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## **Media Asia Group Holdings Limited**

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

**(Stock Code: 8075)**

### **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO**

- (I) THE THEATRICAL FILM DISTRIBUTION AGREEMENT;**
- (II) THE VIDEO CONSIGNMENT AGREEMENT;**
- (III) THE VIDEO DISTRIBUTION LICENSE AGREEMENT;**
- (IV) THE CINEMA FRAMEWORK AGREEMENT; AND**
- (V) THE ARTISTES ENGAGEMENT FRAMEWORK AGREEMENT**

#### **CONTINUING CONNECTED TRANSACTIONS**

On 20 December 2013, MAFD (as licensor), IFDL (as licensee) and PAPC (as promotion and advertising service provider) entered into the Theatrical Film Distribution Agreement, pursuant to which, (i) MAFD shall grant to IFDL an exclusive licence to exploit the Pictures in cinemas in Hong Kong and Macau; and (ii) IFDL shall use PAPC for promotion and advertising services on terms and conditions in the Theatrical Film Distribution Agreement. The term of the Theatrical Film Distribution Agreement shall commence from the date of the Theatrical Film Distribution Agreement and shall continue until and including 31 July 2016.

On 20 December 2013, MAFD (as licensor) and Intercontinental Video (as licensee) entered into the Video Consignment Agreement, pursuant to which, MAFD shall grant to Intercontinental Video exclusive video sale and distribution rights in certain film stocks of MAFD in certain digital formats in Hong Kong and Macau on terms and conditions in the Video Consignment Agreement. The term of the Video Consignment Agreement shall commence from the date of the Video Consignment Agreement and shall expire on 31 July 2016.

On 20 December 2013, MAFD (as licensor) and Intercontinental Video (as distributor) entered into the Video Distribution License Agreement, pursuant to which, MAFD shall grant to Intercontinental Video the exclusive Video Licensed Rights in the Pictures on terms and conditions in the Video Distribution License Agreement. The term of the Video Distribution License Agreement shall commence from the date of the Video Distribution License Agreement and shall expire on 31 July 2016.

On 20 December 2013, the Company (as distributor) and MCL (as exhibitor) entered into the Cinema Framework Agreement, pursuant to which, the Company shall and/or shall procure its subsidiaries, affiliates and/or related companies (of which the Company is a majority or controlling shareholder) (as applicable) to grant to MCL an exclusive exhibition right to release the Cinema Title in the MCL Cinemas on terms and conditions in separate agreements to be entered into by the Company (or its subsidiaries, affiliates or related companies (of which the Company is a majority or controlling shareholder)) (as applicable) and MCL concerning the theatrical exhibition of each Cinema Title. The term of the Cinema Framework Agreement shall commence from the date of the Cinema Framework Agreement and shall continue until and including 31 July 2016.

On 20 December 2013, the Company and eSun entered into the Artistes Engagement Framework Agreement in respect of the engagement of the Artistes for the eSun Group's business projects in the course of the eSun Group's business. The term of the Artistes Engagement Framework Agreement shall commence from the date of the Artistes Engagement Framework Agreement and shall continue until and including 31 July 2016.

## **GEM LISTING RULES IMPLICATIONS**

As eSun is a controlling shareholder of the Company indirectly holding approximately 51.09% of the existing issued share capital of the Company through one of its wholly-owned subsidiaries (i.e. Perfect Sky), eSun and its associates are connected persons of the Company under the GEM Listing Rules.

Since each of IFDL, PAPC, Intercontinental Video and MCL is an indirect non wholly-owned subsidiary of eSun, each of them is a connected person of the Company under the GEM Listing Rules.

As such, the transactions under the: (i) Theatrical Film Distribution Agreement; (ii) the Video Consignment Agreement; (iii) the Video Distribution License Agreement; (iv) the Cinema Framework Agreement; and (v) the Artistes Engagement Framework Agreement constitute continuing connected transactions of the Company under the GEM Listing Rules.

As all of the relevant percentage ratios set out in the GEM Listing Rules in respect of the transactions under each of the Continuing Connected Transactions are expected to be less than 5% on an annual basis, such transactions fall within Rule 20.34 of the GEM Listing Rules and are subject to the reporting, annual review and announcement requirements only and are exempt from approval by the independent Shareholders under the GEM Listing Rules.

On 20 December 2013, certain members of the Group and certain members of the eSun Group entered into the Theatrical Film Distribution Agreement, the Video Consignment Agreement, the Video Distribution License Agreement, the Cinema Framework Agreement and the Artistes Engagement Framework Agreement, details of which are set out in this announcement.

## **CONTINUING CONNECTED TRANSACTIONS**

### **(A) Theatrical Film Distribution Agreement**

On 20 December 2013, MAFD (as the licensor), IFDL (as the licensee) and PAPC (as the promotion and advertising service provider) entered into the Theatrical Film Distribution Agreement, pursuant to which, among others, (i) MAFD shall grant to IFDL an exclusive licence to exploit the Pictures in cinemas in Hong Kong and Macau; and (ii) IFDL shall use PAPC for promotion and advertising services on terms and conditions in the Theatrical Film Distribution Agreement.

The principal terms of the Theatrical Film Distribution Agreement are summarized below:

#### ***1. License Rights***

MAFD shall grant to IFDL, and IFDL shall accept, an exclusive licence to exploit in Hong Kong and Macau the Theatrical Rights in the Pictures for a period of 1 year commencing on the date of the first theatrical release of a Picture by IFDL in Hong Kong and Macau.

