION

An analysis of the Group's turnover during the three months and six months ended 31 January 2016 is as follows:

	Three months ended		Six months ended	
	31 January		31 January	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Entertainment event income	41,322	153,838	110,780	204,886
Album sales, licence income and distribution commission income from music publishing and licensing	10,718	7,236	25,104	12,820
Artiste management fee income	6,147	4,605	10,489	9,642
Advertising income	—	9,916	—	10,908
Distribution commission income and licence fee income from film and TV program products and film rights	22,003	129,131	48,711	145,199
	<u>80,190</u>	<u>304,726</u>	<u>195,084</u>	<u>383,455</u>

Segment revenue/results:

	Media and entertainment		Film and TV program		Corporate		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended	
	31 January		31 January		31 January		31 January	
	2016	2015	2016	2015	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to external customers	146,373	238,256	48,711	145,199	—	—	195,084	383,455
Other income	2,044	2,968	472	180	1,457	188	3,973	3,336
Segment profit/(loss)	<u>25,342</u>	<u>33,369</u>	<u>(16,375)</u>	<u>7,067</u>	<u>(23,882)</u>	<u>(22,054)</u>	<u>(14,915)</u>	<u>18,382</u>
Gain on disposal of subsidiaries	—	324	—	—	—	—	—	324
Finance costs	—	—	—	—	—	—	(11,070)	(8,198)
Share of profits and losses of joint ventures	2,439	434	4,541	—	—	—	6,980	434
Share of profits and losses of an associate	—	—	(2)	(3)	—	—	(2)	(3)
Profit/(loss) before tax							<u>(19,007)</u>	<u>10,939</u>

Segment assets/liabilities:

	Media and entertainment		Film and TV program		Corporate		Consolidated	
	31 January 2016 (Unaudited) HK\$'000	31 July 2015 (Audited) HK\$'000	31 January 2016 (Unaudited) HK\$'000	31 July 2015 (Audited) HK\$'000	31 January 2016 (Unaudited) HK\$'000	31 July 2015 (Audited) HK\$'000	31 January 2016 (Unaudited) HK\$'000	31 July 2015 (Audited) HK\$'000
Segment assets	282,895	267,271	751,212	714,211	250,771	444,335	1,284,878	1,425,817
Investments in joint ventures	22,893	32,275	28,035	25,007	—	—	50,928	57,282
Investment in an associate	—	—	19,384	19,380	—	—	19,384	19,380
Total assets							<u>1,355,190</u>	<u>1,502,479</u>
Segment liabilities	71,858	99,202	154,161	250,376	2,637	4,174	228,656	353,752
Unallocated liabilities							<u>250,576</u>	<u>253,911</u>
Total liabilities							<u>479,232</u>	<u>607,663</u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 31 January	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Interest on:		
— Second Completion Convertible Notes (Note 12(ii))	—	8,198
— TFN Convertible Notes (Note 12(iii))	4,741	—
— Specific Mandate Convertible Notes (Note 12(iv))	6,329	—
	<u>11,070</u>	<u>8,198</u>

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	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	1,792	1,957
Amortisation of film and TV program products [#]	33,131	57,493
Amortisation of film rights [#]	42	1,065
Reversal of impairment of advances and other receivables*	(353)	—
Gain on disposal of subsidiaries*	—	(324)
Share of net income to co-investors from entertainment events organised by the Group ^{##}	411	2,146
Share of net loss ^{##} /(income)* from entertainment events organised by co-investors	(2,350)	68
Foreign exchange loss, net ^{##}	6,487	494
	<u>6,487</u>	<u>494</u>

[#] 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 in Hong Kong during the six months ended 31 January 2016 (six months ended 31 January 2015: Nil). 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	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Provision for tax for the period		
Current — Hong Kong		
Charge for the period	—	—
Current — Elsewhere		
Charge for the period	1,484	419
	<u>1,484</u>	<u>419</u>
Total tax expense for the period	<u>1,484</u>	<u>419</u>

