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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 THE NEW THEATRICAL FILM DISTRIBUTION AGREEMENT

Reference is made to the announcement of the Company dated 25 July 2016 in relation to the Second Theatrical Film Distribution Agreement which will expire on 31 July 2019. On 12 June 2019, MAFD, IFDL and PAC entered into the New Theatrical Film Distribution Agreement with substantially the same terms as the Second Theatrical Film Distribution Agreement for a period of three years from 1 August 2019 to 31 July 2022.

As at the date of this announcement, each of IFDL and PAC is indirectly held as to 95% by eSun, the controlling shareholder of the Company indirectly holding approximately 67.56% of the issued share capital of the Company, and therefore is a connected person of the Company under the GEM Listing Rules. Accordingly, the transactions contemplated under the New Theatrical Film Distribution Agreement constitute continuing connected transactions of the Company under the GEM Listing Rules.

As all the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the annual caps set for the Continuing Connected Transactions are less than 5%, the Continuing Connected Transactions are subject to the reporting, announcement and annual review requirements and are exempt from approval by independent shareholders under Rule 20.74(2) of the GEM Listing Rules.

Reference is made to the announcement of the Company dated 25 July 2016. MAFD, IFDL and PAC entered into the Original Theatrical Film Distribution Agreement in relation to the exploitation of the Theatrical Rights in the Pictures in the Territory for a period from 20 December 2013 to 31 July 2016 and renewed the said agreement for a period of three years on 25 July 2016 by entering into the Second Theatrical Film Distribution Agreement which will expire on 31 July 2019.

The parties to the Second Theatrical Film Distribution Agreement expected that transactions of similar nature will continue from time to time and therefore entered into the New Theatrical Film Distribution Agreement with substantially the same terms as the Second Theatrical Film Distribution Agreement.

THE NEW THEATRICAL FILM DISTRIBUTION AGREEMENT

The principal terms of the New Theatrical Film Distribution Agreement are as follows:

- Date: 12 June 2019
- Parties: (a) MAFD;
(b) IFDL; and
(c) PAPC
- Term: three years from 1 August 2019 to 31 July 2022
- Licensed rights: MAFD grants to IFDL, and IFDL accepts, an exclusive licence to exploit in the Territory the Theatrical Rights in the Pictures for a period of one year commencing on the date of the first theatrical release of such Picture by IFDL in the Territory.
- Distribution, Distribution Costs and Film Rental: IFDL will, among others, arrange for exhibition contracts and bookings for the screening of the Pictures with the best available cinema and other places of exhibition, including cinemas operated by MCL, at the earliest favourable dates.
- The Film Rental for each Picture will be allocated as follows:
- (a) firstly, to pay to IFDL an amount equivalent to the Distribution Fee;
 - (b) secondly, to reimburse IFDL an amount equivalent to the Distribution Costs initially paid by IFDL;
 - (c) thirdly, to pay PAPC an amount equivalent to the P&A Fee; and
 - (d) lastly, to pay to MAFD any Film Rental remaining after the deductions pursuant to items (a) to (c) above.
- 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.
- Promotion and advertising: IFDL will use its best endeavours to give maximum publicity, promotion and advertising to the Pictures at optimal costs. IFDL shall use PAPC for promotion and advertising of the Pictures and PAPC shall charge the P&A Fee as service fee of each Picture, subject to prior written approval by MAFD. Unless otherwise agreed by MAFD, the budget of the P&A Costs plus the P&A Fee shall be capped at the maximum sum of HK\$2,500,000 for each Picture.
- Payment terms: IFDL will use its best endeavours to send to MAFD a film distribution statement within 45 days of the last theatrical release date of each Picture in the Territory and pay MAFD's share of the Film Rental of such Picture as shown on such film distribution statement within 14 days after MAFD's receipt of such statement.

ANNUAL CAPS

The annual caps for the Continuing Connected Transactions in each of the three financial years ending 31 July 2020, 2021 and 2022 are as follows:

	For the year ending 31 July		
	2020 HK\$	2021 HK\$	2022 HK\$
Annual caps	6,104,000	7,325,000	8,790,000

The above annual caps are determined with reference to:

- (a) the historical transaction amounts;
- (b) the projected Film Rental of the Pictures and the rate of the Distribution Fee;
- (c) the sharing of estimated box office by MCL taking into account the market share of MCL in the industry of cinema operation in the Territory; and
- (d) the estimated P&A Costs of the Pictures and the rate of the P&A Fee.

The historical transaction amounts in respect of the continuing connected transactions under the Second Theatrical Film Distribution Agreement for the years ended 31 July 2017 and 2018 were HK\$1,773,000 and HK\$761,000 respectively.

REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW THEATRICAL FILM DISTRIBUTION AGREEMENT

Given that IFDL is prominent in the film distribution industry and is the sole distributor of several major film production studios, the Directors believe that by entering into the New Theatrical Film Distribution Agreement, the Group can continue to leverage on the comprehensive range of distribution channels offered by IFDL, thereby increasing the profitability of its films. Further, the arrangement under the New Theatrical Film Distribution Agreement can enable the Group to secure the best available cinemas at the earliest favourable dates and make advance market campaign arrangements for theatrical release of films and hence increase profits of the Group.

The Directors (including independent non-executive Directors) consider that the Continuing Connected Transactions are conducted on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Dr. Lam Kin Ngok, Peter, who is the ultimate controlling shareholder of eSun, may be regarded as having material interests in the Continuing Connected Transactions and therefore has abstained from voting at the meeting of the Board convened for the purpose of approving the New Theatrical Film Distribution Agreement.

INFORMATION OF THE GROUP AND THE CONNECTED PERSONS

The Company is an exempted company incorporated in the Cayman Islands and continued in Bermuda with limited liability. The principal activity of the Company is investment holding. The

principal activities of the Group 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 culture, entertainment and live performance projects.

IFDL is principally engaged in film distribution. MCL is principally engaged in investment holding and operation of cinemas. PAPC is principally engaged in provision of advertising services, video duplication services, and translating and subtitling of television programs. As at the date of this announcement, each of IFDL, MCL and PAPC is indirectly held as to 95% by eSun.

eSun is an exempted company incorporated in Bermuda with limited liability. eSun acts as an investment holding company and the principal activities of its subsidiaries include the development, operation of and investment in media and entertainment, music production and distribution, the investment in and production and distribution of television programs, films and video format products, cinema operation, property development for sale and property investment for rental purposes as well as the development and operation of and investment in cultural, leisure, entertainment and related facilities.

GEM LISTING RULES IMPLICATIONS

As at the date of this announcement, each of IFDL and PAPC is indirectly held as to 95% by eSun, the controlling shareholder of the Company indirectly holding approximately 67.56% of the issued share capital of the Company, and therefore is a connected person of the Company under the GEM Listing Rules. Accordingly, the transactions contemplated under the New Theatrical Film Distribution Agreement constitute continuing connected transactions of the Company under the GEM Listing Rules.

As all the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the annual caps set for the Continuing Connected Transactions are less than 5%, the Continuing Connected Transactions are subject to the reporting, announcement and annual review requirements and are exempt from approval by independent shareholders under Rule 20.74(2) of the GEM Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“Company”	Media Asia Group Holdings Limited, an exempted company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the shares of which are listed and traded on the GEM (Stock Code: 8075)
“Continuing Connected Transactions”	the continuing connected transactions contemplated under the New Theatrical Film Distribution Agreement
“Director(s)”	the director(s) of the Company

“Distribution Costs”	any of the distribution costs set out in the New 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 New 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 shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 571) and the controlling shareholder of the Company
“Film Rental”	all amounts that are or should be invoiced by IFDL to theatrical exhibitors in the Territory and any other amounts receivable by IFDL in connection with the exploitation of the licensed rights under the New Theatrical Film Distribution Agreement
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IFDL”	Intercontinental Film Distributors (H.K.) Limited, a company incorporated in Hong Kong and a subsidiary of eSun
“MAFD”	Media Asia Film Distribution (HK) 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 a subsidiary of eSun
“New Theatrical Film Distribution Agreement”	the agreement dated 12 June 2019 entered into among MAFD, IFDL and PAPC in relation to the exploitation of the Theatrical Rights in the Pictures in the Territory for a period of three years from 1 August 2019 to 31 July 2022
“Original Theatrical Film Distribution Agreement”	the agreement dated 20 December 2013 entered into among MAFD, IFDL and PAPC in relation to the exploitation of the Theatrical Rights in the Pictures in the Territory for a period from 20 December 2013 to 31 July 2016
“P&A Costs”	costs in connection with (a) manufacturing additional advertising materials; and (b) advertising, publicising and promoting the Pictures
“P&A Fee”	7% of the P&A Costs

“PAPC”	Perfect Advertising & Production Company Limited, a company incorporated in Hong Kong and a subsidiary of eSun
“Picture(s)”	any feature motion picture: (a) financed wholly or partially, and/or produced or co-produced by a company in the Group (to the extent that MAFD owns and controls, without encumbrance of any nature, the Theatrical Rights of the Pictures in the Territory); and (b) which MAFD or a company in the Group owns and controls the Theatrical Rights of the Pictures in the Territory and as advised by MAFD at its sole discretion from time to time
“Second Theatrical Film Distribution Agreement”	the agreement dated 25 July 2016 entered into among MAFD, IFDL and PAPC in relation to the exploitation of the Theatrical Rights in the Pictures in the Territory for a period of three years from 1 August 2016 to 31 July 2019
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Territory”	Hong Kong and the Macau Special Administrative Region of the People’s Republic of China
“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
“%”	per cent.

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

Hong Kong, 12 June 2019

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, 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 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.