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Media Asia Group Holdings Limited

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

(Stock Code: 8075)

ANNOUNCEMENT OF FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 OCTOBER 2020

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 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 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 condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the three months ended 31 October 2020 together with the comparative unaudited figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Three months ended	
		31 October	
		2020	2019
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
TURNOVER	3	21,970	105,636
Cost of sales		<u>(20,172)</u>	<u>(55,312)</u>
Gross profit		1,798	50,324
Other income		3,893	2,032
Marketing expenses		(3,082)	(24,107)
Administrative expenses		(25,562)	(33,417)
Other operating gains	4	20,056	648
Other operating expenses		<u>(1,473)</u>	<u>(5,996)</u>
LOSS FROM OPERATING ACTIVITIES		(4,370)	(10,516)
Finance costs	5	(3,133)	(4,246)
Share of profits and losses of joint ventures		(443)	(548)
Share of profits and losses of an associate		<u>—</u>	<u>22</u>
LOSS BEFORE TAX		(7,946)	(15,288)
Income tax expenses	6	<u>(109)</u>	<u>(24)</u>
LOSS FOR THE PERIOD		<u>(8,055)</u>	<u>(15,312)</u>
Attributable to:			
Owners of the Company		(6,922)	(11,648)
Non-controlling interests		<u>(1,133)</u>	<u>(3,664)</u>
		<u>(8,055)</u>	<u>(15,312)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	7		
Basic and diluted (HK cents)		<u>(0.32)</u>	<u>(0.55)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended	
	31 October	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	(8,055)	(15,312)
OTHER COMPREHENSIVE INCOME/(LOSS) THAT MAY BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS		
Exchange differences on translation of foreign operations	(6,199)	250
Release of foreign currency translation reserve upon disposal of subsidiaries	28	—
	<hr/>	<hr/>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	(6,171)	250
	<hr/>	<hr/>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(14,226)	(15,062)
	<hr/> <hr/>	<hr/> <hr/>
Attributable to:		
Owners of the Company	(13,125)	(11,399)
Non-controlling interests	(1,101)	(3,663)
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	(14,226)	(15,062)
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 October 2020

	Attributable to owners of the Company							Total equity HK\$'000
	Issued capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Foreign currency translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
At 1 August 2020 (audited)	21,361	633,661	95,191	(7,975)	(702,001)	40,237	(15,231)	25,006
Loss for the period	—	—	—	—	(6,922)	(6,922)	(1,133)	(8,055)
Other comprehensive income/(loss) for the period:								
Exchange differences on translation of foreign operations	—	—	—	(6,231)	—	(6,231)	32	(6,199)
Release of foreign currency translation reserve upon disposal of subsidiaries	—	—	—	28	—	28	—	28
Total comprehensive loss for the period	—	—	—	(6,203)	(6,922)	(13,125)	(1,101)	(14,226)
At 31 October 2020 (unaudited)	21,361	633,661	95,191	(14,178)	(708,923)	27,112	(16,332)	10,780
At 1 August 2019 (audited)	21,361	633,661	95,191	(7,591)	(523,832)	218,790	(11,631)	207,159
Loss for the period	—	—	—	—	(11,648)	(11,648)	(3,664)	(15,312)
Other comprehensive income for the period:								
Exchange differences on translation of foreign operations	—	—	—	249	—	249	1	250
Total comprehensive income/(loss) for the period	—	—	—	249	(11,648)	(11,399)	(3,663)	(15,062)
At 31 October 2019 (unaudited)	21,361	633,661	95,191	(7,342)	(535,480)	207,391	(15,294)	192,097

NOTES TO CONDENSED CONSOLIDATED FIRST QUARTERLY FINANCIAL STATEMENTS

31 October 2020

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.

2. BASIS OF PREPARATION

The condensed consolidated 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 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 2020. These unaudited condensed consolidated results should be read in conjunction with the Company's annual report for the year ended 31 July 2020.

