
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to the contents of this Scheme Document, any aspect of the Proposal or any action to be taken, you should consult a licensed securities dealer or registered institution in securities, stockbroker, bank manager, solicitor, professional accountant or other professional adviser and obtain independent professional advice.

If you have sold or otherwise transferred all your securities in Media Asia Group Holdings Limited, you should at once hand this Scheme Document and the accompanying forms of proxy and the Election Form (as defined herein) to the purchaser(s) or transferee(s), or to the licensed securities dealer or registered institution in securities, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This Scheme Document appears for information purposes only and does not constitute an offer or invitation to, nor is it intended to invite offers by, the public to subscribe for or to purchase or acquire shares or other securities of Media Asia Group Holdings Limited or eSun Holdings Limited, and it must not be used for the purpose of offering or inviting offers for any securities.

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eSun Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 571)



Media Asia Group Holdings Limited

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

(Stock Code: 8075)

Perfect Sky Holdings Limited

(Incorporated in the British Virgin Islands with limited liability)

(1) PROPOSED MERGER OF MAGHL BY ESUN AND THE OFFEROR INVOLVING A SHARE EXCHANGE OFFER WITH PARTIAL CASH ALTERNATIVE TO THE SCHEME SHAREHOLDERS OF MAGHL FOR THE CANCELLATION OF ALL THE SCHEME SHARES BY WAY OF A SCHEME OF ARRANGEMENT (UNDER SECTION 99 OF THE COMPANIES ACT); AND (2) PROPOSED WITHDRAWAL OF LISTING OF MAGHL SHARES

Financial Adviser to eSun and the Offeror



Anglo Chinese Corporate Finance, Limited

Independent Financial Adviser to MAGHL Independent Board Committee



Red Sun Capital Limited

Unless the context otherwise requires, capitalised terms used in this Scheme Document (including this cover page) have the same meanings as those defined in the section headed "Definitions" set out in Part I of this Scheme Document.

A letter from the MAGHL Board is set out in Part IV of this Scheme Document. A letter from the MAGHL Independent Board Committee containing its advice to the Disinterested Scheme Shareholders in respect of the Proposal and the Scheme is set out in Part V of this Scheme Document. A letter from Red Sun Capital, the Independent Financial Adviser to the MAGHL Independent Board Committee, containing its advice to the MAGHL Independent Board Committee and the Disinterested Scheme Shareholders in respect of the Proposal and the Scheme is set out in Part VI of this Scheme Document. An Explanatory Statement regarding the Proposal and the Scheme is set out in Part VII of this Scheme Document.

The actions to be taken by the MAGHL Shareholders are set out in the section headed "19. Actions to be taken" in the Explanatory Statement set out in Part VII of this Scheme Document.

Notices convening the MAGHL Court Meeting and the MAGHL SGM to be held at Grand Ballrooms 1 and 2, Level B, Hong Kong Ocean Park Marriott Hotel, 180 Wong Chuk Hang Road, Aberdeen, Hong Kong on Monday, 13 February, 2023 at 9:00 a.m. and 9:15 a.m. respectively (or, in the case of the MAGHL SGM, as soon thereafter as the MAGHL Court Meeting shall have concluded or been adjourned) are set out in Appendices VI and VII of this Scheme Document, respectively.

Whether or not you are able to attend the MAGHL Court Meeting and/or the MAGHL SGM, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the MAGHL Court Meeting and the enclosed white form of proxy in respect of the MAGHL SGM, in accordance with the instructions printed thereon, and deposit the same at the office of the MAGHL Branch Share Registrar in Hong Kong, Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not later than the respective times and dates as stated under the section headed "Important Notice and Actions to be Taken" on pages i to vii of this Scheme Document. The white form of proxy in respect of the MAGHL SGM will not be valid if it is not so lodged. In the case of the pink form of proxy in respect of the MAGHL Court Meeting, it may also be handed to the chairman of the MAGHL Court Meeting (who will be a disinterested independent non-executive director of MAGHL) at the MAGHL Court Meeting (who shall have absolute discretion whether or not to accept the proxy form) before the taking of poll. Completion and return of the relevant form of proxy for the MAGHL Court Meeting and/or the MAGHL SGM will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof, should you so wish, and, in such event, the relevant form of proxy will be revoked by operation of law.

This Scheme Document is jointly issued by eSun, Perfect Sky and MAGHL.

IMPORTANT NOTICE AND ACTIONS TO BE TAKEN

The Proposal is made solely through this Scheme Document, which contains the full terms and conditions of the Proposal, including details of how to vote on the Proposal. Any action in respect of the Proposal should be taken only on the basis of information in this Scheme Document or any other document by which the Proposal is made.

ACTIONS TO BE TAKEN

Please refer to the section headed “19. Actions to be Taken” in the Explanatory Statement set out in Part VII of this Scheme Document for further information regarding the matters set out below.

1. Actions to be taken in respect of the MAGHL Court Meeting and/or the MAGHL SGM

Actions to be taken by MAGHL Shareholders

Scheme Shareholders who are entitled to attend and vote at the MAGHL Court Meeting and MAGHL Shareholders who are entitled to attend and vote at the MAGHL SGM are those whose names appear on the register of members of MAGHL on the Meeting Record Date, being Monday, 13 February, 2023. In order to qualify to attend and vote at the MAGHL Court Meeting and the MAGHL SGM, all transfers of share ownership of MAGHL Shares accompanied by the relevant share certificates must be lodged with the MAGHL Branch Share Registrar at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Tuesday, 7 February, 2023. A subsequent purchaser of MAGHL Shares will need to obtain a proxy form from the transferor if he/she/it wishes to attend and/or vote at the MAGHL Court Meeting and/or the MAGHL SGM.

A **pink** form of proxy for use at the MAGHL Court Meeting and a **white** form of proxy for use at the MAGHL SGM are enclosed with this Scheme Document.

Whether or not you are able to attend the MAGHL Court Meeting and/or the MAGHL SGM or any adjournment thereof, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the MAGHL Court Meeting, and the enclosed **white** form of proxy in respect of the MAGHL SGM, in accordance with the respective instructions printed thereon, and to lodge them at the office of the MAGHL Branch Share Registrar at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong. **In order to be valid, the pink form of proxy for use at the MAGHL Court Meeting should be lodged so as to reach the above address not later than 9:00 a.m. on Saturday, 11 February, 2023. The pink form of proxy may also be handed to the chairman of the MAGHL Court Meeting (who will be a disinterested independent non-executive director of MAGHL) at the MAGHL Court Meeting (who shall have absolute discretion whether or not to accept the proxy form) before the taking of poll. In order to be valid, the white form of proxy for use at the MAGHL SGM should be lodged so as to reach the above address not later than 9:15 a.m. on Saturday, 11 February, 2023.**

Completion and return of the relevant form of proxy for the MAGHL Court Meeting and/or the MAGHL SGM will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof should you so wish, and, in such event, the relevant form of proxy will be revoked by operation of law.

IMPORTANT NOTICE AND ACTIONS TO BE TAKEN

If you do not appoint a proxy and you do not attend and vote at the MAGHL Court Meeting and/or the MAGHL SGM, you will still be bound by the outcome of the MAGHL Court Meeting and/or the MAGHL SGM if, among other things, the resolutions are passed by the requisite majorities of the Scheme Shareholders or the MAGHL Shareholders (as the case may be). You are therefore strongly urged to attend and vote at the MAGHL Court Meeting and the MAGHL SGM in person or by proxy.

MAGHL, eSun and the Offeror will make an announcement in relation to the results of the MAGHL Court Meeting and the MAGHL SGM no later than 7:00 p.m. on Monday, 13 February, 2023 and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the MAGHL Court Hearing and, if the Scheme is sanctioned, the Scheme Record Date, the Scheme Effective Date and the date of withdrawal of listing of MAGHL Shares from GEM in accordance with the requirements of the Takeovers Code and the GEM Listing Rules.

Actions to be taken by Beneficial Owners whose MAGHL Shares are held by a Registered Owner other than HKSCC Nominees

No person shall be recognised by MAGHL as holding any MAGHL Shares on trust.

A Beneficial Owner whose MAGHL Shares are registered in the name of a Registered Owner should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the MAGHL Shares beneficially owned by the Beneficial Owner should be voted at the MAGHL Court Meeting and/or the MAGHL SGM.

A Beneficial Owner who wishes to attend and vote at the MAGHL Court Meeting and/or the MAGHL SGM personally should:

- (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable the Beneficial Owner to attend and vote at the MAGHL Court Meeting and/or the MAGHL SGM and for such purpose the Registered Owner may appoint the Beneficial Owner as his/her/its proxy; or
- (b) arrange for some or all of the MAGHL Shares registered in the name of the Registered Owner to be transferred and registered in the name of the Beneficial Owner prior to the Meeting Record Date.

The appointment of a proxy by the Registered Owner at the relevant MAGHL Court Meeting and/or the MAGHL SGM shall be in accordance with all relevant provisions of the bye-laws of MAGHL. In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and before the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

IMPORTANT NOTICE AND ACTIONS TO BE TAKEN

Completion and return of the relevant form of proxy for the MAGHL Court Meeting and/or the MAGHL SGM will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof should he/she/it so wish, and, in such event, the relevant form of proxy will be revoked by operation of law.

Instructions to and/or arrangements with the Registered Owner should be given or made in advance of the relevant latest time for the lodgement of the forms of proxy in respect of the MAGHL Court Meeting and/or the MAGHL SGM in order to provide the Registered Owner with sufficient time to complete his/her/its forms of proxy accurately and to submit them by the deadline. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of the forms of proxy in respect of the MAGHL Court Meeting and/or the MAGHL SGM, such Beneficial Owner should comply with the requirements of such Registered Owner.

