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Media Asia Group Holdings Limited

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

(Stock Code: 8075)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 OCTOBER 2015

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

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

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

*This 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.*

FIRST QUARTERLY RESULTS

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

CONDENSED CONSOLIDATED INCOME STATEMENT

		Three months ended 31 October	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
	Notes		
TURNOVER	3	114,894	78,729
Cost of sales		<u>(87,041)</u>	<u>(53,033)</u>
Gross profit		27,853	25,696
Other income		1,307	1,046
Marketing expenses		(8,196)	(7,462)
Administrative expenses		(26,813)	(27,074)
Other operating gains		2,701	924
Other operating expenses		<u>(6,637)</u>	<u>(1,765)</u>
LOSS FROM OPERATING ACTIVITIES		(9,785)	(8,635)
Finance costs	4	(5,594)	(4,099)
Share of profits and losses of joint ventures		3,765	545
Share of profits and losses of an associate		<u>—</u>	<u>(3)</u>
LOSS BEFORE TAX		(11,614)	(12,192)
Income tax expenses	5	<u>(271)</u>	<u>—</u>
LOSS FOR THE PERIOD		<u>(11,885)</u>	<u>(12,192)</u>
Attributable to:			
Owners of the Company		(11,068)	(10,922)
Non-controlling interests		<u>(817)</u>	<u>(1,270)</u>
		<u>(11,885)</u>	<u>(12,192)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	6		
Basic and diluted (HK cents)		<u>(0.52)</u>	<u>(0.82)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended	
	31 October	
	2015	2014
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
LOSS FOR THE PERIOD	(11,885)	(12,192)
OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS		
Exchange differences on translation of foreign operations	<u>(5,188)</u>	<u>645</u>
OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX	<u>(5,188)</u>	<u>645</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u><u>(17,073)</u></u>	<u><u>(11,547)</u></u>
Attributable to:		
Owners of the Company	(16,264)	(10,277)
Non-controlling interests	<u>(809)</u>	<u>(1,270)</u>
	<u><u>(17,073)</u></u>	<u><u>(11,547)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 October 2015

	Attributable to owners of the Company						Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Issued capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Foreign currency translation reserve HK\$'000	Retained profit/ (accumulated losses) HK\$'000			
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	—	—	—	—	—	(11,068)	(11,068)	(817)	(11,885)
Other comprehensive income/(loss) for the period:									
Exchange differences on translation of foreign operations	—	—	—	—	(5,196)	—	(5,196)	8	(5,188)
Total comprehensive loss for the period	—	—	—	—	(5,196)	(11,068)	(16,264)	(809)	(17,073)
Partial conversion of the Specific Mandate Convertible Notes	437	19,629	—	(4,842)	—	—	15,224	—	15,224
Deemed acquisition of a subsidiary	—	—	—	—	—	—	—	3,746	3,746
Capital contribution from a non-controlling shareholder	—	—	—	—	—	—	—	1,068	1,068
At 31 October 2015 (unaudited)	<u>21,361</u>	<u>633,661</u>	<u>95,191</u>	<u>71,454</u>	<u>(4,059)</u>	<u>79,706</u>	<u>897,314</u>	<u>467</u>	<u>897,781</u>
At 1 August 2014 (audited)	13,399	343,460	95,191	181,821	(2)	(77,318)	556,551	(2,048)	554,503
Loss for the period	—	—	—	—	—	(10,922)	(10,922)	(1,270)	(12,192)
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	—	—	—	—	645	—	645	—	645
Total comprehensive income/(loss) for the period	—	—	—	—	645	(10,922)	(10,277)	(1,270)	(11,547)
Capital contribution from a non-controlling shareholder	—	—	—	—	—	—	—	55	55
At 31 October 2014 (unaudited)	<u>13,399</u>	<u>343,460</u>	<u>95,191</u>	<u>181,821</u>	<u>643</u>	<u>(88,240)</u>	<u>546,274</u>	<u>(3,263)</u>	<u>543,011</u>

NOTES TO CONDENSED CONSOLIDATED FIRST QUARTERLY FINANCIAL STATEMENTS

31 October 2015

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 29 February 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The Company's domicile was changed to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda on 3 December 2009. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company's issued ordinary shares of HK\$0.01 each (the "Shares") have been listed and traded on the GEM of the Stock Exchange since 31 May 2001.

The principal activity of the Company is investment holding. The Group's principal activities include film production and distribution; organisation, management and production of concerts and live performances; artiste management; production and distribution of television programs; music production and publishing; 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 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 financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards 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. The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the audited consolidated financial statements of the Group 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.