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		Six months ended	
	31 January		31 January	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Earnings/(loss)				
Profit/(loss) attributable to owners of the Company used in the basic earnings/(loss) per share calculation	<u>(7,230)</u>	<u>22,580</u>	<u>(18,298)</u>	<u>11,658</u>
Number of shares				
	Three months ended		Six months ended	
	31 January		31 January	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue used in the basic earnings/(loss) per share calculation	<u>2,136,056</u>	<u>1,339,865</u>	<u>2,131,310</u>	<u>1,339,865</u>
Earnings/(loss) per share:				
— Basic and diluted (HK cents)	<u>(0.34)</u>	<u>1.69</u>	<u>(0.86)</u>	<u>0.87</u>

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

No adjustment has been made to the basic loss per share amounts presented for three months and six months ended 31 January 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 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 2016 (six months ended 31 January 2015: Nil).

10. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period generally ranges from 30 to 60 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables 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 2016 (Unaudited) HK\$'000	31 July 2015 (Audited) HK\$'000
Neither past due nor impaired	20,679	10,101
1 to 90 days past due	23,271	12,967
Over 90 days past due	8,348	5,733
	<u>52,298</u>	<u>28,801</u>

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 2016 (Unaudited) HK\$'000	31 July 2015 (Audited) HK\$'000
Less than 30 days	4,867	1,392
31 to 60 days	108	289
	<u>4,975</u>	<u>1,681</u>

12. CONVERTIBLE NOTES

		31 January 2016 (Unaudited) HK\$'000	31 July 2015 (Audited) HK\$'000
	<i>Notes</i>		
TFN Convertible Notes	<i>(iii)</i>	105,691	100,950
Specific Mandate Convertible Notes	<i>(iv)</i>	132,949	141,844
		238,640	242,794

Pursuant to a subscription agreement entered into between Perfect Sky Holdings Limited (“**Perfect Sky**”, a wholly-owned subsidiary of eSun Holdings Limited), Sun Great Investments Limited, Next Gen Entertainment Limited, Memestar Limited, On Chance Inc. and Grace Promise Limited (collectively, the “**Subscribers**”) and the Company on 23 March 2011, among others, the Company conditionally agreed to issue, and the Subscribers conditionally agreed to subscribe for 3-year zero coupon convertible notes in an aggregate principal amount of HK\$371,386,642 (the “**First Completion Convertible Notes**”) and HK\$224,873,937 (the “**Second Completion Convertible Notes**”), which are convertible at the option of the holders into the Company’s ordinary shares during the period commencing on the first day of the First Completion Convertible Notes and the first day of the Second Completion Convertible Notes and expiring on the date which is five business days preceding the maturity date.

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 holder 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, Fubon Financial Holding Venture Capital Corp., Kbro Media Co., Ltd. and MOMO.COM Inc. (collectively the “**New Subscribers**”) on 17 April 2015, among others, the Company conditionally agreed to issue, and the New 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) First Completion Convertible Notes

The First Completion Convertible Notes were redeemed on 8 June 2014.

(ii) Second Completion Convertible Notes

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

Pursuant to the terms and conditions of the Second Completion Convertible Notes, as a result of the share consolidation of every twenty issued shares into one consolidated share of a par value of HK\$0.20 on 9 January 2014, the conversion price of the Second Completion Convertible Notes set out above was adjusted from HK\$0.02785 per share to HK\$0.557 per share. As a result of the Open Offer (as defined in Note 13(a)), the conversion price of the Second Completion Convertible Notes was adjusted from HK\$0.557 per share to HK\$0.482 per share. Accordingly, the number of shares upon conversion would be adjusted in inverse proportion to the adjusted conversion price.

Unless previously converted, redeemed, purchased or cancelled in accordance with the terms and conditions of the Second Completion Convertible Notes, it would be redeemed by the Company on the maturity date of 8 June 2015 at the principal amount outstanding. The Second Completion Convertible Notes were redeemed on 8 June 2015.