Actions to be taken by Beneficial Owners whose MAGHL Shares are deposited in CCASS

Any Beneficial Owner whose MAGHL Shares are deposited in CCASS and registered under the name of HKSCC Nominees must:

- (a) unless such Beneficial Owner is a person admitted to participate in CCASS as an Investor Participant, contact his/her/its broker, custodian, nominee or other relevant person who is, or has in turn deposited such MAGHL Shares with, the Other CCASS Participant regarding voting instructions to be given to such persons if he/she/it wishes to vote in respect of the Scheme; or
- (b) arrange for some or all of such MAGHL Shares to be withdrawn from CCASS and transferred and registered in the name of the Beneficial Owner prior to the Meeting Record Date, if the Beneficial Owner wishes to vote (in person or by proxy) at the MAGHL Court Meeting and/or the MAGHL SGM.

The procedure for voting in respect of the Scheme by the Investor Participants and the Other CCASS Participants with respect to MAGHL Shares registered under the name of HKSCC Nominees shall be in accordance with the “Operating Guide for Investor Participants”, “General Rules of CCASS” and “CCASS Operational Procedures” in effect from time to time.

Only Scheme Shareholders whose MAGHL Shares are registered in their own names in the register of members of MAGHL on the Meeting Record Date and present and voting, in person or by proxy, at the MAGHL Court Meeting will be counted as Scheme Shareholders for the purpose of calculating whether or not a majority in number of Scheme Shareholders have approved the Scheme at the MAGHL Court Meeting under Section 99 of the Companies Act. In accordance with the direction from the Court, HKSCC Nominees will be counted as one person or member of MAGHL for the purposes of ascertaining whether or not the requirement that a majority in number of the Scheme Shareholders approve the Scheme under Section 99(2) of the Companies Act has been satisfied. For such purpose, HKSCC Nominees may cast votes or be counted in favour of or against the Scheme as indicated by the majority of voting

IMPORTANT NOTICE AND ACTIONS TO BE TAKEN

instructions received by it from CCASS Participants and/or any Investor Participants pursuant to the “Operating Guide For Investor Participants” and “CCASS Operational Procedures” in effect from time to time. **A Beneficial Owner who wishes to individually vote or be counted for such purposes should make arrangements to be registered as a Scheme Shareholder in his/her/its own name prior to the Meeting Record Date.**

2. **Actions to be taken in respect of the election of the form of the Cancellation Consideration**

Scheme Shareholders may elect **EITHER** the Share Alternative **OR** the Partial Cash Alternative (but not, for the avoidance of doubt, a combination of the two, except for HKSCC Nominees, who may make different elections in respect of the Scheme Shares held by it on behalf of the relevant Beneficial Owners) as the form of Cancellation Consideration in respect of their entire holdings of the Scheme Shares held as at the Scheme Record Date. Scheme Shareholders (other than HKSCC Nominees) who elect both the Share Alternative and the Partial Cash Alternative in respect of their holdings of the Scheme Shares or elect the Partial Cash Alternative in respect of only part of their holdings of the Scheme Shares will, subject to the Scheme becoming effective, receive the Share Alternative in respect of their entire holdings of the Scheme Shares.

Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders) who wish to elect the Partial Cash Alternative shall make such election by properly completing and executing the Election Form which is enclosed with this Scheme Document in accordance with the instructions printed thereon (and, in the case of joint holders, signed by all the joint holders to which it relates, and in the case of a holder or a joint holder which is a body corporate, signed on its behalf by one of its directors or a duly authorised signatory) in respect of their entire holdings of the Scheme Shares (save for HKSCC Nominees, who may make different elections in respect of the Scheme Shares held by it on behalf of the relevant Beneficial Owners) registered under their names at the Scheme Record Date, and **deliver the duly completed and executed Election Form to the MAGHL Branch Share Registrar, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as practicable but in any event so as to reach the above address by not later than 4:30 p.m. on Monday, 13 March, 2023 or such later date and time as may be notified through announcement(s). The Election Form will only be valid if, among others, the relevant Scheme Shareholder duly completing and delivering it in accordance with the instructions therein is a registered MAGHL Shareholder as at the Scheme Record Date.**

Scheme Shareholders who wish to elect the Share Alternative are not required to complete and deliver the Election Form.

No acknowledgement of receipt of any Election Form will be given. An Election Form which is completed and delivered shall be irrevocable and incapable of being amended, withdrawn or revoked unless MAGHL expressly consents to such amendment, withdrawal or revocation. MAGHL shall have the right to reject any or all of the Election Forms that it determines to be not duly completed or executed in accordance with the instructions therein, or containing inaccurate, incorrect, invalid or incomplete information or illegible writing, or otherwise not valid in accordance with the terms set out in this Scheme Document. In that case, the relevant

IMPORTANT NOTICE AND ACTIONS TO BE TAKEN

Scheme Shareholder will receive the Share Alternative (but not the Partial Cash Alternative) in respect of his/her/its entire holding of the Scheme Shares held as at the Scheme Record Date. None of the Offeror, MAGHL or the MAGHL Branch Share Registrar is obliged to return the Election Form to such MAGHL Shareholder or give notice to any MAGHL Shareholder of any such rejection and each of them hereby disclaims any and all liabilities arising from not giving such notification.

In addition, MAGHL shall also have the right to treat any Election Form that has not been duly completed in accordance with the instructions therein, or has otherwise been completed incorrectly, as being valid, provided that MAGHL in its absolute discretion considers the omissions or errors to be immaterial. None of the Offeror, MAGHL or the MAGHL Branch Share Registrar is obliged to give notice to any MAGHL Shareholder of any such defects or irregularities and each of them hereby disclaims any and all liabilities arising from not giving such notification or from MAGHL exercising or not exercising its discretion as aforementioned.

Any Scheme Shareholder who has not returned an Election Form as described above or who has returned an Election Form which is not duly completed or executed in accordance with the terms of the Scheme will receive the Share Alternative in respect of his/her/its entire holding of the Scheme Shares.

Save as provided in relation to HKSCC Nominees, any Scheme Shareholder who holds Scheme Shares as a nominee, trustee or registered owner in any other capacity will not be treated differently from any other Registered Owner. A Beneficial Owner whose MAGHL Shares are registered in the name of a Registered Owner should contact such Registered Owner to give instructions to and, or to make arrangements with such Registered Owner as to the election of the form of the Cancellation Consideration. A Beneficial Owner may consider whether he, she or it wishes to arrange for the registration of the relevant MAGHL Shares in his/her/its name prior to the Scheme Record Date.

For the avoidance of doubt, the Election Form is not for use (as a form of proxy or otherwise) at the MAGHL Court Meeting and the MAGHL SGM, which are for the purpose of considering and, if thought fit, approving, among other things, the Scheme. The Election Form is for holders of the Scheme Shares, other than the Non-Qualifying Overseas Shareholders, to elect the Partial Cash Alternative should they wish to do so. This election may be made at any time up to the Election Time (or such later date and time as may be notified through announcement(s)). The election is subject to the Scheme being sanctioned and becoming effective.

If you have sold or transferred all of your MAGHL Shares, you should at once hand this Scheme Document and the accompanying forms of proxy and the Election Form to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee. Copies of the Election Form can also be obtained from the MAGHL Branch Share Registrar during usual business hours on any day (other than Saturdays, Sundays or statutory holidays in Hong Kong) until 4:30 p.m. on Monday, 13 March, 2023.

IMPORTANT NOTICE AND ACTIONS TO BE TAKEN

EXERCISE YOUR RIGHT TO VOTE

If you are a MAGHL Shareholder or a Beneficial Owner whose MAGHL Shares are held by a Registered Owner (including HKSCC Nominees), you are strongly encouraged to exercise your right to vote (in the case of a MAGHL Shareholder) or to give instructions to the relevant Registered Owner (in the case of a Beneficial Owner) to vote in person or by proxy at the MAGHL Court Meeting and/or the MAGHL SGM. If you keep any MAGHL Shares in a share lending programme, you are encouraged to recall any outstanding MAGHL Shares on loan to avoid market participants using borrowed stock to vote.

If you are a Beneficial Owner whose MAGHL Shares are deposited in CCASS, you are strongly encouraged to withdraw at least some of your MAGHL Shares from CCASS and become a registered holder of such MAGHL Shares and exercise your right to vote, in person or by proxy, at the MAGHL Court Meeting and/or the MAGHL SGM. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for lodging transfers of MAGHL Shares into your name so as to qualify to attend and vote at the MAGHL Court Meeting and/or the MAGHL SGM, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw your MAGHL Shares from CCASS and register them in your name.

In respect of any MAGHL Shares of which you are the Beneficial Owner and which will remain in CCASS, you are encouraged to contact your broker, custodian, nominee or other relevant person regarding voting instructions in relation to the manner in which those MAGHL Shares should be voted at the MAGHL Court Meeting and/or the MAGHL SGM without delay.

If you are a Registered Owner holding MAGHL Shares on behalf of Beneficial Owners, you should inform the relevant Beneficial Owners about the importance of exercising their right to vote. You should also remind the relevant Beneficial Owners that if they wish to be counted individually in the calculation of the “majority in number” requirement at the MAGHL Court Meeting, they should make arrangements to become a Registered Owner of some or all of their MAGHL Shares.

If you are in any doubt as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, stockbroker, bank manager, solicitor, professional accountant or other professional adviser and obtain independent professional advice.

The MAGHL Independent Board Committee, having considered, among other things, the terms of the Proposal and the Scheme and having taken into account the advice of Red Sun Capital, in particular, the factors, reasons and recommendations as set out in the letter from the Independent Financial Adviser (as set out in Part VI of the Scheme Document), considers that the terms of the Proposal and the Scheme to be fair and reasonable so far as the Disinterested Scheme Shareholders are concerned.

IMPORTANT NOTICE AND ACTIONS TO BE TAKEN

NOTICE TO OVERSEAS SCHEME SHAREHOLDERS

The making of the Proposal to certain Scheme Shareholders may be subject to the laws of jurisdictions other than Hong Kong. Scheme Shareholders and Beneficial Owners residing in jurisdictions other than Hong Kong should inform themselves about and observe all legal and regulatory requirements applicable to them. It is the responsibility of the Scheme Shareholders and Beneficial Owners to satisfy themselves as to the full observance of the laws of the relevant jurisdictions applicable to them in connection with the Proposal, as the case may be, including obtaining any governmental, exchange control or other consents which may be required, and compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdictions.