3. TURNOVER

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

	Three months ended 31 October	
	2015 (Unaudited) <i>HK\$'000</i>	2014 (Unaudited) <i>HK\$'000</i>
Turnover		
Entertainment event income	69,458	51,048
Album sales, licence income and distribution commission income from music publishing and licensing	14,386	5,584
Artiste management fee income	4,342	5,037
Advertising income	—	992
Distribution commission income and licence fee income from film and TV program products and film rights	26,708	16,068
	<u>114,894</u>	<u>78,729</u>

4. FINANCE COSTS

An analysis of finance costs is as follows:

	Three months ended 31 October	
	2015 (Unaudited) <i>HK\$'000</i>	2014 (Unaudited) <i>HK\$'000</i>
Interest on:		
— Second Completion Convertible Notes	—	4,099
— TFN Convertible Notes	2,380	—
— Specific Mandate Convertible Notes	3,214	—
	<u>5,594</u>	<u>4,099</u>

5. INCOME TAX EXPENSES

No provision for Hong Kong profits tax has been made during the period under review as there were no assessable profits generated during the three months ended 31 October 2015 (three months ended 31 October 2014: Nil) in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Three months ended	
	31 October	
	2015	2014
	(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	271	—
	<hr/>	<hr/>
Total tax expense for the period	271	—
	<hr/> <hr/>	<hr/> <hr/>

6. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per Share amounts is based on the loss attributable to owners of the Company for the period of approximately HK\$11,068,000 (2014: approximately HK\$10,922,000) and the weighted average number of ordinary Shares of approximately 2,126,564,000 (2014: approximately 1,339,866,000) in issue during the period.

No adjustment has been made to the basic loss per Share amounts presented for three months ended 31 October 2015 and 2014 in respect of a dilution as the impact of the Second Completion Convertible Notes, TFN Convertible Notes and Specific Mandate Convertible Notes outstanding during the periods had an anti-dilutive effect on the basic loss per Share amounts presented.

7. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 October 2015 (three months ended 31 October 2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the three months ended 31 October 2015 (the “**Current Period**”), the Group recorded a turnover of approximately HK\$114,894,000, representing an increase of approximately 46% from approximately HK\$78,729,000 for the corresponding three months ended 31 October 2014 (the “**Corresponding Period**”), mainly due to the increase in revenue from the Group’s film production and distribution and entertainment events.

Cost of sales increased to approximately HK\$87,041,000 for the Current Period from approximately HK\$53,033,000 for the Corresponding Period. The Group’s marketing expenses increased to approximately HK\$8,196,000 for the Current Period from approximately HK\$7,462,000 for the Corresponding Period. The increase in the abovementioned expenses was due to increase in the operating activities of the Group. Administrative expenses decreased to approximately HK\$26,813,000 for the Current Period from approximately HK\$27,074,000 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\$6,637,000 for the Current Period from approximately HK\$1,765,000 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\$5,594,000 for the Current Period from approximately HK\$4,099,000 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\$11,068,000 compared to that of the Company of approximately HK\$10,922,000 for the Corresponding Period. Basic loss per Share was approximately 0.52 HK cents compared to that of approximately 0.82 HK cents for the Corresponding Period.

BUSINESS REVIEW

Media and Entertainment Segment

Events Management

During the Current Period, the Group organised and invested in 22 (2014: 8) shows by popular local, Asian and internationally renowned artistes, including Sammi Cheng, Miriam Yeung, Ivana Wong, Edmond Leung, Jolin Tsai, Justin Lo, EXO, SHINee and Infinite. The total revenue from these concerts amounted to approximately HK\$69,458,000.

Music

During the Current Period, the Group released 4 (2014: 6) albums, including titles by Miriam Yeung, Justin Lo and a group of Richie Jen, William So, Edmond Leung and Steve Wong. Turnover from music publishing and recording was approximately HK\$14,386,000.

Artiste Management

During the Current Period, the Group recorded a turnover of approximately HK\$4,342,000 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, the Group released 3 films, namely “The Assassin”, “All You Need Is Love” and “Office”. Turnover from the licence fee income and distribution commission income of films was approximately HK\$25,081,000.

TV Program Production and Distribution

During the Current Period, the Group recorded a turnover of approximately HK\$1,627,000 from TV program licence fee and distribution commission. The Group has made investments in production of 5 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. The Group’s upcoming releases and production slate include “Three” and “Trivişa”, two action films produced by Mr. Johnnie To, and a remake of Ken Takakura’s epic movie “Manhunt”, a well-known foreign imported film released in China during the 70’s, by director Mr. John Woo.

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. Alongside with the TV drama “Don’t Go Breaking My Heart” to be broadcasted in 2016, a 200 episodes sitcom “The Taste of Love” has also started production.

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 including Edmond Leung, Sammi Cheng, Miriam Yeung, EXO, Infinite and SHINee. 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. Upcoming products include long awaited concerts of Kelly Chen and George Lam.

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.

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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 October 2015.

REVIEW OF QUARTERLY RESULTS

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 first quarterly results (containing the unaudited condensed consolidated financial statements) of the Company for the three months ended 31 October 2015.

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

Hong Kong, 15 December 2015

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 of its publication and on the website of the Company at www.mediaasia.com.