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

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

	Liability component <i>HK\$'000</i>	Equity component <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 July 2014 and 1 August 2014 (audited)	168,973	181,821	350,794
Interest charged during the period ended 31 January 2015 (<i>Note 5</i>)	8,198	—	8,198
Interest charged during the period from 1 February 2015 to 31 July 2015	5,664	—	5,664
Partial conversion of convertible notes (<i>Note 13(b)</i>)	(39,770)	(39,579)	(79,349)
Redemption of convertible notes	(143,065)	(142,242)	(285,307)
At 31 July 2015 (audited)	—	—	—

(iii) 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 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, 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 January 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 elected 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 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.

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:

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

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

	Liability component <i>HK\$'000</i>	Equity component <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 August 2014 and 31 January 2015	—	—	—
Issued on 13 May 2015	99,009	30,991	130,000
Cost of issue of convertible notes	(129)	(40)	(169)
Interest charged during the period from 13 May 2015 to 31 July 2015	2,070	—	2,070
At 31 July 2015 and 1 August 2015 (audited)	100,950	30,951	131,901
Interest charged during the period (Note 5)	4,741	—	4,741
At 31 January 2016 (unaudited)	105,691	30,951	136,642

(iv) Specific Mandate Convertible Notes

The Specific Mandate Convertible Notes were issued to the New 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 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.

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:

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

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

	Liability component <i>HK\$'000</i>	Equity component <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 August 2014 and 31 January 2015	—	—	—
Issued on 3 July 2015	141,310	45,530	186,840
Cost of issue of convertible notes	(574)	(185)	(759)
Interest charged during the period from 3 July 2015 to 31 July 2015	1,108	—	1,108
At 31 July 2015 and 1 August 2015 (audited)	141,844	45,345	187,189
Partial conversion of convertible notes (Note 13(c))	(15,224)	(4,842)	(20,066)
Interest charged during the period (Note 5)	6,329	—	6,329
At 31 January 2016 (unaudited)	132,949	40,503	173,452

13. SHARE CAPITAL

	31 January 2016		31 July 2015	
	Number of shares (Unaudited) <i>'000</i>	Nominal value (Unaudited) <i>HK\$'000</i>	Number of shares (Audited) <i>'000</i>	Nominal value (Audited) <i>HK\$'000</i>
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	2,092,388	20,924

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

	<i>Notes</i>	Period from 1 August 2015 to 31 January 2016		Period from 1 August 2014 to 31 July 2015	
		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		2,092,388	20,924	1,339,865	13,399
Open Offer	(a)	—	—	669,933	6,699
Partial conversion of Second Completion Convertible Notes	(b)	—	—	82,590	826
Partial conversion of Specific Mandate Convertible Notes	(c)	43,668	437	—	—
Balance at the end of the period		<u>2,136,056</u>	<u>21,361</u>	<u>2,092,388</u>	<u>20,924</u>

Notes:

- (a) Pursuant to the Company's announcement dated 17 April 2015 and the prospectus of the Company dated 8 May 2015, the Company proposed an open offer on the basis of one offer share for every two existing shares at the subscription price of HK\$0.30 per offer share (the "Open Offer"). A total of 669,932,910 shares were issued under the Open Offer on 2 June 2015. The gross proceeds from the Open Offer were approximately HK\$200,980,000. The net proceeds after deducting the underwriting commission and other related expenses of approximately HK\$2,232,000 were approximately HK\$198,748,000.
- (b) On 4 June 2015, the Company issued 82,589,973 shares to certain holders of the Second Completion Convertible Notes at a conversion price of HK\$0.482 per share for partial conversion of the Second Completion Convertible Notes with a principal amount of HK\$39,808,368. Upon conversion, the liability component of approximately HK\$39,770,000 and the equity component of approximately HK\$39,579,000 of the Second Completion Convertible Notes were transferred and recognised as share capital of approximately HK\$826,000 and share premium of approximately HK\$78,523,000.
- (c) On 20 August 2015, the Company issued 43,668,122 shares to a holder of the 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.