Any action taken by such Scheme Shareholders or Beneficial Owners in respect of the Proposal and the Scheme will be deemed to constitute a representation and warranty from such persons to MAGHL, eSun and the Offeror that those local laws and requirements have been complied with.

Scheme Shareholders and Beneficial Owners residing in jurisdictions other than Hong Kong should consult their professional advisers if they are in any doubt as to the potential applicability of, or consequence under, any provision of law or regulation or judicial or regulatory decisions or interpretations in any jurisdictions, territory or locality therein or thereof and, in particular, whether there will be any restriction or prohibition on the acquisition, retention, disposal or otherwise with respect to the Scheme Shares, as the case may be. Overseas Scheme Shareholders and Beneficial Owners are advised to read the section headed “15. Overseas Scheme Shareholders” in the Explanatory Statement set out in Part VII of this Scheme Document for further information.

PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

The performance and the results of operations of the MAGHL Group and eSun Group contained in this Scheme Document are historical in nature and past performance is not a guarantee of the future results of the MAGHL Group and eSun Group. This Scheme Document may contain forward-looking statements and opinions that involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions and you should not place undue reliance on such forward-looking statements and opinions. Subject to the requirements of applicable laws, rules and regulations, including the Takeovers Code, none of the Offeror, eSun, MAGHL, Anglo Chinese, Red Sun Capital, any of their respective directors, officers, employees, agents, affiliates or advisers or any other persons involved in the Proposal assumes any obligation to correct or update the forward-looking statements or opinions contained in this Scheme Document.

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In this Scheme Document, the following words and expressions shall have the following meanings, unless the context otherwise requires:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code, and “persons acting in concert” shall be construed accordingly
“Anglo Chinese”	Anglo Chinese Corporate Finance, Limited, a registered institution under the SFO, registered to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, which is the financial adviser to the Offeror and eSun in relation to the Proposal and is therefore presumed to be an Offeror Concert Party under class (5) of the definition of “acting in concert” under the Takeovers Code
“Announcement”	the joint announcement dated 10 November, 2022 jointly issued by MAGHL, Perfect Sky, eSun, LSD and LSG in relation to, among other things, the Proposal
“Announcement Date”	10 November, 2022, being the date of the Announcement
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Authorisations”	all necessary authorisations, registrations, filings, rulings, consents, permissions and approvals (including approval in-principle) in connection with the Proposal
“Beneficial Owner(s)”	any beneficial owner of the MAGHL Shares whose MAGHL Shares are registered in the name of a Registered Owner
“business day(s)”	a day on which the Stock Exchange is open for the transaction of business
“Cancellation Consideration”	the consideration for the cancellation and extinguishment of the Scheme Shares pursuant to the Scheme, being (i) under the Share Alternative, for every 6 Scheme Shares held as at the Scheme Record Date, 5 new eSun Shares will be issued; or (ii) under the Partial Cash Alternative, for every 6 Scheme Shares held as at the Scheme Record Date, 1 new eSun Share will be issued, and HK\$0.24 will be paid in cash for every Scheme Share held as at the Scheme Record Date
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

“CCASS Participant(s)”	a person admitted to participate in CCASS as a participant, including an Investor Participant
“Christfund Securities”	Christfund Securities Limited, a registered institution under the SFO, registered to carry on Type 1 (dealing in securities) and Type 9 (asset management) regulated activities under the SFO. Christfund Securities is presumed to be an Offeror Concert Party under class (5) of the definition of “acting in concert” under the Takeovers Code for the reasons set out in Note 5 to the shareholding table in the section headed “9. Effect of the Proposal on the shareholding structures of MAGHL and eSun — 9.1 Shareholding structure of MAGHL” in the Explanatory Statement set out in Part VII of this Scheme Document
“Companies Act”	the Companies Act 1981 (as amended) of Bermuda
“Completion”	completion of the Proposal, being the time of despatch of cheques for cash payment and certificates for new eSun Consideration Shares to be allotted and issued in satisfaction of the Cancellation Consideration to the Scheme Shareholders
“core connected person”	has the meaning ascribed to it under the GEM Listing Rules or the Listing Rules (as the case may be)
“Court”	the Supreme Court of Bermuda
“COVID-19”	the coronavirus disease 2019
“Disinterested Scheme Shareholder(s)”	Scheme Shareholder(s) other than the Offeror Concert Parties
“Dr. Peter Lam”	Dr. Lam Kin Ngok, Peter, the chairman and an executive director of LSG, LSD and MAGHL, and a director of the Offeror
“Election Form”	the blue form of election to be completed by the Scheme Shareholders in order to elect the Partial Cash Alternative, which is despatched to the MAGHL Shareholders together with this Scheme Document and forms of proxy for the MAGHL Court Meeting and MAGHL SGM
“Election Time”	4:30 p.m. on Monday, 13 March, 2023, being the latest time by which the holders of Scheme Shares may lodge the Election Form with the MAGHL Branch Share Registrar at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong

“Encumbrances”	(a) any mortgage, security, pledge, charge, lien, trust, assignment by way of security, security interest, any third party interests or rights or any other categories of encumbrances or priority right granted to the third party, including but not limited to, granting any rights in a transaction, and even if it is not a security right under the relevant laws, it is similar to security rights in terms of financial or actual economic benefits; (b) any authorisation, representative voting power, voting trust arrangement, share option, right of first offer, right of first negotiation, right of first refusal and other right to restrict assignment; and (c) rights to claim against encumbrance, ownership or right of use without legal title
“Enlarged eSun Group”	eSun Group upon the Scheme becoming effective and after the allotment and issue of the new eSun Shares in connection with the Proposal, whereupon MAGHL will become an indirect wholly-owned subsidiary of eSun
“eSun”	eSun Holdings Limited (豐德麗控股有限公司), an exempted company incorporated in Bermuda with limited liability and the issued shares of which are listed and traded on the Main Board (Stock Code: 571)
“eSun Board”	the board of directors of eSun
“eSun Consideration Shares”	the new eSun Shares to be allotted and issued as Cancellation Consideration under the Proposal
“eSun Director(s)”	director(s) of eSun
“eSun Group”	eSun and its subsidiaries
“eSun SGM”	a special general meeting of eSun to be convened at 10:00 a.m. on Monday, 13 February, 2023 for the purposes of considering and, if thought fit, approving, among other things, the terms of the Proposal and the Scheme, including (i) the indirect acquisition by eSun of the new MAGHL Shares which will be allotted and issued to the Offeror upon the cancellation of the Scheme Shares; (ii) the grant of the Specific Mandate; and (iii) the Increase in Authorised Share Capital, or any adjournment thereof
“eSun Shareholder(s)”	the duly registered holder(s) of eSun Shares
“eSun Share(s)”	ordinary share(s) of HK\$0.50 each in the share capital of eSun

“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate for the time being of the Executive Director
“Explanatory Statement”	the explanatory statement set out in Part VII of this Scheme Document and issued in compliance with Section 100 of the Companies Act
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKEX”	Hong Kong Exchanges and Clearing Limited
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Increase in Authorised Share Capital”	the proposed increase in eSun’s authorised share capital from HK\$1,250,000,000 divided into 2,500,000,000 eSun Shares to HK\$2,000,000,000 divided into 4,000,000,000 eSun Shares by the creation of an additional 1,500,000,000 eSun Shares, details of which are set out in the section headed “C. Terms of the Proposed Merger – 4. Rights attaching to eSun Shares, Specific Mandate, and proposed Increase in Authorised Share Capital” in the Announcement
“Independent Financial Adviser” or “Red Sun Capital”	Red Sun Capital Limited, a licensed corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser appointed to advise the MAGHL Independent Board Committee and the Disinterested Scheme Shareholders in respect of the Proposal and the Scheme
“Investor Participant”	a person admitted to participate in CCASS as an investor participant
“Last eSun Trading Day”	31 May, 2022, being the last trading day of eSun Shares on the Stock Exchange prior to the publication of the Announcement
“Last Trading Day”	10 November, 2022, being the last trading day prior to the publication of the Announcement

“Latest Practicable Date”	9 January, 2023, being the latest practicable date prior to the date of this Scheme Document for the purpose of ascertaining certain information contained herein
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board
“Long Stop Date”	10 April, 2023 (or such later date as the Offeror and MAGHL may agree or, to the extent applicable, as the Court may direct, and in all cases, as permitted by the Executive)
“LSD”	Lai Sun Development Company Limited (麗新發展有限公司), a company incorporated in Hong Kong with limited liability, the issued shares of which are listed and traded on the Main Board (Stock Code: 488)
“LSG”	Lai Sun Garment (International) Limited (麗新製衣國際有限公司), a company incorporated in Hong Kong with limited liability, the issued shares of which are listed and traded on the Main Board (Stock Code: 191)
“Macau”	the Macao Special Administrative Region of the PRC
“MAGHL”	Media Asia Group Holdings Limited (寰亞傳媒集團有限公司), an exempted company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the issued shares of which are listed and traded on GEM (Stock Code: 8075)
“MAGHL Board”	the board of directors of MAGHL
“MAGHL Branch Share Registrar”	the branch share registrar and transfer office of MAGHL in Hong Kong, namely Tricor Investor Services Limited, which is situated at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong
“MAGHL Court Hearing”	the hearing of the petition by the Court for the sanction of the Scheme
“MAGHL Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the Court at 9:00 a.m. on Monday, 13 February, 2023 at Grand Ballrooms 1 and 2, Level B, Hong Kong Ocean Park Marriott Hotel, 180 Wong Chuk Hang Road, Aberdeen, Hong Kong, at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof

“MAGHL Director(s)”	director(s) of MAGHL
“MAGHL Group”	MAGHL and its subsidiaries
“MAGHL Independent Board Committee”	the independent board committee of MAGHL formed to advise the Disinterested Scheme Shareholders in connection with the Proposal, and comprising Mr. Au Hoi Fung, Mr. Ng Chi Ho, Dennis and Mr. Poon Kwok Hing, Albert (being all independent non-executive directors of MAGHL)
“MAGHL SGM”	the special general meeting of MAGHL to be convened at 9:15 a.m. on Monday, 13 February, 2023 (or as soon thereafter as the MAGHL Court Meeting shall have concluded or been adjourned) at Grand Ballrooms 1 and 2, Level B, Hong Kong Ocean Park Marriott Hotel, 180 Wong Chuk Hang Road, Aberdeen, Hong Kong for the purposes of considering and, if thought fit, passing (i) a special resolution to approve any reduction of the issued share capital of MAGHL by cancelling the Scheme Shares; and (ii) an ordinary resolution to approve, among other things, the application of the credit created by the cancellation of the Scheme Shares to restore the issued share capital of MAGHL by the allotment and issue of an equal number of MAGHL Shares (credited as fully paid) to the Offeror, or any adjournment thereof
“MAGHL Shareholder(s)”	the duly registered holder(s) of MAGHL Shares
“MAGHL Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of MAGHL
“Main Board”	the Main Board of the Stock Exchange
“Meeting Record Date”	13 February, 2023 (Hong Kong time), or such other date as shall have been announced by MAGHL, being the record date for the purpose of determining the entitlement of the Scheme Shareholders to attend and vote at the MAGHL Court Meeting and the entitlement of the MAGHL Shareholders to attend and vote at the MAGHL SGM
“Mr. Cheung”	Mr. Cheung Wah Fung, Christopher, who is presumed to be an Offeror Concert Party under class (5) of the definition of “acting in concert” under the Takeovers Code for the reasons set out in Note 5 to the shareholding table in the section headed “9. Effect of the Proposal on the shareholding structures of MAGHL and eSun — 9.1 Shareholding structure of MAGHL” in the Explanatory Statement set out in Part VII of this Scheme Document

“Mr. Lester Lam”	Mr. Lam Hau Yin, Lester, an executive director of each of LSG, LSD and eSun, and the alternate director to Madam U Po Chu in her capacity as an executive director of LSG and a non-executive director of each of LSD and eSun
“Non-Qualifying Overseas Shareholders”	the relevant overseas Scheme Shareholders who (a) may be prohibited by the law of the jurisdiction in which such overseas Scheme Shareholder is located; or (b) are prohibited unless certain conditions or requirements have been complied with which the Offeror Directors or the MAGHL Directors regard as unduly burdensome by reason of delay, expense or otherwise
“Offer Period”	has the meaning ascribed to it under the Takeovers Code, being the period commencing on the Announcement Date and ending on the latest of (i) the date when the Proposal lapses; (ii) the date when an announcement is made of the withdrawal of the Proposal; and (iii) the Scheme Effective Date
“Offeror” or “Perfect Sky”	Perfect Sky Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, being a direct wholly-owned subsidiary of eSun
“Offeror Board”	the board of directors of the Offeror
“Offeror Concert Party(ies)”	party(ies) acting in concert or presumed to be acting in concert with the Offeror, including Anglo Chinese and Mr. Cheung
“Offeror Director(s)”	director(s) of the Offeror
“Other CCASS Participant(s)”	a broker, custodian, nominee or other relevant person who is, or has deposited shares with, a CCASS participant
“Partial Cash Alternative”	1 new eSun Share which will be issued (credited as fully paid and ranking <i>pari passu</i> with other eSun Shares then in issue) for every 6 Scheme Shares held as at the Scheme Record Date, and HK\$0.24 in cash for every Scheme Share held as at the Scheme Record Date
“PRC” or “Mainland China”	the People’s Republic of China, which for the purpose of this Scheme Document, excludes Hong Kong, Macau and Taiwan (except where the context requires otherwise)
“Proposal” or “Proposed Merger”	the proposed merger of MAGHL by eSun and the Offeror by way of the privatisation of MAGHL through the Scheme and the withdrawal of the listing of the MAGHL Shares on GEM

“public”	has the meaning ascribed to it under the GEM Listing Rules and the Listing Rules
“Registered Owner”	any person (including without limitation a nominee, trustee, depositary or any other authorised custodian or third party) whose name is entered in the register of members of MAGHL as a holder of MAGHL Shares
“Registrar of Companies”	the Registrar of Companies in Bermuda
“Relevant Authorities”	appropriate governments and, or governmental bodies, regulatory bodies, stock exchanges, courts or institutions, including but not limited to the Court and the Registrar of Companies
“Relevant Period”	the period commencing on 10 May, 2022, being the date falling six months prior to the commencement of the Offer Period, and ending on the Latest Practicable Date
“Scheme”	the proposed scheme of arrangement pursuant to Section 99 of the Companies Act for the implementation of the Proposal
“Scheme Condition(s)”	the conditions of the Proposal, details of which are set out in the section headed “3. Conditions to the Proposal and the Scheme” in the Explanatory Statement set out in Part VII of this Scheme Document
“Scheme Document”	this composite scheme document, including each of the letters, statements, appendices and notices herein
“Scheme Effective Date”	the date upon which the Scheme becomes effective in accordance with its terms
“Scheme Record Date”	1 March, 2023 (Hong Kong time), or such other date as shall have been announced by MAGHL, being the record date for the purpose of determining the entitlements of the Scheme Shareholders under the Scheme
“Scheme Shareholder(s)”	duly registered holder(s) of the Scheme Shares
“Scheme Share(s)”	MAGHL Share(s) other than those held by the Offeror
“SFC”	the Securities and Futures Commission of Hong Kong

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Alternative”	5 new eSun Shares which will be issued (credited as fully paid and ranking <i>pari passu</i> with other eSun Shares then in issue) for every 6 Scheme Shares held as at the Scheme Record Date
“Share Exchange Ratio(s)”	the share exchange ratios of (i) 5 new eSun Shares to be issued for every 6 Scheme Shares cancelled under the Scheme under the Share Alternative; or (ii) 1 new eSun Share to be issued for every 6 Scheme Shares cancelled, and HK\$0.24 to be paid in cash for every Scheme Share cancelled under the Scheme under the Partial Cash Alternative
“Specific Mandate”	a specific mandate to be sought at the eSun SGM regarding the new eSun Shares which would be allotted and issued as consideration for the cancellation of the Scheme Shares pursuant to the Proposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it under the GEM Listing Rules and the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“%”	per cent.

All references in this Scheme Document to times and dates are references to Hong Kong times and dates, except as otherwise specified and other than references to the expected date of the MAGHL Court Hearing and the Scheme Effective Date, which are the relevant dates in Bermuda. For reference only, Bermuda time is 12 hours behind Hong Kong time as at the date of this Scheme Document.

All percentages stated in this Scheme Document are approximations and certain amounts and percentage figures included in this Scheme Document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

This Scheme Document and the accompanying forms of proxy and the Election Form are prepared in both English and Chinese. In the event of inconsistency, the English texts of the aforementioned documents shall prevail.

The following are some of the questions you, as a Scheme Shareholder, may have and the answers to those questions. This section is qualified by, and should be read in conjunction with, this entire Scheme Document, including the appendices.

1. What is the purpose of this Scheme Document?

The purpose of this Scheme Document is to provide you with information regarding the Proposal and the Scheme, and to give notices of the MAGHL Court Meeting and the MAGHL SGM.

2. What are the MAGHL Court Meeting and the MAGHL SGM? What is the MAGHL Court Hearing?

- The MAGHL Court Meeting is a meeting of the Scheme Shareholders for them to consider and, if thought fit, approve the Scheme.
- The MAGHL SGM is a meeting of all MAGHL Shareholders for them to consider and, if thought fit, pass the requisite resolutions for the implementation of the Scheme, including (i) a special resolution to approve the reduction of the issued share capital of MAGHL by cancelling the Scheme Shares; and (ii) an ordinary resolution to approve, among other things, the application of the credit created by the cancellation of the Scheme Shares to restore the issued share capital of MAGHL by the allotment and issue of an equal number of MAGHL Shares (credited as fully paid) to the Offeror.
- If the requisite approvals for the Scheme are obtained at the MAGHL Court Meeting and all the resolutions are passed at the MAGHL SGM, the MAGHL Court Hearing will be held for the Court to hear the petition for the sanction of the Scheme.
- The MAGHL Court Meeting is convened at the direction of the Court and the despatch of this Scheme Document (including the notice of the MAGHL Court Meeting) has been ordered by the Court. Therefore, any material changes to the terms of the Scheme as contained in this Scheme Document can only be made after a further order by the Court is obtained and after obtaining consent from the Executive as necessary, in which case the current expected timetable for completion of the Proposal and the Scheme will likely be postponed.

3. What is the location, date and time of the MAGHL Court Meeting and the MAGHL SGM?

- The MAGHL Court Meeting and the MAGHL SGM are convened to be held at Grand Ballrooms 1 and 2, Level B, Hong Kong Ocean Park Marriott Hotel, 180 Wong Chuk Hang Road, Aberdeen, Hong Kong on Monday, 13 February, 2023 at 9:00 a.m. and 9:15 a.m. (or as soon thereafter as the MAGHL Court Meeting shall have concluded or been adjourned), respectively.
- In light of the epidemic situation of the COVID-19, measures will be implemented at the MAGHL Court Meeting and the MAGHL SGM (including any adjournments thereof) with a view to addressing the risk to attendees of infection, including the following:
 - (a) all attendees will be required to wear surgical face masks throughout the MAGHL Court Meeting and the MAGHL SGM; and
 - (b) no refreshments or beverages will be provided, and there will be no corporate gifts.

Any person who does not comply with the precautionary measure referred to above or any other additional precautionary measures as may be implemented in accordance with the prevailing requirements or guidelines of the Hong Kong government and/or regulatory authorities, or as considered appropriate in light of the COVID-19 situation, may be denied entry into, or be required to leave, the venue of the MAGHL Court Meeting and the MAGHL SGM. MAGHL Shareholders and/or their representatives who are denied entry to the venue of the MAGHL Court Meeting and/or the MAGHL SGM will be allowed to vote at the entrance of the venue by submitting a voting slip to the scrutineers (to the extent permitted under the requirements and guidelines of the government and/or regulatory authorities implemented for prevention and/or control of the COVID-19 epidemic from time to time).