## 2. *Term*

The term of the Theatrical Film Distribution Agreement shall commence from the date of the Theatrical Film Distribution Agreement, and shall continue until and including 31 July 2016.

## 3. *Distribution, Distribution Costs and Film Rental*

IFDL will, among others, arrange for exhibition contracts and bookings for the screening of Pictures with the best available cinemas and other places of exhibition including MCL at the earliest favourable dates.

The Film Rental for each Picture will be allocated as follows:

- (i) firstly, to pay to IFDL the Distribution Fee;
- (ii) secondly, to reimburse IFDL an amount equivalent to the Distribution Costs initially paid by IFDL;
- (iii) thirdly, to pay PAPC an amount equivalent to the P&A Fee (as defined below); and
- (iv) lastly, to pay to MAFD any Film Rental remaining after the deductions pursuant to items (i), (ii) and (iii) above (“**MAFD’s Share**”).

If the Film Rental of a Picture is insufficient to pay to IFDL an amount equivalent to the Distribution Costs and/or the P&A Fee for that Picture, MAFD shall reimburse IFDL of such shortfall.

## 4. *Promotion and advertising*

IFDL will use its best endeavours to give maximum publicity, promotion and advertising to the Pictures at optimal costs (“**P&A**”). IFDL shall use PAPC for P&A and PAPC shall charge 7% of the eventual P&A Costs as service fee (“**P&A Fee**”) of each Picture, subject to prior written approval by MAFD. Unless otherwise agreed by MAFD, the budget of P&A Costs plus the P&A Fee shall be capped at the maximum sum of HK\$2,500,000 for each Picture.

## 5. *Payment terms*

IFDL will use its best endeavours to send to MAFD a film distribution statement in a form satisfactory to MAFD (“**Film Distribution Statement**”) within 45 days of the last theatrical release date of each Picture in Hong Kong and Macau.

Where requested, on receipt of the Film Distribution Statement, MAFD will issue an invoice to IFDL in respect of MAFD’s Share as shown on the Film Distribution Statement.

IFDL will pay MAFD’s Share as shown on the Film Distribution Statement within 14 days after MAFD’s receipt of such statement (“**Due Date**”) to the designated bank account of MAFD.

## **(B) Video Consignment Agreement**

On 20 December 2013, MAFD (as the licensor) and Intercontinental Video (as the licensee) entered into the Video Consignment Agreement, pursuant to which, MAFD shall grant to Intercontinental Video exclusive video sale and distribution rights in certain film stocks of MAFD (the “**Video Titles**”) in certain digital formats in Hong Kong and Macau on terms and conditions in the Video Consignment Agreement.

The principal terms of the Video Consignment Agreement are summarized below:

### **1. Video Consignment Licensed Rights**

Intercontinental Video shall be granted exclusive right to sell, lease, rent, distribute, otherwise market, exhibit and exploit by any means and under any trade names, trademarks and labels on a sale or rental basis or to refrain from any such activities, such videogram of the Video Titles (in the format of digital optical disc storage (“**DVD**”) and Blu-ray Disc (“**BD**”) in Hong Kong and Macau (“**Video Consignment Licensed Rights**”).

### **2. Term**

The term of the Video Consignment Agreement shall commence from the date of the Consignment Agreement and expires on 31 July 2016.

### **3. Gross Receipts and Royalty**

Intercontinental Video shall pay to MAFD 50% of the Gross Receipts derived from exploitation of the Video Consignment Licensed Rights on all Video Titles (“**Royalty**”) without any deduction or set-off.

MAFD and Intercontinental Video agree that apart from the Royalty, Intercontinental Video shall pay to MAFD a production and packaging cost of HK\$10 per DVD, HK\$20 per 25GB BD and HK\$35 per 50GB BD to be sold in Hong Kong and Macau during the term of the Video Consignment Agreement (“**Production & Packaging Costs**”).

Intercontinental Video shall provide MAFD with quarterly statements and shall specify the amount of Royalty in the relevant quarter, the quantity of each DVD or BD sold in the relevant quarter and the relevant actual wholesale price and any information as MAFD may reasonably require (“**Statement**”). Intercontinental Video shall, within five (5) days from the issuing of the Statement, pay to MAFD the Royalty and Production & Packaging Costs set out in the Statement.

All existing stock on hand of the Video Titles in the authorized format unsold shall be returned to MAFD at Intercontinental Video’s sole costs upon expiration of the term of the Video Consignment Agreement or early termination of the Video Consignment Agreement.

## **(C) Video Distribution License Agreement**

On 20 December 2013, MAFD (as the licensor) and Intercontinental Video (as the distributor) entered into the Video Distribution License Agreement, pursuant to which, MAFD shall grant to Intercontinental Video the exclusive Video Licensed Rights in the Pictures on terms and conditions in the Video Distribution License Agreement.

The principal terms of the Video Distribution License Agreement are summarized below:

**1. Video Licensed Rights**

MAFD shall grant to Intercontinental Video the exclusive Video Licensed Rights in the Pictures, subject to certain conditions in the Video Distribution License Agreement.

**2. Term**

The term of the Video Distribution License Agreement shall commence from the date of the Video Distribution License Agreement and expire on 31 July 2016 (inclusive).