3. TURNOVER

An analysis of the Group's turnover is as follows:

	Three months ended 31 October	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue from contracts with customers		
Entertainment event income	450	29,200
Album sales, licence income and distribution commission income from music publishing and licensing	8,408	6,173
Artiste management fee income	1,027	1,948
Distribution commission income and licence fee income from film and TV program products and film and TV program rights	12,085	68,315
	<u>21,970</u>	<u>105,636</u>

4. OTHER OPERATING GAINS

	Three months ended 31 October	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Foreign exchange gains	19,935	—
Others	121	648
	<u>20,056</u>	<u>648</u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Three months ended 31 October	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Interest on:		
— Loan from an intermediate holding company	2,950	1,449
— Loan from a fellow subsidiary	—	2,797
— Lease liabilities	183	—
	<u>3,133</u>	<u>4,246</u>

6. INCOME TAX EXPENSES

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the three months ended 31 October 2020 (three months ended 31 October 2019: 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.

	Three months ended	
	31 October	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Provision for tax for the period		
Current – Hong Kong		
Charge for the period	—	—
Overprovision in prior years	(38)	(36)
Current – Elsewhere		
Charge for the period	147	60
	<u>147</u>	<u>60</u>
Total tax expense for the period	<u>109</u>	<u>24</u>

7. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share amounts is based on the loss for the period attributable to owners of the Company of approximately HK\$6,922,000 (2019: approximately HK\$11,648,000) and the weighted average number of ordinary shares of approximately 2,136,056,000 (2019: approximately 2,136,056,000) in issue during the period.

The Group had no potential dilutive ordinary shares in issue during the three months ended 31 October 2020 (three month ended 31 October 2019: Nil).

8. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 October 2020 (three months ended 31 October 2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the three months ended 31 October 2020 (the “**Current Period**”), the Group recorded a turnover of approximately HK\$21,970,000, representing a decrease of approximately 79% from turnover of approximately HK\$105,636,000 for the corresponding three months ended 31 October 2019 (the “**Corresponding Period**”), mainly due to the decrease in revenue from the Group’s film and entertainment event businesses.

Cost of sales decreased to approximately HK\$20,172,000 for the Current Period from approximately HK\$55,312,000 for the Corresponding Period. The Group’s marketing expenses decreased to approximately HK\$3,082,000 for the Current Period from approximately HK\$24,107,000 for the Corresponding Period. The decrease in above-mentioned expenses was due to decrease in the number of films released and events held during the Current Period. Administrative expenses decreased to approximately HK\$25,562,000 for the Current Period from approximately HK\$33,417,000 for the Corresponding Period. These expenses are under strict control by the Company’s management. Other operating gains increased to approximately HK\$20,056,000 for the Current Period from approximately HK\$648,000 for the Corresponding Period. Other operating gains mainly included exchange gain arising from the appreciation in Renminbi.

Finance costs was approximately HK\$3,133,000 for the Current Period compared to approximately HK\$4,246,000 for the Corresponding Period. Finance costs mainly represented the interest expenses arising from the loans from an intermediate holding company.

Loss attributable to owners of the Company for the Current Period decreased to approximately HK\$6,922,000 from approximately HK\$11,648,000 for the Corresponding Period. Basic loss per share decreased to approximately HK0.32 cents from basic loss per share of approximately HK0.55 cents for the Corresponding Period.

BUSINESS REVIEW

Media and Entertainment Segment

Events Management

During the Current Period, the Group organised in 1 (2019: 28) show(s). The total revenue from event management amounted to approximately HK\$450,000.

Music

During the Current Period, the Group released 1 (2019: 2) album(s), representing title by Sammi Cheng. Turnover from music publishing and recording was approximately HK\$8,408,000.

Artiste Management

During the Current Period, the Group recorded a turnover of approximately HK\$1,027,000 from artiste management. The Group currently has 26 artistes under its management.