Furthermore, MAGHL wishes to advise all of the MAGHL Shareholders that they may appoint any person or the chairman of the MAGHL Court Meeting and/or the MAGHL SGM as a proxy to attend and vote on any of the resolutions, instead of attending the MAGHL Court Meeting and/or the MAGHL SGM in person. Physical attendance by a MAGHL Shareholder is not necessary for the purpose of exercising voting rights.

MAGHL will keep the evolving COVID-19 situation and the associated legal restrictions on public gatherings under constant review and may implement additional measures, which will be announced closer to the date of the MAGHL Court Meeting and the MAGHL SGM.

4. What vote is required from the Scheme Shareholders in order for the Scheme to be approved?

- At the MAGHL Court Meeting, the applicable approval thresholds with respect to the Scheme are:
 - (a) the approval (by way of poll) by a majority in number of Scheme Shareholders representing not less than three-fourths in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the MAGHL Court Meeting; and
 - (b) the approval (by way of poll) by at least 75% of the votes attaching to the Scheme Shares held by the Disinterested Scheme Shareholders that are voted either in person or by proxy at the MAGHL Court Meeting, provided that the number of votes cast (by way of poll) against the resolution to approve the Scheme is not more than 10% of the votes attaching to all the Scheme Shares held by all the Disinterested Scheme Shareholders.

As at the Latest Practicable Date, the Disinterested Scheme Shareholders held in aggregate 862,590,368 MAGHL Shares, representing approximately 28.88% of the total issued share capital of MAGHL.

- At the MAGHL SGM, the applicable approval thresholds with respect to the implementation of the Scheme are (i) the passing of the relevant special resolution by a majority of not less than three-fourths of the votes cast by the MAGHL Shareholders present and voting either in person or by proxy at the MAGHL SGM; and (ii) the passing of the relevant ordinary resolution by a simple majority of the votes cast by the MAGHL Shareholders present and voting either in person or by proxy at the MAGHL SGM.

5. How do I vote?***For MAGHL Shareholders***

- You are strongly encouraged to exercise your right to vote. You may vote in person or by proxy at the MAGHL Court Meeting and the MAGHL SGM.
- If you decide to appoint a proxy to attend and vote at the MAGHL Court Meeting and the MAGHL SGM on your behalf, you should fill in the relevant form of proxy as enclosed with this Scheme Document:
 - (a) For MAGHL Court Meeting: **pink** form
 - (b) For MAGHL SGM: **white** form

- The form(s) of proxy should be lodged with the MAGHL Branch Share Registrar, Tricor Investor Services Limited, by the deadline below:
 - (a) **pink** form: not later than 9:00 a.m. on Saturday, 11 February, 2023 or alternatively, it may be handed to the chairman of the MAGHL Court Meeting (who will be a disinterested independent non-executive director of MAGHL) at the MAGHL Court Meeting (who shall have absolute discretion whether or not to accept the proxy form) before the taking of poll
 - (b) **white** form: not later than 9:15 a.m. on Saturday, 11 February, 2023

For Beneficial Owners

- If your MAGHL Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are an Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has in turn deposited such MAGHL Shares with, the Other CCASS Participant regarding voting instructions to be given to such persons if you wish to vote in respect of the Scheme. You should contact your broker, custodian, nominee or other relevant person in advance of the deadline set by them, in order to provide the broker, custodian, nominee or other relevant person with sufficient time to make arrangements with or provide HKSCC Nominees with instructions in relation to the manner in which your MAGHL Shares should be voted.
 - If your MAGHL Shares are held upon trust by, and registered in the name of, a Registered Owner (other than the situation where your MAGHL Shares are deposited in CCASS and therefore registered under the name of HKSCC Nominees), you should contact the Registered Owner and provide him, or her, or it with instructions or make arrangements with the Registered Owner as to the manner in which your MAGHL Shares should be voted at the MAGHL Court Meeting and/or the MAGHL SGM. Such instructions and, or arrangements should be given or made in advance of the deadline set by the Registered Owner to provide the Registered Owner with sufficient time to complete his, or her, or its form(s) of proxy accurately and submit it/them by the latest time for lodgement of such form(s) of proxy.
- 6. My MAGHL Shares are deposited in CCASS. Can I become a registered MAGHL Shareholder and, if so, how?**
- If your MAGHL Shares are deposited in CCASS, you may become a registered shareholder of MAGHL and have the right to attend and vote in person or by proxy at the MAGHL Court Meeting and/or the MAGHL SGM, by withdrawing all or any of your MAGHL Shares from CCASS and becoming a registered holder of such MAGHL Shares prior to the latest time for lodging transfers of MAGHL Shares to qualify for the entitlement to attend and vote at the MAGHL Court Meeting and/or the MAGHL SGM.

- You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for lodging transfers of MAGHL Shares into your name so as to qualify to attend and vote at the MAGHL Court Meeting and/or the MAGHL SGM, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the MAGHL Shares from CCASS and register them in your name.

7. Can I change my vote after I have submitted my proxy with voting instructions?

For MAGHL Shareholders

- You can revoke your proxy and, or change your voting instructions in three ways:
 - (a) you may notify MAGHL in writing of the revocation of proxy provided that such notice shall have been received by MAGHL at least two hours before the commencement of the MAGHL Court Meeting and/or the MAGHL SGM (as the case may be). Any such notice shall be delivered to the MAGHL Branch Share Registrar, Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong;
 - (b) you may complete, date and submit a new form of proxy bearing a later date than the original form of proxy so that the new form of proxy is received by the MAGHL Branch Share Registrar not later than 48 hours before the time appointed for holding the MAGHL Court Meeting and/or the MAGHL SGM (as the case may be). In the case of the **pink** form of proxy in respect of the MAGHL Court Meeting, you may also hand the new **pink** form of proxy bearing a later date to the chairman of the MAGHL Court Meeting (who will be a disinterested independent non-executive director of MAGHL) at the MAGHL Court Meeting (who shall have absolute discretion whether or not to accept the proxy form) before the taking of poll; or
 - (c) you may attend and vote at the MAGHL Court Meeting and/or the MAGHL SGM in person and in such event, your relevant form of proxy will be deemed to be revoked.

For Beneficial Owners

- You should contact your Registered Owner, broker, custodian, nominee or other relevant person and follow his/her/its direction to change your vote or revoke your proxy.

8. Who can vote at the MAGHL Court Meeting and the MAGHL SGM?

- All Scheme Shareholders whose names appear on the register of members of MAGHL as at the Meeting Record Date will be entitled to attend and vote on the Scheme at the MAGHL Court Meeting in person or by proxy, but only the votes of the Disinterested Scheme Shareholders will be taken into account in determining if the Scheme Condition in paragraph (b) in the section headed “3. Conditions to the Proposal and the Scheme” in the Explanatory Statement set out in Part VII of this Scheme Document is satisfied.
- All MAGHL Shareholders whose names appear on the register of members of MAGHL as at the Meeting Record Date will be entitled to attend and vote at the MAGHL SGM.

9. What is the Proposal?

- The Proposal is a proposed merger of MAGHL by eSun and the Offeror by way of the privatisation of MAGHL through the Scheme and the withdrawal of the listing of the MAGHL Shares on GEM.
- If the Proposal is approved and implemented:
 - (a) all Scheme Shares will be cancelled and extinguished on the Scheme Effective Date in exchange for the Cancellation Consideration for each Scheme Share;
 - (b) immediately after the cancellation and extinguishment of the Scheme Shares, the issued share capital of MAGHL will be increased to the amount immediately prior to the cancellation and extinguishment of the Scheme Shares by applying the credit arising in the books of account of MAGHL as a result of the capital reduction in paying up in full at par such number of new MAGHL Shares as is equal to the number of Scheme Shares cancelled and extinguished as aforesaid, to be allotted and issued, credited as fully paid, to the Offeror. MAGHL will accordingly become a direct wholly-owned subsidiary of the Offeror on the Scheme Effective Date; and
 - (c) the listing of the MAGHL Shares on GEM will be withdrawn as soon as practicable following the Scheme Effective Date.
- The Proposal is subject to the satisfaction or waiver (as applicable) of the Scheme Conditions set out in the section headed “3. Conditions to the Proposal and the Scheme” in the Explanatory Statement set out in Part VII of this Scheme Document.

10. What Cancellation Consideration(s) will I receive under the Proposal for my cancelled Scheme Shares?

- You may choose either the Share Alternative or the Partial Cash Alternative pursuant to the Proposal, details of which are as follows:

(a) the Share Alternative

Scheme Shareholders (other than those validly electing to receive the Partial Cash Alternative) will be entitled to receive, for every 6 Scheme Shares, 5 new eSun Shares (which will rank *pari passu* with all other eSun Shares) to be issued, credited as fully paid; or

(b) the Partial Cash Alternative

Scheme Shareholders validly electing to receive the Partial Cash Alternative for all of their Scheme Shares will be entitled to receive, (i) for every 6 Scheme Shares, 1 new eSun Share (which will rank *pari passu* with all other eSun Shares) to be issued, credited as fully paid; and (ii) a cash payment of HK\$0.24 for each Scheme Share.

- For the avoidance of doubt, you may elect the Share Alternative or the Partial Cash Alternative but not a combination of the two (except for HKSCC Nominees, who may make different elections in respect of the Scheme Shares held by it on behalf of the relevant Beneficial Owners) as the form of Cancellation Consideration in respect of your entire holding of Scheme Shares held as at the Scheme Record Date.
- If you do not make any election for the Partial Cash Alternative, or if your election for the Partial Cash Alternative is invalid, you will receive the Share Alternative.

11. What should I do to elect the form of the Cancellation Consideration in respect of my Scheme Shares?***For Scheme Shareholders***

You may elect **EITHER** the Share Alternative **OR** the Partial Cash Alternative (but not, for the avoidance of doubt, a combination of the two, unless you are HKSCC Nominees, who may make different elections in respect of the Scheme Shares held by it on behalf of the relevant Beneficial Owners) as the form of Cancellation Consideration in respect of your entire holding of Scheme Shares held as at the Scheme Record Date.