**3. Gross Receipts and Royalty**

Intercontinental Video shall pay MAFD a royalty (“**Royalty**”) equal to 50% of the Gross Receipts derived from the Video Licensed Rights of each Picture during the term of the Video Distribution License Agreement.

The Royalty shall be paid by Intercontinental Video within thirty (30) days of receipt by MAFD of the monthly statement of account prepared by Intercontinental Video.

Save and except expressly stated herein otherwise, Intercontinental Video shall be solely responsible for any and all costs in relation to the exploitation of the Video Licensed Rights including, without limitation, all sales, marketing, manufacturing and distribution costs.

**(D) Cinema Framework Agreement**

On 20 December 2013, the Company (as the distributor) and MCL (as the exhibitor) entered into the Cinema Framework Agreement, pursuant to which, the Company shall and/or shall procure its subsidiaries, affiliates and/or related companies (of which the Company is a majority or controlling shareholder) (as applicable) to grant to MCL an exclusive exhibition right to release the Cinema Title in the MCL Cinemas on terms and conditions in separate agreements to be entered into by the Company (or its subsidiaries, affiliates or related companies (of which the Company is a majority or controlling shareholder)) (as applicable) and MCL concerning the theatrical exhibition of each Cinema Title (the “**Cinema Subject Agreements**”).

The principal terms of the Cinema Framework Agreement are summarized below:

**1. Cinema License Rights**

The Company shall and/or shall procure its subsidiaries, affiliates and/or related companies (of which the Company is a majority or controlling shareholder)) (as applicable) to grant to MCL an exclusive exhibition right to release the Cinema Title in the MCL Cinemas in Hong Kong or Macau.

**2. Term**

The term of the Cinema Framework Agreement shall commence from the date of the Cinema Framework Agreement and shall continue until and including 31 July 2016. The term of each Cinema Subject Agreement shall not exceed the term of the Cinema Framework Agreement.

### 3. *Marketing Fund*

The Company (or its subsidiaries, affiliates or related companies (of which the Company is a majority or controlling shareholder)) (as applicable) may provide MCL with the promotional materials necessary for the promotion and exhibition of the Cinema Title, including pre-approved images, posters, press releases, trailers and all available in an electronic format that can be accessed free of charge, details of which shall be separately agreed in the relevant Subject Agreement. MCL will create and implement a suitable marketing and promotional campaign for the Cinema Title with an advertising budget of not more than the amount provided for in the relevant Cinema Subject Agreement. This amount will be borne by the Company (or its subsidiaries, affiliates or related companies (of which the Company is a majority or controlling shareholder)) (as applicable) or MCL as agreed in the relevant Cinema Subject Agreement. MCL will seek prior approval from the Company on the contents of such marketing and promotional campaign before commencing production, details of which shall be separately agreed in the relevant Subject Agreement.

### 4. *Virtual Print Fee*

A virtual print fee (“V~~P~~F”) on a per cinema site or per show shall be borne by the Company (or its subsidiaries, affiliates or related companies (of which the Company is a majority or controlling shareholder)) (as applicable) or MCL as separately agreed in each Cinema Subject Agreement in respect of the access right to use the digital projection system in the MCL Cinemas.

### 5. *Royalty Fee to Cinema Licensor*

The Licensor (where applicable), which means the person or entity from which the Company (or its subsidiaries, affiliates or related companies (of which the Company is a majority or controlling shareholder)) (as applicable) obtained the theatrical distribution right from in respect of a Cinema Title, shall be entitled to a percentage share of gross receipt of box office or a minimum guarantee as agreed in the relevant Cinema Subject Agreements (“**Cinema Royalty Fee**”).

The Company (or its subsidiaries, affiliates or related companies (of which the Company is a majority or controlling shareholder)) (as applicable) shall be responsible for the arrangement of all payment transferred to the Licensor.

### 6. *Revenue Apportionment*

After deducting the Cinema Royalty Fee to the Cinema Licensor (where applicable) from the gross receipt of box office, the Company (or its subsidiaries, affiliates or related companies (of which the Company is a majority or controlling shareholder)) (as applicable) and MCL will be entitled to either: i) a percentage share on the remaining revenue; or ii) a minimum guarantee as agreed in the relevant Cinema Subject Agreements.

In case of a shortfall between the box office receipt and the Cinema Royalty Fee, no rental share will be payable to the Company (or its subsidiaries, affiliates or related companies (of which the Company is a majority or controlling shareholder)) (as applicable) and MCL.

## 7. *Payments*

Within 7 days after the completion of the showing period of the Cinema Title, MCL will report total box-office sales to the Company (or its subsidiaries, affiliates or related companies (of which the Company is a majority or controlling shareholder)) (as applicable) with a full distribution report detailing the box office performance details of the Cinema Title. MCL will settle the payment to the Company (or its subsidiaries, affiliates or related companies (of which the Company is a majority or controlling shareholder)) (as applicable) within 30 days after receiving the official invoice from the Company (or its subsidiaries, affiliates or related companies (of which the Company is a majority or controlling shareholder)) (as applicable).

### **(E) Artistes Engagement Framework Agreement**

On 20 December 2013, the Company and eSun entered into the Artistes Engagement Framework Agreement in respect of the engagement of the Artistes for eSun Group's business projects in the course of eSun Group's business.