Film and TV Program Segment

Film Production and Distribution

During the Current Period, 1 film produced by the Group was theatrically released, namely “I’m Livin’ It”. Turnover from the licence fee income and distribution commission income of film was approximately HK\$12,085,000.

TV Program Production and Distribution

During the Current Period, no turnover from TV program licence fee and distribution commission was recorded by the Group.

RECAPITALISATION PROPOSAL AND POTENTIAL ACQUISITION

On 6 November 2020, an announcement was jointly published by the Company, Lai Sun Garment (International) Limited, Lai Sun Development Company Limited and eSun Holdings Limited (“eSun”) and on 30 November 2020, a circular was published by the Company, in relation to, among other things, the Recapitalisation Proposal and the Potential Acquisition (as defined below).

The principal elements of the Recapitalisation Proposal are as follows:

(a) Proposed Share Consolidation

The Board proposed to implement the share consolidation (the “**Share Consolidation**”) on the basis that every ten issued and unissued existing ordinary shares of HK\$0.01 each of the Company (the “**Shares**”) will be consolidated into one consolidated share of HK\$0.10 each (the “**Consolidated Share**”).

(b) Proposed Change in Board Lot Size

The Board proposed to change the board lot size of the Shares for trading on the Stock Exchange from 4,000 Shares to 12,000 Consolidated Shares.

(c) Proposed Increase in Authorised Share Capital

Conditional upon the Share Consolidation becoming effective, the Board proposed that the authorised share capital of the Company will be increased from HK\$600,000,000 divided into 6,000,000,000 Consolidated Shares to HK\$1,000,000,000 divided into 10,000,000,000 Consolidated Shares by creating an additional 4,000,000,000 unissued Consolidated Shares.

(d) Proposed Loan Capitalisation

On 6 November 2020, the Company and eSun entered into a loan capitalisation agreement (the “**Loan Capitalisation Agreement**”), pursuant to which the Company has conditionally agreed to allot and issue a maximum of 2,687,500,000 new Consolidated Shares at a price of HK\$0.16 per Consolidated Share (the “**Capitalisation Shares**”) to eSun, or any persons as it may direct, in consideration of the cancellation by way of setting-off against the loans in an aggregate principal amount of HK\$430 million owing by the Company to eSun as at 31 October 2020 (the “**Loan Capitalisation**”).

(e) Proposed Clawback Offer by eSun

As part of the Loan Capitalisation, in order to provide the independent qualifying shareholders of the Company (the “**Clawback Qualifying Shareholders**”) with an opportunity to reduce the dilutive impact of the Loan Capitalisation on their shareholdings in the Company and to continue to participate in and share the growth of the business of the Company, eSun will conditionally offer 207,869,997 Consolidated Shares (the “**Clawback Offer Shares**”, representing approximately 7.7% of the Capitalisation Shares) to the Clawback Qualifying Shareholders on a pro rata basis of three Clawback Offer Shares for every one Consolidated Share held by the Clawback Qualifying Shareholders as at 28 December 2020 (as disclosed in the joint announcement of the Company and eSun dated 10 December 2020) at HK\$0.16 per Clawback Offer Share (the “**Clawback Offer**”). The price at which the Clawback Offer Shares would be offered will be equal to the issue price of the Capitalisation Shares under the Loan Capitalisation Agreement.

(f) Placing of Capitalisation Shares

As part of the Loan Capitalisation, and in order to maintain a public float of not less than 25% of the total issued Shares, in addition to the Clawback Offer, the Company and eSun entered into a placing agreement with Get Nice Securities Limited (the “**Placing Agent**”) on 6 November 2020 to place, through the Placing Agent, up to an aggregate of 937,500,000 Capitalisation Shares otherwise due to be allotted to eSun under the Loan Capitalisation on a best effort basis to at least six placees, at the price of HK\$0.16 per Capitalisation Share, payable to eSun (the “**Placing**”).