If you wish to elect the Partial Cash Alternative, you shall make such election by properly completing and executing the Election Form which is enclosed with this Scheme Document in accordance with the instructions printed thereon in respect of your entire holding of Scheme Shares (save for HKSCC Nominees, who may make different elections in respect of Scheme Shares held by it on behalf of the relevant Beneficial Owners) registered under your name at the Scheme Record Date, and **deliver the duly completed and executed Election Form to the MAGHL Branch Share Registrar, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as practicable but in any event so as to reach the above address by not later than 4:30 p.m. on Monday, 13 March, 2023 or such later date and time as may be notified through announcement(s). The Election Form will only be valid if, among others, you are a registered MAGHL Shareholder as at the Scheme Record Date.**

If you wish to elect the Share Alternative, you are not required to complete and deliver the Election Form.

If you have not returned an Election Form as described above or if you have returned an Election Form which is not duly completed or executed in accordance with the terms of the Scheme, you will receive the Share Alternative in respect of your entire holding of the Scheme Shares.

If you have sold or transferred all of your MAGHL Shares, you should at once hand this Scheme Document and the accompanying forms of proxy and the Election Form to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee. Copies of the Election Form can also be obtained from the MAGHL Branch Share Registrar during usual business hours on any day (other than Saturdays, Sundays or statutory holidays in Hong Kong) until 4:30 p.m. on Monday, 13 March, 2023.

Save as provided in relation to HKSCC Nominees, any Scheme Shareholder who holds Scheme Shares as a nominee, trustee or registered owner in any other capacity will not be treated differently from any other Registered Owner.

For Beneficial Owners

If you are a Beneficial Owner whose MAGHL Shares are registered in the name of a Registered Owner, you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the election of the form of the Cancellation Consideration. A Beneficial Owner may consider whether he/she/it wishes to arrange for the registration of the relevant MAGHL Shares in his/her/its name prior to the Scheme Record Date.

You should consult your broker, custodian, nominee or other relevant person as soon as practicable as to the timing and procedures for the election of the form of the Cancellation Consideration. They may set a timeline which may be earlier than the Election Time to allow them having sufficient time to submit the election to HKSCC Nominees by the deadline set by HKSCC Nominees.

12. What happens if the Proposal is not approved at the MAGHL Court Meeting or the MAGHL SGM or otherwise lapses?

- No Scheme Shareholder will receive the Cancellation Consideration.
- If the Proposal is not approved at the MAGHL Court Meeting or the MAGHL SGM or otherwise lapses, the Proposal will not be implemented and the Scheme will lapse, the listing of the MAGHL Shares on GEM will not be withdrawn, and none of the Scheme Shares will be cancelled in exchange for the Cancellation Consideration.
- Under the relevant restrictions of the Takeovers Code relating to the making of subsequent offers, if the Proposal does not become unconditional or is withdrawn or lapses, none of the Offeror and any Offeror Concert Party nor any person who is subsequently acting in concert with any of them may, within 12 months from the date on which the Proposal is withdrawn or lapses, announce an offer or possible offer for MAGHL, except with the consent of the Executive.

13. Will I have to pay any fees or commissions?

- If your Scheme Shares are registered in your name as at the Scheme Record Date and the Scheme becomes effective, you will not have to pay brokerage fees or similar expenses in respect of the cancellation of the Scheme Shares concerned.
- If, as at the Scheme Record Date, you own your Scheme Shares through a financial intermediary (such as a broker or nominee), you should contact your financial intermediary for any charges that may apply.

14. I am an overseas MAGHL Shareholder. What should I do?

- All overseas MAGHL Shareholders are entitled to vote, and you are strongly encouraged to exercise your right to vote, in person or by proxy, at the MAGHL Court Meeting and/or the MAGHL SGM. The actions you should take are summarised under the section headed “Important Notice and Actions to be Taken” set out on pages i to vii of this Scheme Document and the section headed “19. Actions to be Taken” in the Explanatory Statement set out in Part VII of this Scheme Document. You should read those sections carefully.
- Overseas MAGHL Shareholders are advised to read this Scheme Document in its entirety and in particular, the section headed “15. Overseas Scheme Shareholders” in the Explanatory Statement set out in Part VII of this Scheme Document.

15. What is the position of the MAGHL Independent Board Committee with regard to the Proposal?

- The MAGHL Independent Board Committee, having considered the terms of the Proposal and the Scheme, and having taken into account the advice of the Independent Financial Adviser, in particular the factors, reasons and recommendations set out in “Letter from the Independent Financial Adviser” set out in Part VI of this Scheme Document, considers the terms of the Proposal and the Scheme to be fair and reasonable as far as the Disinterested Scheme Shareholders are concerned and recommends (a) the Disinterested Scheme Shareholders to vote in favour of the resolution to be proposed at the MAGHL Court Meeting and the Disinterested Scheme Shareholders to vote in favour of the relevant resolutions to be proposed at the MAGHL SGM; and (b) for the Disinterested Scheme Shareholders who are attracted by the business and prospects of the Enlarged eSun Group, they should elect the Share Alternative. You are advised to read the letter from the MAGHL Independent Board Committee set out in Part V of this Scheme Document carefully before taking any action in respect of the Proposal.

- Red Sun Capital has been appointed as the independent financial adviser to advise the MAGHL Independent Board Committee in connection with the Proposal and the Scheme. The text of the letter of advice from the Independent Financial Adviser containing its recommendation and the principal factors and reasons that it has taken into consideration in arriving at its recommendation is set out in “Letter from the Independent Financial Adviser” set out in Part VI of this Scheme Document. You are advised to read such letter of advice carefully before taking any action in respect of the Proposal.

16. When do you expect the Proposal to be completed?

- If the Scheme Conditions are satisfied or validly waived (as applicable) on or before Thursday, 16 March, 2023 (Bermuda time), the Scheme is expected to become effective on Thursday, 16 March, 2023 (Bermuda time).
- For details of the Scheme Conditions, your attention is drawn to the section headed “3. Conditions to the Proposal and the Scheme” in the Explanatory Statement set out in Part VII of this Scheme Document.

17. Who should I call if I have additional questions?

If you have any questions concerning administrative matters, such as dates, documentation and procedures relating to the Proposal, please call the hotline of the MAGHL Branch Share Registrar, Tricor Investor Services Limited, at (852) 2980 1333 between 9:00 a.m. and 6:00 p.m. on Monday to Friday, excluding public holidays in Hong Kong.

You may also direct your questions to MAGHL by email to cosec@mediaasia.com.

The hotline and responses to emails cannot and will not provide any advice on the merits of the Proposal or give any financial or legal advice. If you are in doubt as to the content of this Scheme Document, any aspect of the Proposal or any action to be taken, you are encouraged to consult a licensed securities dealer or registered institution in securities, stockbroker, bank manager, solicitor, professional accountant or other professional adviser and obtain independent professional advice.

The timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror, eSun and MAGHL. All references in this Scheme Document to times and dates are references to Hong Kong times and dates, except as otherwise specified.

Events**2023**

Date of despatch of the Scheme Document.....	Thursday, 12 January
Latest time for lodging transfers of MAGHL Shares in order to become a MAGHL Shareholder entitled to attend and vote at the MAGHL Court Meeting and/or the MAGHL SGM.....	4:30 p.m. on Tuesday, 7 February
Register of members of MAGHL closed for determining the entitlements of relevant Scheme Shareholders to attend and vote at the MAGHL Court Meeting and of MAGHL Shareholders to attend and vote at the MAGHL SGM (<i>Note 1</i>).....	Wednesday, 8 February to Monday, 13 February (both dates inclusive)
Latest time for lodging the pink form of proxy in respect of the MAGHL Court Meeting (<i>Note 2</i>)	9:00 a.m. on Saturday, 11 February
Latest time for lodging the white form of proxy in respect of the MAGHL SGM (<i>Note 2</i>)	9:15 a.m. on Saturday, 11 February
Record date for determining the entitlements to attend and vote at the MAGHL Court Meeting and/or the MAGHL SGM, being the Meeting Record Date.....	Monday, 13 February
MAGHL Court Meeting (<i>Notes 3 and 4</i>)	9:00 a.m. on Monday, 13 February
MAGHL SGM (<i>Notes 3 and 4</i>)	9:15 a.m. on Monday, 13 February (or as soon thereafter as the MAGHL Court Meeting shall have concluded or been adjourned)
Announcement of the results of the MAGHL Court Meeting and the MAGHL SGM posted on the website of HKEX	no later than 7:00 p.m. on Monday, 13 February

Events **2023**

Expected latest time for trading in the
MAGHL Shares on GEM.....4:10 p.m. on Wednesday, 22 February

Latest time for lodging transfers of MAGHL Shares
in order to qualify for entitlements under the Scheme4:30 p.m. on Monday, 27 February

Register of members of the MAGHL closed for
determining entitlements under the Scheme (*Note 5*)from Tuesday, 28 February onwards

Scheme Record DateWednesday, 1 March

MAGHL Court Hearing to sanction
the Scheme and to confirm the capital reduction
in issued share capital of MAGHL by
cancelling and extinguishing the Scheme SharesFriday, 3 March
(Bermuda time)

Announcement of the result of the MAGHL Court Hearing,
the expected Scheme Effective Date and
the expected date of withdrawal of listing of the
MAGHL Shares on GEM.....no later than 8:30 a.m.
on Monday, 6 March

Election Time (being latest time for lodging
the Election Form for election of
the Partial Cash Alternative)4:30 p.m. on Monday, 13 March

Scheme Effective Date (*Note 6*)..... Thursday, 16 March
(Bermuda time)

Announcement of the Scheme Effective Date
and the withdrawal of the listing of the MAGHL Shares
on GEM.....no later than 8:30 a.m.
on Friday, 17 March

Expected withdrawal of the listing of MAGHL Shares
on GEM becoming effective (*Note 7*)4:00 p.m. on Monday, 20 March

Events

2023

Latest time to despatch cheques for cash entitlements and share certificates for share entitlements under the Scheme	Monday, 27 March
First day of dealings of the new eSun Shares issued to holders of the Scheme Shares on the Stock Exchange	9.00 a.m. on Tuesday, 28 March