The principal terms of the Artistes Engagement Framework Agreement are summarized below:

#### **1. *Engagement services and Artistes Engagement Subject Agreements***

eSun envisions, in the course of its business, engaging Artistes for its business projects including, without limitation, concert events production and performances, events management, advertising sponsorship shooting modelling and publicity, public relations, new media and generally any and all entertainment businesses subject to the terms and conditions of the Artistes Engagement Framework Agreement and the Artistes Engagement Subject Agreements.

Whenever any Relevant eSun Member (as defined below) wishes to engage any Artiste, the Company shall procure the Relevant MAGHL Associate (as defined below), and eSun shall procure the Relevant eSun Member, to negotiate in good faith, on an arm's length basis and in accordance with the normal custom and market practice for artiste engagement in Hong Kong the terms and provisions of an Artistes Engagement Subject Agreement, provided always that such terms and provisions shall be (and any Artistes Engagement Subject Agreement thus negotiated shall state that they are to be applied and interpreted in a manner that is) consistent with the terms and provisions of the Artistes Engagement Framework Agreement. The Company shall ensure that the Relevant MAGHL Associate shall offer to the Relevant eSun Member terms and conditions, on which such services are to be provided to the Relevant eSun Member by any such Artiste and/or any Relevant MAGHL Associate, are no less favourable than those offered to any independent third party.

The parties shall procure that each Artistes Engagement Subject Agreement shall comply with the following requirements:

- (i) the term of such Artistes Engagement Subject Agreement shall not exceed the term of the Artistes Engagement Framework Agreement; and
- (ii) the annual aggregate amount of the consideration to be paid under any and all of the Artistes Engagement Subject Agreements shall not exceed the relevant Artiste Annual Cap (as defined below).

The parties acknowledge that certain members of the MAGHL Associated Group on the one hand and certain members of the eSun Group on the other hand have entered into various individual engagement agreements for the engagement of certain Artistes for certain projects prior to the date of the Artistes Engagement Subject Agreement.

Such agreements shall be construed as Artistes Engagement Subject Agreements and shall be bound by the terms and conditions of the Artistes Engagement Framework Agreement.

The provision of the engagement services of the MAGHL Associated Group under the Artistes Engagement Framework Agreement and any of the Artistes Engagement Subject Agreements is on a non-exclusive basis. The members of the MAGHL Associated Group may provide engagement services to its member(s) or other independent third parties.

The term “**Relevant MAGHL Associate**” means the relevant member of the MAGHL Associated Group that is authorised to represent and negotiate any Artistes Engagement Subject Agreement on behalf of a particular Artiste from time to time.

The term “**Relevant eSun Member**” means the relevant member of the eSun Group that is appointed by eSun to negotiate and enter into any Artistes Engagement Subject Agreement from time to time.

The term “**Artistes Annual Cap**” means the annual consideration to be paid under all of the Artistes Engagement Subject Agreements, which shall be less than 5 % of the relevant ratio of size test pursuant to the GEM Listing Rules.

The term “**Artistes Engagement Subject Agreement(s)**” means (i) various individual engagement agreements for the engagement of certain Artistes entered into between certain members of the MAGHL Associated Group on the one hand and certain members of the eSun Group on the other hand prior to the date of the Artistes Engagement Framework Agreement and (ii) any agreement to be entered into during the subsistence of the Artistes Engagement Framework Agreement between, among others, on the one hand any member of the eSun Group and on the other hand any member of the MAGHL Associated Group concerning the engagement of any Artistes whether or not such engagement involves the payment of any financial consideration or other benefits between the parties to such agreement.

## **2. Term**

The term of the Artistes Engagement Framework Agreement shall commence from the date of the Artistes Engagement Framework Agreement and shall continue until and including 31 July 2016.

## **3. Consideration**

Consideration (i.e. any payments made by any member of the eSun Group under any Artistes Engagement Subject Agreement to any member of the MAGHL Associated Group, whether for the benefit of the Artistes or for the benefit of the member of the MAGHL Associated Group) for the services to be provided by any member of the MAGHL Associated Group or the Artistes shall constitute a consideration under the Artistes Engagement Framework Agreement.

Such consideration shall be set out in the relevant Artistes Engagement Subject Agreements.



## PRE-EXISTING AGREEMENTS

Prior to the entry of the Continuing Connected Transactions, the following agreements had been entered into:

### (A) Malavita Film Distribution Agreement

On 19 November 2013, MAFD (as the licensor) and IFDL (as the licensee) entered into a film distribution agreement, pursuant to which MAFD shall grant IFDL exclusive theatrical distribution rights to distribute the film entitled “Malavita” for a period of 3 years commencing from the first release date of such film, being 28 November 2013 (the “**Malavita Film Distribution Agreement**”).

MAFD shall be entitled to a share of the film rental as calculated according to the total gross box office of the film. IFDL shall be entitled to 10% of such share of MAFD’s film rental as its distribution fees. From MAFD’s share of film rental, IFDL shall first deduct its distribution fees, then deduct the distribution costs approved by MAFD. The remainder (if any) after such deductions shall be payable to MAFD.

The Malavita Film Distribution Agreement was entered into as part of the arrangements under the master Theatrical Film Distribution Agreement. The payments receivable and payable under the Malavita Film Distribution Agreement have been taken into account in the Annual Cap under the Theatrical Film Distribution Agreement.