14. CAPITAL COMMITMENTS

As at 31 January 2016, the Group had the following capital commitments, contracted but not provided for, as follows:

	31 January 2016 (Unaudited) HK\$'000	31 July 2015 (Audited) HK\$'000
Capital contributions to subsidiaries	<u>97,054</u>	<u>100,801</u>

15. RELATED PARTY TRANSACTIONS

(i) Compensation of key management personnel of the Group

	Six months ended 31 January	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Short-term employee benefits	7,268	1,696
Post-employment benefits	<u>24</u>	<u>4</u>
	<u>7,292</u>	<u>1,700</u>

(ii) Transactions with related parties

		Six months ended	
		31 January	
		2016	2015
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Fellow subsidiaries:			
Rental expenses and building management fee	(i)	650	339
Artiste fee	(ii)	312	1,124
Artiste fee commission income	(ii)	—	12
Music royalty commission income	(ii)	668	1,102
Film distribution commission income	(ii)	345	655
Film distribution fee	(ii)	413	1,177
Promotion and advertising fee	(ii)	27	138
Share of net income by the Group on concerts organised by fellow subsidiaries		195	—
Sharing of corporate salaries on a cost basis allocated from		3,617	3,851
Sharing of administrative expenses on a cost basis allocated from		1,088	1,550
Sharing of corporate salaries on a cost basis allocated to		8,496	9,050
Sharing of administrative expenses on a cost basis allocated to		1,595	967
Video consignment commission expenses	(ii)	2	17
Reimbursement of production and package costs of video products	(ii)	1	10
Video distribution commission expenses	(ii)	18	148
Related companies:			
Rental expenses and building management fee	(i)	1,603	1,420
Production fee	(ii)	2,090	2,240

Notes:

- (i) The rental expenses and building management fee were charged with reference to market rates.
- (ii) The artiste fee, artiste fee commission income, music royalty commission income, film distribution commission income, film distribution fee, promotion and advertising fee, video consignment commission expenses, reimbursement of production and package costs of video products, video distribution commission expenses 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 2016 (the “**Current Period**”), the Group recorded a turnover of approximately HK\$195,084,000, representing a decrease of approximately 49% from approximately HK\$383,455,000 for the corresponding six months in 2015 (the “**Corresponding Period**”). The decrease in revenue was due to the decrease in the number of large-scale films released and events held during the Current Period.

Cost of sales decreased to approximately HK\$134,980,000 for the Current Period from approximately HK\$247,352,000 for the Corresponding Period. The Group’s marketing expenses decreased to approximately HK\$10,156,000 for the Current Period from approximately HK\$51,211,000 for the Corresponding Period. The decrease in the abovementioned 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\$64,931,000 for the Current Period from approximately HK\$67,523,000 for the Corresponding Period. These expenses are under strict control by the Company’s management. Other operating gains mainly included the share of net income from entertainment events organised by co-investors. Other operating expenses increased to approximately HK\$6,924,000 for the Current Period from approximately HK\$2,720,000 for the Corresponding Period. Other operating expenses for the Current Period mainly included exchange loss arising from the depreciation in Renminbi.

Finance costs increased to approximately HK\$11,070,000 for the Current Period from approximately HK\$8,198,000 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.

Loss attributable to owners of the Company for the Current Period was approximately HK\$18,298,000 compared to profit attributable to owners of the Company of approximately HK\$11,658,000 for the Corresponding Period. Basic loss per share was approximately HK cent 0.86 compared to basic earnings per share of approximately HK cent 0.87 for the Corresponding Period.