Notes:

- (1) *The register of members of MAGHL will be closed during such period for the purposes of determining the entitlement of the Scheme Shareholders to attend and vote at the MAGHL Court Meeting and the entitlement of the MAGHL Shareholders to attend and vote at the MAGHL SGM. This book closure period is not for determining entitlements under the Scheme.*
- (2) *Forms of proxy should be lodged with the MAGHL Branch Share Registrar, Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not later than the respective times and dates as stated above. Alternatively, in case of the pink form of the proxy for use at the MAGHL Court Meeting, it may be handed to the chairman of the MAGHL Court Meeting at the MAGHL Court Meeting (who shall have absolute discretion whether or not to accept the proxy form) before the taking of poll. Completion and return of the relevant form of proxy for the MAGHL Court Meeting and/or the MAGHL SGM will not preclude a member from attending and voting in person at the relevant meeting or any adjournment thereof. In such event, the relevant form of proxy returned will be deemed to have been revoked by operation of law.*
- (3) *The MAGHL Court Meeting and the MAGHL SGM will be held at Grand Ballrooms 1 and 2, Level B, Hong Kong Ocean Park Marriott Hotel, 180 Wong Chuk Hang Road, Aberdeen, Hong Kong at the times and dates specified above. Please see the notice of the MAGHL Court Meeting set out in Appendix VI to this Scheme Document and the notice of the MAGHL SGM set out in Appendix VII to this Scheme Document for details.*
- (4) *If a tropical cyclone warning signal No.8 or above is or is expected to be hoisted or “extreme conditions” caused by super typhoons or a black rainstorm warning signal is or is expected to be in force at any time after 7:00 a.m. on the date of the MAGHL Court Meeting and/or the MAGHL SGM, the MAGHL Court Meeting and/or the MAGHL SGM will be adjourned. MAGHL will post a supplementary notice on the respective websites of HKEX and MAGHL to notify the Scheme Shareholders and/or the MAGHL Shareholders of the date, time and venue of the adjourned meetings. The MAGHL Court Meeting and the MAGHL SGM will be held as scheduled (i) if a tropical cyclone warning signal No.8 or above is cancelled, or “extreme conditions” caused by super typhoons or a black rainstorm warning signal are no longer in force, at or before 7:00 a.m. on the date of the MAGHL Court Meeting and/or the MAGHL SGM; or (ii) if a tropical cyclone warning signal no. 3 or below is hoisted or an amber or red rainstorm warning signal is in force. Scheme Shareholders and MAGHL Shareholders (as the case may be) should make their own decision as to whether to attend the MAGHL Court Meeting and/or the MAGHL SGM under bad weather conditions bearing in mind their own situations and, if they should choose to do so, they are advised to exercise care and caution.*
- (5) *The register of members of MAGHL will be closed during such period for the purpose of determining which Scheme Shareholders are qualified for the entitlements under the Scheme.*
- (6) *The Scheme will be effective upon all the Scheme Conditions having been fulfilled or waived (as applicable).*
- (7) *If the Proposal becomes unconditional and the Scheme becomes effective, it is expected that the listing of the MAGHL Shares on GEM will be withdrawn at 4:00 p.m. on Monday, 20 March, 2023.*



Media Asia Group Holdings Limited

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

(Stock Code: 8075)

Executive Directors

Dr. Lam Kin Ngok, Peter (*Chairman*)
Mr. Chan Chi Kwong
Mr. Lui Siu Tsuen, Richard
Mr. Yip Chai Tuck

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Independent Non-executive Directors

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

Head Office and Principal Place of Business

11th Floor
Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon
Hong Kong

12 January, 2023

To the MAGHL Shareholders

Dear Sir or Madam,

(1) PROPOSED MERGER OF MAGHL BY ESUN AND THE OFFEROR INVOLVING A SHARE EXCHANGE OFFER WITH PARTIAL CASH ALTERNATIVE TO THE SCHEME SHAREHOLDERS OF MAGHL FOR THE CANCELLATION OF ALL THE SCHEME SHARES BY WAY OF A SCHEME OF ARRANGEMENT (UNDER SECTION 99 OF THE COMPANIES ACT);
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF MAGHL SHARES

A. INTRODUCTION

Reference is made to the Announcement. On 10 November, 2022, the eSun Board and the Offeror Board requested the MAGHL Board to put forward the Proposed Merger to the Scheme Shareholders. The Proposal involves the privatisation of MAGHL through the Scheme and the withdrawal of the listing of the MAGHL Shares on GEM. Subject to the satisfaction or waiver (as applicable) of the Scheme Conditions, MAGHL will become a direct wholly-owned subsidiary of the Offeror upon the Scheme becoming effective and the listing of MAGHL Shares will be withdrawn from GEM.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal and the Scheme, and to give you notices of the MAGHL Court Meeting and the MAGHL SGM.

Your attention is also drawn to (i) the letter from the MAGHL Independent Board Committee set out in Part V of this Scheme Document; (ii) the letter from the Independent Financial Adviser set out in Part VI of this Scheme Document; (iii) the Explanatory Statement set out in Part VII of this Scheme Document; and (iv) the terms of the Scheme set out in Appendix V of this Scheme Document.

B. TERMS OF THE PROPOSED MERGER

1. The Proposal

Under the Proposal, subject to the satisfaction or waiver (as applicable) of the Scheme Conditions, it is proposed that:

- (a) all Scheme Shares will be cancelled and extinguished on the Scheme Effective Date in exchange for the Cancellation Consideration for each Scheme Share;
- (b) immediately after the cancellation and extinguishment of the Scheme Shares, the issued share capital of MAGHL will be increased to the amount immediately prior to the cancellation and extinguishment of the Scheme Shares by applying the credit arising in the books of account of MAGHL as a result of the capital reduction in paying up in full at par such number of new MAGHL Shares as is equal to the number of Scheme Shares cancelled and extinguished as aforesaid, to be allotted and issued, credited as fully paid, to the Offeror. MAGHL will accordingly become a direct wholly-owned subsidiary of the Offeror on the Scheme Effective Date; and
- (c) the listing of the MAGHL Shares on GEM will be withdrawn as soon as practicable following the Scheme Effective Date.

MAGHL will become an indirect wholly-owned subsidiary of eSun upon the Scheme becoming effective, and the listing of MAGHL Shares on GEM will be withdrawn. Depending on MAGHL Shareholders' election of the form of Cancellation Consideration, eSun may (i) remain as a subsidiary of LSD and LSG; or (ii) cease to be a subsidiary of LSD and LSG, and the assets and liabilities of eSun would cease to be consolidated into the accounts of LSD and LSG. Specifically:

- (a) should all Scheme Shareholders or Scheme Shareholders representing more than 28.83% of the total issued MAGHL Shares elect the Share Alternative (or fail to validly elect the Partial Cash Alternative), the percentage of equity interests of LSD in the enlarged issued share capital of eSun will be diluted to 50.0% or lower upon the allotment and issue of new eSun Shares in satisfaction of the Cancellation Consideration. In such case, eSun will cease to be a subsidiary of LSD and LSG; and

- (b) should all Scheme Shareholders validly elect the Partial Cash Alternative, it is expected that the number of new eSun Shares to be allotted and issued under the Proposal will represent approximately 9.73% of the enlarged issued share capital of eSun, and the equity interests of LSD in eSun will be diluted to approximately 67.36%. In such case, eSun will remain as a subsidiary of LSD and LSG.

2. Cancellation Consideration

As at the Latest Practicable Date, 2,986,314,015 MAGHL Shares were in issue, of which (i) 2,021,848,647 MAGHL Shares (representing approximately 67.70% of the total issued MAGHL Shares) were held by the Offeror; (ii) 1,875,000 MAGHL Shares (representing approximately 0.06% of the total issued MAGHL Shares) were held by Anglo Chinese, which is an Offeror Concert Party; (iii) 100,000,000 MAGHL Shares (representing approximately 3.35% of the total issued MAGHL Shares) were held by Mr. Cheung, who is an Offeror Concert Party; and (iv) the remaining 862,590,368 MAGHL Shares (representing approximately 28.88% of the total issued MAGHL Shares) were held by the Disinterested Scheme Shareholders. All MAGHL Shares other than those held by the Offeror will be subject to the Scheme and regarded as Scheme Shares.

The Proposal will be implemented by way of the Scheme. Pursuant to the Proposal, if the Scheme becomes effective, the Scheme Shares will be cancelled in exchange for either:

(a) *the Share Alternative*

Scheme Shareholders (other than those validly electing to receive the Partial Cash Alternative for all of their Scheme Shares) will be entitled to receive, for every 6 Scheme Shares, 5 new eSun Shares (which will rank *pari passu* with all other eSun Shares) to be issued, credited as fully paid; or

(b) *the Partial Cash Alternative*

Scheme Shareholders validly electing to receive the Partial Cash Alternative for all of their Scheme Shares will be entitled to receive, (i) for every 6 Scheme Shares, 1 new eSun Share (which will rank *pari passu* with all other eSun Shares) to be issued, credited as fully paid; and (ii) a cash payment of HK\$0.24 for each Scheme Share. By way of illustration, if a Scheme Shareholder held 12,000 Scheme Shares as at the Scheme Record Date, under the Partial Cash Alternative, it will be entitled to a cash payment of HK\$2,880 and 2,000 new eSun Shares.

Scheme Shareholders may elect EITHER the Share Alternative OR the Partial Cash Alternative (but not, for the avoidance of doubt, a combination of the two, except for HKSCC Nominees, who may make different elections in respect of the Scheme Shares held by it on behalf of the relevant Beneficial Owners) as the form of Cancellation Consideration in respect of their entire holdings of the Scheme Shares held as at the Scheme Record Date. Scheme Shareholders (other than HKSCC Nominees) who elect both the Share Alternative and the Partial Cash Alternative in respect of their holdings of the Scheme Shares or elect the Partial Cash Alternative in respect of only part of their holdings of the Scheme Shares will, subject to the Scheme becoming effective, receive the Share Alternative in respect of their entire holdings of the Scheme Shares.