### (B) One Night Surprise Film Distribution Agreement

On 19 August 2013, MAFD (as the licensor) and IFDL (as the licensee) entered into a film distribution agreement, pursuant to which MAFD shall grant IFDL exclusive theatrical distribution rights to distribute the film entitled “One Night Surprise” for a period of 3 years commencing from the first release date of such film, being 12 September 2013 (the “**One Night Surprise Film Distribution Agreement**”).

MAFD shall be entitled to a share of the film rental as calculated according to the total gross box office of the film. IFDL shall be entitled to 10% of such share of MAFD’s film rental as its distribution fees. From MAFD’s share of film rental, IFDL shall first deduct its distribution fees, then deduct the distribution costs approved by MAFD. The remainder (if any) after such deductions shall be payable to MAFD.

The One Night Surprise Film Distribution Agreement was entered into as part of the arrangements under the master Theatrical Film Distribution Agreement. The payments receivable and payable under the One Night Surprise Film Distribution Agreement have been taken into account in the Annual Cap under the Theatrical Film Distribution Agreement.

### (C) Existing Artiste Subject Agreement

On 1 August 2013, MCL and Media Asia Talent entered into an artiste engagement agreement (the “**Existing Artiste Subject Agreement**”), pursuant to which certain Artistes are engaged to provide certain services to MCL in Hong Kong and Macau, including: (among others) (i) attending photo shooting for in-theatre display; (ii) attending video shooting for MCL policy trailers; and (iii) allowing photo and video material featuring the Artistes to be used via online and social media channels. MCL will pay a service fee to Media Asia Talent for the provision of such services by the Artistes pursuant to the Existing Artiste Subject Agreement.

The term of the Existing Artiste Subject Agreement commenced on 1 August 2013 and expires on 31 December 2014.

The Existing Artiste Subject Agreement is an Artistes Engagement Subject Agreement entered into pursuant to the arrangements under the Artiste Engagement Framework Agreement. The payments receivable under the Existing Artiste Subject Agreement have been taken into account in the Annual Cap under the Artiste Engagement Framework Agreement.

As all of the relevant percentage ratios set out in the GEM Listing Rules in respect of the transactions under each of the Malavita Film Distribution Agreement, One Night Surprise Film Distribution Agreement and the Existing Artiste Subject Agreement are less than 0.1% on an annual basis, such transactions are de minimis continuing connected transactions under Rule 20.33(3) of the GEM Listing Rules and are exempt from reporting, annual review, announcement and independent Shareholders' approval requirements under the GEM Listing Rules.

## ANNUAL CAPS

The transaction amount under the Theatrical Film Distribution Agreement (which includes the transaction amounts under the Malavita Film Distribution Agreement and the One Night Surprise Film Distribution Agreement), the Video Consignment Agreement, the Video Distribution License Agreement, the Cinema Framework Agreement and the Artistes Engagement Framework Agreement (which includes the transaction amounts under the Existing Artiste Subject Agreement) in each of the three financial years ending 31 July 2014, 2015 and 2016 shall not exceed the following proposed Annual Caps:

|  | <b>Annual Cap<br/>for the year<br/>ending<br/>31 July 2014<br/><i>HK\$'000</i></b> | <b>Annual Cap<br/>for the year<br/>ending<br/>31 July 2015<br/><i>HK\$'000</i></b> | <b>Annual Cap<br/>for the year<br/>ending<br/>31 July 2016<br/><i>HK\$'000</i></b> |
|--|--|--|--|
| <b>Theatrical Film Distribution Agreement</b>  | 4,447  | 5,781  | 7,515  |
| <b>Video Consignment Agreement</b>             | 550  | 715  | 930  |
| <b>Video Distribution License Agreement</b>    | 1,578  | 2,052  | 2,667  |
| <b>Cinema Framework Agreement</b>              | 3,000  | 3,900  | 5,070  |
| <b>Artistes Engagement Framework Agreement</b> | 1,000  | 1,300  | 1,690  |

Save for the Pre-Existing Agreements, which were entered into shortly prior to the Continuing Connected Transactions and as part of the arrangements thereunder, the Continuing Connected Transactions are new arrangements and there is no comparable historical transaction record between the Group and the counterparties.

The above proposed Annual Caps are determined with reference to the following:

- (i) as regards the Theatrical Film Distribution Agreement:
  - 1) the projected Film Rental of the Pictures for the three financial years ending 31 July 2014, 2015 and 2016 respectively and the rate of Distribution Fee stipulated in the Theatrical Film Distribution Agreement;
  - 2) the sharing of estimated box office by MCL taking into account the market share of MCL in the industry of cinema operation in Hong Kong and Macau for the three financial years ending 31 July 2014, 2015 and 2016 respectively; and
  - 3) the estimated P&A of the Pictures for the three financial years ending 31 July 2014, 2015 and 2016 respectively and the rate of P&A Fee stipulated in the Theatrical Film Distribution Agreement;