(g) Proposed Open Offer

After the completion of the Loan Capitalisation (including the Clawback Offer and the Placing), the Company proposed to raise up to approximately HK\$154.7 million before expense by way of an open offer of 967,035,227 Consolidated Shares (the “**Offer Shares**”) at the offer price of HK\$0.16 per Offer Share on the basis of one Offer Share for every three Consolidated Shares held by the Company’s qualifying shareholders as at 21 January 2021 and payable in full on acceptance.

The Recapitalisation Proposal will put the Company in a position to acquire synergistic and complementary businesses to increase the scale of its business and its growth potential. On 6 November 2020, the Company and VSM Holdings Limited (“**VS Media**”, a private company incorporated in the British Virgin Islands and VS Media and its subsidiaries (“**VS Media Group**”)) are engaged primarily in the social e-commerce, influencer marketing, short-form content sponsorship and licensing business) entered into the non-legally binding term sheet in relation to the potential acquisition by the Company of the entire issued share capital of VS Media (the “**Potential Acquisition**”). Definitive agreement(s) in respect of the Potential Acquisition, should it proceed, will only be entered into after completion of the Loan Capitalisation and will be conditional upon, among others, the completion of the Recapitalisation Proposal in full.

PROSPECTS

The outbreak of novel coronavirus further weakens the entertainment consumption of the PRC and local markets. To rise the challenge we will focus on producing high quality projects with proven track record as well as commercial viability and tightening the cost control procedure. As the consumption of online content has substantially increased in areas of streaming platforms and also e-commerce as a result of pandemic lockdown measures and social distancing policies, we believe there are opportunities in online e-commerce and influencer market which the Group can capture and expand into with appropriate acquisition of synergistic businesses. We have preliminarily identified VS Media Group as the target for potential acquisition. We have also proposed a recapitalisation plan, including capitalisation of HK\$430 million shareholder’s loans and an open offer to raise HK\$150 million, subject to approval from the shareholders. The recapitalisation proposal will substantially increase the Company’s capital base and introduce new investors and funds to sustain our existing operation and proposed business plans for future growth.

The Group continues to invest in original production of quality films with Chinese themes. Our current production pipeline include “Septet: the Story of Hong Kong”, an omnibus film produced by seven Hong Kong film masters including Johnnie To, Tsui Hark, Ann Hui, Patrick Tam, Sammo Hung, Yuen Woo-Ping and the memorable Ringo Lam, and “Tales from the Occult”, a psychological thriller made up of three short stories produced by John Chong and Mathew Tang, and directed by Wesley Hoi, Fung Chih Chiang and Fruit Chan.

A 52 episode romance drama series “New Horizon” starring Zheng Kai and Chen Chiao-en, is in the post-production stage. Projects under production include “Modern Dynasty”, a 30 episode modern-day drama series tailor-made for Alibaba’s Youku platforms. The Group is in discussion with various Chinese portals and video web sites for new project development in TV drama production.

The exclusive distribution licence of our music products with Tencent Music Entertainment (Shenzhen) Co., Ltd and Warner Music continue to provide stable income contribution to the Group. Joyce Cheng has joined our family earlier this year and we will keep looking for new talent in Greater China and further co-operation with Asian artistes with an aim to build up a strong artiste roster for the Group.

Several concerts of the Group are postponed due to the health concerns. The Group will continue to work with prominent local and Asian artistes for concert promotion and upcoming events including concerts of Tsai Chin, Yoga Lin and Leon Lai will be held next year in the hope of recovery of the pandemic situation.

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.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities during the three months ended 31 October 2020.

REVIEW OF QUARTERLY RESULTS

The audit committee of the Company (the "Audit Committee") currently comprises three independent non-executive Directors, namely Mr. Ng Chi Ho, Dennis (Chairman), Mr. Au Hoi Fung and Mr. Poon Kwok Hing, Albert. 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 2020.

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

Hong Kong, 11 December 2020

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. Au Hoi Fung, Mr. Ng Chi Ho, Dennis and Mr. Poon Kwok Hing, Albert.

This announcement will remain on the "Latest Listed Company Information" 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.