As at 31 January 2016, the Group’s equity attributable to owners of the Company amounted to approximately HK\$875,040,000 (31 July 2015: approximately HK\$898,354,000) and the net asset value per share attributable to the owners of the Company was HK cents 41.0 (31 July 2015: HK cents 42.9).

BUSINESS REVIEW

Media and Entertainment Segment

Events Management

During the Current Period, the Group organised and invested in 58 (2015: 37) shows by popular local, Asian and internationally renowned artistes, including Sammi Cheng, Miriam Yeung, Ivana Wong, EXO, a group of Ekin Cheng, Jordan Chan, Michael Tse, Jerry Lamb and Chin Ka Lok, Kelly Chen and George Lam. The total revenue from these concerts amounted to approximately HK\$110,780,000.

Music

During the Current Period, the Group released 8 (2015: 11) albums, including titles by Miriam Yeung, C AllStar, a group of Richie Jen, William So, Edmond Leung and Steve Wong, Justin Lo, Sean Pang and RubberBand. Turnover from music publishing and recording was approximately HK\$25,104,000.

Artiste Management

During the Current Period, the Group recorded a turnover of approximately HK\$10,489,000 from artiste management. The Group currently has more than 20 artistes under its management.

Film and TV Program Segment

Film Production and Distribution

During the Current Period, a total of 4 films produced/invested by the Group were theatrically released, namely “The Assassin”, “All You Need Is Love”, “Office” and “She Remembers, He Forgets”. Turnover from the licence fee income and distribution commission income of films was approximately HK\$46,454,000.

TV Program Production and Distribution

During the Current Period, the Group recorded a turnover of approximately HK\$2,257,000 from TV program licence fee and distribution commission. The Group has made investments in production of 7 television drama series in the PRC which are expected to generate return to the Group in the coming financial years.

PROSPECTS

The China entertainment consumption continues to grow and the Group has lined up its products to capture the market opportunities.

The Group is on a continued drive to increase original production of films with Chinese themes. “Three” and “Triviṣa”, two action films produced by Mr. Johnnie To, are under production, a remake of Ken Takakura’s epic movie “Manhunt” by director Mr. John Woo will start shooting soon and a number of other projects are also in development.

In November 2015, the Group announced its strategic cooperation with Shenzhen Media Group. The collaboration will enhance the Group’s entertainment platform in China for better development of its film, TV and media businesses. A sitcom “The Taste of Love” has started broadcasting since February 2016 and a TV drama “Don’t Go Breaking My Heart” will be broadcasted in mid-2016.

The Group remains highly active on the live entertainment front. During the period under review, the Group has produced and promoted numerous major concerts in China and Hong Kong by prominent local and Asian artistes. The Group continues to work with leading international companies such as Korea’s CJ E&M Corp. (“CJ”) and has just successfully co-produced the Mnet Asian Music Awards (MAMA) with CJ for the third year. Besides pop music event the Group has also extended its production to Cantonese Opera to promote traditional Chinese culture. A famous title 「牡丹亭驚夢」featuring Ms. Chan Po Chu and Ms. Mui Suet See will be on stage in May 2016.

Good news from our Talent Management Division is that the Group’s artist Ms. Karena Lam has won the Best Actress Award at the Golden Horse Awards, making her the first person ever to have won all the Best Actress, Best Supporting Actress and Best New Performer Golden Horse awards. On top of its current Chinese artiste portfolio, the Group is actively looking for new talent in Greater China and co-operation with Asian artiste.

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations with internal resources and convertible notes. As at 31 January 2016, 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\$238,640,000 as at 31 January 2016.

As at 31 January 2016, cash and cash equivalents decreased to approximately HK\$575,474,000 (31 July 2015: approximately HK\$722,002,000). The balances were approximately 59% in Hong Kong dollars, 32% in Renminbi and 9% in US dollars. The Renminbi denominated balances were placed with licensed banks in the PRC. The conversion of these RMB balances into foreign currencies and the remittance of such foreign currencies balances, are subject to the rules and regulation of foreign exchange control promulgated by the PRC government. Save for the aforesaid, as at 31 January 2016, 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 2016.