- (ii) as regards the Video Consignment Agreement: the projected Gross Receipts for the three financial years ending 31 July 2014, 2015 and 2016 respectively and the rate of sharing of Royalty stipulated in the Video Consignment Agreement.
- (iii) as regards the Video Distribution License Agreement: the projected Gross Receipts for the three financial years ending 31 July 2014, 2015 and 2016 respectively and the rate of sharing of Royalty stipulated in the Video Distribution License Agreement.
- (iv) as regards the Cinema Framework Agreement: the projected revenues receivable by the Group for Cinema Titles to be exhibited in MCL Cinemas for the three financial years ending 31 July 2014, 2015 and 2016 respectively and the estimated number of Cinema Titles according to the Group's business development plan.
- (v) as regards the Artistes Engagement Framework Agreement: the consideration to be received from eSun for the potential projects to be organised by eSun for the three financial years ending 31 July 2014, 2015 and 2016 respectively and the estimated number of concerts, advertisements to be organised and produced by eSun according to eSun business development plan. The consideration to be received from eSun comprises the artiste fee to be paid to the Artistes and the manager commission payable by eSun in accordance with the commission rate applicable to each of the Artistes under the management of the Group.

## **REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS AND BENEFITS EXPECTED TO ACCRUE TO THE COMPANY**

The Directors consider that each of the Continuing Connected Transactions set out above is in the best interests of the Company and the Shareholders as a whole for the following reasons:

### **Reasons for entering into the Theatrical Film Distribution Agreement, Video Consignment Agreement and Video Distribution License Agreement**

Given that IFDL and Intercontinental Video are prominent in the film and video distribution industry and each of whom are sole distributors of several major film production studios, the Directors believe that entering into the Theatrical Film Distribution Agreement, Video Consignment Agreement and Video Distribution License Agreement can leverage on the comprehensive range of distribution channels offered by IFDL and Intercontinental Video, thereby increasing the profitability of its films. Further, the arrangements under the Theatrical Film Distribution Agreement, Video Consignment Agreement and Video Distribution License Agreement can increase profits of the Group and the Group could benefit from economies of scale and increased flexibility in streamlining, among others, stock logistics and delivery, human resources and accounting, and can enable the Group to secure the best available cinemas at the earliest favourable dates and make advance marketing campaign arrangements for theatrical release of films.

### **Reasons for entering into the Cinema Framework Agreement**

MCL Cinemas are experienced in broadcasting live overseas concerts, and also in exhibiting alternative contents and live shows such as sports events, art and cultural performances and concerts. MCL Cinemas also organize film festivals, student galas, celebrity meet-and-greet events and film discussion groups. The Directors believe that as the Group regularly organises concerts, entertainment performances and events, the arrangements under the Cinema Framework Agreement will allow the Group to utilise MCL Cinemas as a platform and venue for broadcasting, exhibiting and arranging such concerts and entertainment performances, thereby increasing the publicity of the Group's films and enhancing profitability.

## **Reasons for entering into the Artistes Engagement Framework Agreement**

Through the arrangements under the various Artistes Engagement Subject Agreements, the Artistes will gain increased publicity and media exposure through attending various events and appearing in different footages and exhibitions broadcasted and arranged by the eSun Group, thereby increasing their popularity and marketability. As a result, the Artistes may generate more revenue and business opportunities for the Group, thereby enhancing the Group's profits.

## **Opinion of the Board**

The Directors (including independent non-executive Directors) consider that each of the Continuing Connected Transactions is fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

Dr. Lam Kin Ngok, Peter and Mr. Lui Siu Tsuen, Richard are also directors of eSun, which may be regarded as having material interests in the Continuing Connected Transactions and therefore they have abstained from voting at the meeting of the Board convened for the purpose of approving the Continuing Connected Transactions.

## **INFORMATION ABOUT THE GROUP AND OTHER PARTIES**

The Company is an investment holding company, and the Group is principally engaged in film production and distribution; organisation, management and production of concerts and live performances; artiste management; production and distribution of television drama series; music production and publishing; provision of advertising services and consultancy services in planning and management of cultural, entertainment and live performance projects.

eSun is an investment holding company and the principal activities of the eSun Group include the development and operation of and investment in media, entertainment, music production and distribution, the investment in and production and distribution of television programs, film and video format products, cinema operations, the provision of advertising agency services, the sale of cosmetic products as well as property development for sale and property investment for rental purposes.

IFDL is principally engaged in film distribution.

PAPC is principally engaged in provision of advertising services, video duplication services, and translating and subtitling of television programmes.

Intercontinental Video is principally engaged in distribution of movie video compact discs, digital video discs and blu-ray discs.

MCL is principally engaged in operation of cinemas.

## **GEM LISTING RULES IMPLICATIONS**

As eSun is a controlling shareholder of the Company indirectly holding approximately 51.09% of the existing issued share capital of the Company through one of its wholly-owned subsidiaries (i.e. Perfect Sky), eSun and its associates are connected persons of the Company under the GEM Listing Rules.

Since each of IFDL, PAPC, Intercontinental Video and MCL is an indirect non wholly-owned subsidiary of eSun, each of them is a connected person of the Company under the GEM Listing Rules.

As such, the transactions under the: (i) Theatrical Film Distribution Agreement; (ii) the Video Consignment Agreement; (iii) the Video Distribution License Agreement; (iv) the Cinema Framework Agreement; and (v) the Artistes Engagement Framework Agreement constitute continuing connected transactions of the Company under the GEM Listing Rules.

As all of the relevant percentage ratios set out in the GEM Listing Rules in respect of the transactions under each of the Continuing Connected Transactions are expected to be less than 5% on an annual basis, such transactions fall within Rule 20.34 of the GEM Listing Rules and are subject to the reporting, annual review and announcement requirements only and are exempt from approval by the independent Shareholders under the GEM Listing Rules.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

|  |  |
|--|--|
| “Annual Cap(s)”                            | the maximum annual amount of each of the Continuing Connected Transactions to be transacted for each of the three financial years of the Company ending 31 July 2014, 2015 and 2016 respectively;  |
| “Artistes”                                 | the artistes who are managed by or otherwise represented (or to be managed or otherwise represented) by the MAGHL Associated Group;  |
| “Artistes Engagement Framework Agreement”  | the agreement dated 20 December 2013 entered into between the Company and eSun in respect of the engagement of the Artistes for eSun’s business projects in the course of the eSun’s business;   |
| “Artistes Engagement Subject Agreement(s)” | has the meaning ascribed to it under the section headed “Continuing Connected Transactions — (E) Artistes Engagement Framework Agreement” of this announcement;  |
| “associate(s)”                             | has the meaning ascribed to it under the GEM Listing Rules;  |
| “Board”                                    | the board of Directors;  |
| “Cinema Framework Agreement”               | the agreement of theatrical distribution dated 20 December 2013 entered into between the Company (as the distributor) and MCL (as the exhibitor), pursuant to which, the Company shall and/or shall procure its subsidiaries, affiliates or related companies (of which the Company is a majority or controlling shareholder) (as applicable) to grant to MCL an exclusive exhibition right to release the Cinema Title in the MCL Cinemas within Hong Kong; |
| “Cinema Title”                             | Any audio-visual program which the Company or its subsidiaries, affiliates, and related companies (of which the Company is a majority or controlling shareholder) owns or controls the theatrical distribution right in Hong Kong and Macau and which the Company may at its sole discretion grant to MCL from time to time during the term of the Cinema Framework Agreement;   |

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| “Company”                            | Media Asia Group Holdings Limited, a company incorporated in the Cayman Islands and continued in Bermuda as an exempted company with limited liability, the issued shares of which are listed and traded on the GEM (Stock Code: 8075);   |
| “connected person(s)”                | has the meaning ascribed to it under the GEM Listing Rules;   |
| “Continuing Connected Transactions”  | each of the continuing connected transactions contemplated under (i) the Theatrical Film Distribution Agreement; (ii) the Video Consignment Agreement; (iii) the Video Distribution License Agreement; (iv) the Cinema Framework Agreement; and (v) the Artistes Engagement Framework Agreement;                              |
| “controlling shareholder(s)”         | has the meaning ascribed to it under the GEM Listing Rules;   |
| “Director(s)”                        | the director(s) of the Company;   |
| “Distribution Cost”                  | any of the distribution costs set out in Schedule 1 of the Theatrical Film Distribution Agreement that are approved by MAFD and that are actually incurred by IFDL as out-of-pocket expenses in exploiting the licensed rights under the Theatrical Film Distribution Agreement;  |
| “Distribution Fee”                   | 10% of the Film Rental;   |
| “eSun”                               | eSun Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 571);  |
| “eSun Group”                         | eSun and/or any of its subsidiaries from time to time;  |
| “Existing Artiste Subject Agreement” | the artiste engagement agreement entered into between MCL and Media Asia Talent dated 1 August 2013, MCL and Media Asia Talent, to engage certain Artistes to provide certain services to MCL in Hong Kong and Macau, as further described in the paragraph headed “Existing Artiste Subject Agreement” in this Announcement; |
| “Film Rental”                        | all amounts that are or should be invoiced by IFDL to theatrical exhibitors in Hong Kong and Macau and any other amounts receivable by IFDL in connection with the exploitation of the exclusive licence under the Theatrical Film Distribution Agreement, from the invoice date;   |
| “GEM”                                | the Growth Enterprise Market of the Stock Exchange;   |
| “GEM Listing Rules”                  | the Rules Governing the Listing of Securities on the GEM;   |

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| “Gross Receipts”                                 | the sums actually received by Intercontinental Video from the exploitation of any or all of the rights granted to it under the Video Distribution License Agreement or Video Consignment Agreement, provided that any amount which cannot be remitted to Intercontinental Video as part of the Gross Receipts for any reason will only be included when actually collected by Intercontinental Video (less any costs, discounts or expenses incurred in obtaining a remittance); |
| “Group”  | the Company and/or its subsidiaries from time to time;   |
| “HK\$”   | Hong Kong dollar(s), the lawful currency of Hong Kong;   |
| “Hong Kong”                                      | the Hong Kong Special Administrative Region of the PRC;  |
| “IFDL”   | Intercontinental Film Distributors (H.K.) Limited, a company incorporated in Hong Kong and which is indirectly owned as to 85% by eSun;  |
| “Intercontinental Video”                         | Intercontinental Video Limited, a company incorporated in Hong Kong and which is indirectly owned as to 85% by eSun;   |
| “Macau”  | the Macau Special Administrative Region of the PRC;  |
| “MAFD”   | Media Asia Film Distribution (HK) Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company;   |
| “MAGHL Associated Group”                         | the Company and its associates (excluding any member of the eSun Group);   |
| “MCL Cinemas”                                    | the cinemas owned and operated by MCL in Hong Kong;  |
| “Media Asia Film Production”                     | Media Asia Film Production Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company;  |
| “Media Asia Talent”                              | Media Asia Talent Management Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company;  |
| “MCL”  | Multiplex Cinema Limited, a company incorporated in Hong Kong and which is indirectly owned as to 85% by eSun;   |
| “One Night Surprise Film Distribution Agreement” | the film distribution agreement entered into between MAFD (as the licensor) and IFDL (as the licensee), pursuant to which MAFD shall grant IFDL exclusive theatrical distribution rights to distribute the film entitled “One Night Surprise” for a period of 3 years commencing from the first release date of such film, being 12 September 2013;  |
| “P&A Costs”                                      | collectively, costs in connection with manufacturing additional advertising materials, and costs in connection with advertising, publicizing and promoting the Pictures, including without limitation any marquee fees;  |