As at 31 January 2016, the gearing ratio of the Group, being the total borrowings to the shareholders' equity attributable to the owners of the Company, was approximately 27.3% (31 July 2015: 27.0%).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group's exposure to foreign currencies is limited to its investment in foreign subsidiaries, which are financed by internal resources. As at 31 January 2016, the Group has no outstanding foreign currency hedge contract.

CHARGE ON GROUP ASSETS

As at 31 January 2016, the Group did not have any charge on its assets.

CAPITAL STRUCTURE

As at 31 January 2016, the Group's equity attributable to owners of the Company decreased by approximately 2.6% to approximately HK\$875,040,000 (31 July 2015: approximately HK\$898,354,000). Total assets amounted to approximately HK\$1,355,190,000 (31 July 2015: approximately HK\$1,502,479,000) which included current assets amounting to approximately HK\$1,179,179,000 (31 July 2015: approximately HK\$1,320,355,000). Current liabilities were approximately HK\$240,592,000 (31 July 2015: approximately HK\$364,869,000). Net asset value per share attributable to owners of the Company as at 31 January 2016 was approximately HK cents 41.0 (31 July 2015: approximately HK cents 42.9). Current ratio was approximately 4.9 (31 July 2015: approximately 3.6).

ACQUISITION/DISPOSAL AND SIGNIFICANT INVESTMENTS

The Group did not make any material acquisition or disposal of subsidiaries, associates and joint ventures during the Current Period.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 January 2016.

EMPLOYEE INFORMATION

As at 31 January 2016, the Group had 185 (31 January 2015: 221) full-time employees. Staff costs amounted to approximately HK\$46,670,000 for the Current Period (2015: approximately HK\$45,681,000). The Group's remuneration policy remained the same as detailed in the Company's annual report for the year ended 31 July 2015.

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 2016 save for the following deviation:

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

Due to other pre-arranged business commitments, Dr. Lam Kin Ngok, Peter, the chairman of the Board, had not attended the annual general meeting held on 11 December 2015 (the “**AGM**”). However, Mr. Lui Siu Tsuen, Richard, an executive Director present at the AGM, took the chair of the AGM pursuant to bye-law 63 of the bye-laws of the Company to ensure effective communication with the shareholders of the Company (the “**Shareholders**”) thereat.

INTERESTS IN COMPETING BUSINESSES

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

Four executive Directors, namely, Dr. Lam Kin Ngok, Peter, Mr. Chan Chi Kwong, Mr. Lui Siu Tsuen, Richard and Mr. Yip Chai Tuck, held shareholding interests and/or other interests and/or directorships in companies/entities in the group of eSun which engage in the businesses including development, operation of and investment in media and entertainment, music production and distribution, the investment in and production and distribution of television programmes, films and video format products and cinema operation. Mr. Yu Feng, a former executive Director who resigned on 30 September 2015, held shareholding interests and/or directorships in companies engaged in entertainment business in Mainland China.

However, the Board is independent from the boards of directors/governing committees of the aforesaid companies/entities and none of the Interested Directors can personally control the Board. Further, each of the Interested Directors is fully aware of, and has been discharging, his fiduciary duty to the Company and has acted and will continue to act in the best interest of the Company and the Shareholders 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.

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 2016.

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 2016.

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

Hong Kong, 11 March 2016

As at the date of this announcement, the Board comprises four executive Directors, namely Dr. Lam Kin Ngok, Peter (Chairman), Mr. Chan Chi Kwong, Mr. Lui Siu Tsuen, Richard and Mr. Yip Chai Tuck; and three independent non-executive Directors, namely Mr. Chan Chi Yuen, Mr. Ng Chi Ho, Dennis and Mr. Zhang Xi.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date its publication and on the website of the Company at www.mediaasia.com.