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| “PAPC”                    | Perfect Advertising & Production Company Limited, a company incorporated in Hong Kong and which is indirectly owned as to 85% by eSun;  |
| “Perfect Sky”             | Perfect Sky Holdings Limited, a company established under the laws of the British Virgin Islands and a wholly-owned subsidiary of eSun, directly holding approximately 51.09% of the existing issued share capital of the Company;  |
| “Picture(s)”              | <p>(a) In the context of the Theatrical Film Distribution Agreement, means: any feature motion picture: i) financed wholly or partially, and/or produced or co-produced by Media Asia Film Production or by company in the Group during the term of the Theatrical Film Distribution Agreement (to the extent that MAFD owns and controls, without encumbrance of any nature, the Theatrical Rights of the Pictures in Hong Kong and Macau); or ii) which MAFD or a company in the Group owns and controls the Theatrical Rights of the Pictures in Hong Kong and Macau and as advised by MAFD at its sole discretion from time to time during the term of the Theatrical Film Distribution Agreement;</p> <p>(b) In the context of the Video Distribution License Agreement, means: any feature length motion picture: i) financed wholly or partially, and/or produced or co-produced by Media Asia Film Production or by a company in the Group during the term of the Video Distribution License Agreement (to the extent that MAFD owns and controls, without encumbrance of any nature, the Video Licensed Rights of the Pictures in Hong Kong and Macau) and which has been or will be theatrically released in Hong Kong; or ii) which MAFD or a company in the Group owns and controls the Video Licensed Rights of the Pictures in Hong Kong and Macau and as advised by MAFD at its sole discretion from time to time during the term of the Video Distribution License Agreement;</p> |
| “PRC”                     | the People’s Republic of China and for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan;  |
| “Pre-Existing Agreements” | collectively, the Malavita Film Distribution Agreement, the One Night Surprise Film Distribution Agreement and the Existing Artiste Subject Agreement;  |
| “Shareholder(s)”          | the shareholder(s) of the Company;  |
| “Stock Exchange”          | The Stock Exchange of Hong Kong Limited;  |
| “subsidiary(ies)”         | has the meaning ascribed to it under the GEM Listing Rules;   |



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| “Theatrical Film Distribution Agreement” | the agreement dated 20 December 2013 entered into among MAFD (as the licensor), IFDL (as the licensee) and PAPC (as the promotion and advertising agent), pursuant to which, (i) MAFD shall grant to IFDL an exclusive licence under copyright to exploit the Theatrical Rights in its feature motion pictures in Hong Kong and Macau; and (ii) IFDL shall use PAPC for promotion and advertising services;                            |
| “Theatrical Rights”                      | the right to exploit a motion picture by exhibition in 35mm gauge widths or by digital exhibition in cinemas or other places of viewing where the general public is admitted and where an admission price or a flat rental is charged, provided that IFDL shall obtain MAFD’s written approval before entering into any such flat rental arrangements in respect of the exhibition of motion pictures in such other places of viewing; |
| “Video Consignment Agreement”            | the agreement dated 20 December 2013 entered into between MAFD (as the licensor) and Intercontinental Video (as the licensee), pursuant to which, MAFD shall grant to Intercontinental Video exclusive sale and distribution rights in all its existing film stocks in the format of DVD and BD in Hong Kong and Macau;  |
| “Video Distribution License Agreement”   | the agreement dated 20 December 2013 between MAFD (as the licensor) and Intercontinental Video (as the distributor), pursuant to which, MAFD shall grant to Intercontinental Video the Video Licensed Rights;  |
| “Video Distribution License Period”      | in respect of each picture under the Video Distribution License Agreement, the period which commences 1 month before the last theatrical release date of such picture, and continues until the expiration of the term of the Video Distribution License Agreement;   |
| “Video Licensed Rights”                  | the exclusive Video Licensed Rights (Rental, SellThru) in the Pictures throughout the Territory for the term on terms and conditions in the Video Distribution License Agreement; and  |
| “%”                                      | per cent.  |

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

Hong Kong, 20 December 2013

*As at the date of this announcement, the Board comprises six executive Directors, namely Dr. Lam Kin Ngok, Peter (Chairman), Mr. Yu Feng, Mr. Choi Chiu Fai, Stanley, Mr. Jeffrey Soong, Mr. Lui Siu Tsuen, Richard and Mr. Chan Chi Kwong; and three independent non-executive Directors, namely Mr. Chan Chi Yuen, Mr. Zhang Xi and Mr. Ng Chi Ho, Dennis.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. 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.*

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