Scheme Shareholders who wish to elect the Partial Cash Alternative should specify the same in the Election Form enclosed with this Scheme Document. Assuming the Scheme becomes effective, any Scheme Shareholder who has not, by 4:30 p.m. on Monday, 13 March, 2023 or such later date and time as may be notified through announcement(s), delivered an Election Form to the MAGHL Branch Share Registrar, or who has returned an Election Form which is not duly completed or executed in accordance with the terms of the Scheme, will receive the Share Alternative in respect of his/her/its entire holding of the Scheme Shares. If a Scheme Shareholder does not make a valid election for the Partial Cash Alternative, such Scheme Shareholder will receive the Share Alternative as the form of Cancellation Consideration in respect of his/her/its entire holding of the Scheme Shares. Scheme Shareholders who wish to elect the Share Alternative are not required to complete and deliver the Election Forms.

The Cancellation Consideration will not be increased, and the Offeror does not reserve the right to do so. Scheme Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Consideration.

If, after the Latest Practicable Date, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of MAGHL Shares, the Offeror reserves the right to reduce the Cancellation Consideration by all or any part of the net amount or value of such dividend, distribution and, or as the case may be, return of capital after consultation with the Executive, in which case any reference in this Scheme Document or any other announcement or document to the Cancellation Consideration will be deemed to be a reference to the Cancellation Consideration as so reduced.

As at the Latest Practicable Date, (i) MAGHL had not announced or declared any dividend, distribution or other return of capital which remains unpaid; and (ii) MAGHL did not intend to announce, declare and, or pay any dividend, distribution or other return of capital before the Scheme Effective Date, or the date on which the Scheme is not approved, or the Proposal otherwise lapses (as the case may be).

No fraction of a cent will be payable and the amount of cash consideration payable to the Scheme Shareholders who have elected the Partial Cash Alternative will be rounded down to the nearest cent. No fraction of new eSun Shares will be allotted and issued to the Scheme Shareholders as Cancellation Consideration and fractional entitlements to new eSun Shares will be rounded down to the nearest whole number. There will not be any rounding up of fractions of a new eSun Share to a whole eSun Share because Scheme Shareholders could deliberately create odd holdings of Scheme Shares resulting in the issue of more eSun Shares than contemplated and thereby increasing the cost of the Scheme to eSun. It is not the intention of eSun that entitlements to the Cancellation Consideration be the subject of such potential abuse.

3. Comparison of value

- (i) *Comparison of the value of the Cancellation Consideration with (i) the trading prices of MAGHL Shares; and (ii) the audited net asset value per MAGHL Share attributable to the owners of MAGHL*

The Share Alternative

The value of the Share Alternative is equivalent to the value of five sixths of a new eSun Share, being the Share Exchange Ratio under the Share Alternative.

Based on the closing price of HK\$0.43 per eSun Share as quoted on the Stock Exchange on the Last eSun Trading Day, the value of the Share Alternative was approximately HK\$0.36 per Scheme Share, representing:

- (a) a premium of approximately 7.0% over the closing price of HK\$0.335 per MAGHL Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 13.8% over the average closing price of approximately HK\$0.32 per MAGHL Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (c) a premium of approximately 7.5% over the average closing price of approximately HK\$0.33 per MAGHL Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (d) a discount of approximately 25.9% to the average closing price of approximately HK\$0.48 per MAGHL Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (e) a discount of approximately 41.0% to the average closing price of approximately HK\$0.61 per MAGHL Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day; and

- (f) a premium of approximately 290.8% over the audited net asset value per MAGHL Share attributable to owners of MAGHL of approximately HK\$0.092 per MAGHL Share as at 31 July, 2022, which was calculated based on the audited net asset value attributable to owners of MAGHL of approximately HK\$273.8 million as at 31 July, 2022 and 2,986,314,015 MAGHL Shares in issue as at the Last Trading Day.

Based on the closing price of HK\$0.247 per eSun Share as quoted on the Stock Exchange on the Latest Practicable Date, the value of the Share Alternative was approximately HK\$0.21 per Scheme Share, representing:

- (a) a discount of approximately 31.4% to the closing price of HK\$0.30 per MAGHL Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 38.6% to the closing price of HK\$0.335 per MAGHL Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 34.7% to the average closing price of approximately HK\$0.32 per MAGHL Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (d) a discount of approximately 38.3% to the average closing price of approximately HK\$0.33 per MAGHL Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (e) a discount of approximately 57.4% to the average closing price of approximately HK\$0.48 per MAGHL Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (f) a discount of approximately 66.1% to the average closing price of approximately HK\$0.61 per MAGHL Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day; and
- (g) a premium of approximately 124.5% over the audited net asset value per MAGHL Share attributable to owners of MAGHL of approximately HK\$0.092 per MAGHL Share as at 31 July, 2022, which was calculated based on the audited net asset value attributable to owners of MAGHL of approximately HK\$273.8 million as at 31 July, 2022 and 2,986,314,015 MAGHL Shares in issue as at the Latest Practicable Date.

The Partial Cash Alternative

The value of the Partial Cash Alternative is equivalent to the aggregate value of (i) the cash payment of HK\$0.24 and (ii) one sixth of a new eSun Share.

Based on the closing price of HK\$0.43 per eSun Share as quoted on the Stock Exchange on the Last eSun Trading Day, the value of the Partial Cash Alternative was approximately HK\$0.31 per Scheme Share, representing:

- (a) a discount of approximately 7.0% to the closing price of HK\$0.335 per MAGHL Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 1.1% to the average closing price of approximately HK\$0.32 per MAGHL Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (c) a discount of approximately 6.5% to the average closing price of approximately HK\$0.33 per MAGHL Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (d) a discount of approximately 35.5% to the average closing price of approximately HK\$0.48 per MAGHL Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (e) a discount of approximately 48.7% to the average closing price of approximately HK\$0.61 per MAGHL Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day; and
- (f) a premium of approximately 239.9% over the audited net asset value per MAGHL Share attributable to owners of MAGHL of approximately HK\$0.092 per MAGHL Share as at 31 July, 2022, which was calculated based on the audited net asset value attributable to owners of MAGHL of approximately HK\$273.8 million as at 31 July, 2022 and 2,986,314,015 MAGHL Shares in issue as at the Last Trading Day.

Based on the closing price of HK\$0.247 per eSun Share as quoted on the Stock Exchange on the Latest Practicable Date, the value of the Partial Cash Alternative was approximately HK\$0.28 per Scheme Share, representing:

- (a) a discount of approximately 6.3% to the closing price of HK\$0.30 per MAGHL Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 16.1% to the closing price of HK\$0.335 per MAGHL Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 10.7% to the average closing price of approximately HK\$0.32 per MAGHL Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (d) a discount of approximately 15.7% to the average closing price of approximately HK\$0.33 per MAGHL Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (e) a discount of approximately 41.8% to the average closing price of approximately HK\$0.48 per MAGHL Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (f) a discount of approximately 53.7% to the average closing price of approximately HK\$0.61 per MAGHL Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day; and
- (g) a premium of approximately 206.6% over the audited net asset value per MAGHL Share attributable to owners of MAGHL of approximately HK\$0.092 per MAGHL Share as at 31 July, 2022, which was calculated based on the audited net asset value attributable to owners of MAGHL of approximately HK\$273.8 million as at 31 July, 2022 and 2,986,314,015 MAGHL Shares in issue as at the Latest Practicable Date.

- (ii) *Comparison of the implied value of eSun Shares under the Cancellation Consideration with (i) the trading prices of eSun Shares; and (ii) the audited net asset value per eSun Share attributable to owners of eSun*

The Share Alternative

Based on the closing price of HK\$0.335 per MAGHL Share as quoted on the Stock Exchange on the Last Trading Day, the implied value of each eSun Share under the Share Alternative was equivalent to approximately HK\$0.40 (which was calculated by the closing price of HK\$0.335 per MAGHL Share on the Last Trading Day divided by five sixths, being the Share Exchange Ratio under the Share Alternative), representing:

- (a) a discount of approximately 6.5% to the closing price of HK\$0.43 per eSun Share as quoted on the Stock Exchange on the Last eSun Trading Day;
- (b) a premium of approximately 21.5% over the average closing price of approximately HK\$0.33 per eSun Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last eSun Trading Day;
- (c) a premium of approximately 30.6% over the average closing price of approximately HK\$0.31 per eSun Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last eSun Trading Day;
- (d) a premium of approximately 28.0% over the average closing price of approximately HK\$0.31 per eSun Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last eSun Trading Day;
- (e) a premium of approximately 3.2% over the average closing price of approximately HK\$0.39 per eSun Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last eSun Trading Day; and
- (f) a discount of approximately 37.9% to the audited net asset value per eSun Share attributable to owners of eSun of approximately HK\$0.65 per eSun Share as at 31 July, 2022, which was calculated based on the audited net asset value attributable to owners of eSun of approximately HK\$965.2 million as at 31 July, 2022 and 1,491,854,598 eSun Shares in issue as at the Last eSun Trading Day.

Based on the closing price of HK\$0.300 per MAGHL Share as quoted on the Stock Exchange on the Latest Practicable Date, the implied value of each eSun Share under the Share Alternative was equivalent to approximately HK\$0.36 (which was calculated by the closing price of HK\$0.300 per MAGHL Share on the Latest Practicable Date divided by five sixths, being the Share Exchange Ratio under the Share Alternative), representing:

- (a) a premium of approximately 45.7% over the closing price of HK\$0.247 per eSun Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 16.3% to the closing price of HK\$0.43 per eSun Share as quoted on the Stock Exchange on the Last eSun Trading Day;
- (c) a premium of approximately 8.8% over the average closing price of approximately HK\$0.33 per eSun Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last eSun Trading Day;
- (d) a premium of approximately 16.9% over the average closing price of approximately HK\$0.31 per eSun Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last eSun Trading Day;
- (e) a premium of approximately 14.6% over the average closing price of approximately HK\$0.31 per eSun Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last eSun Trading Day;
- (f) a discount of approximately 7.6% to the average closing price of approximately HK\$0.39 per eSun Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last eSun Trading Day; and
- (g) a discount of approximately 44.4% to the audited net asset value per eSun Share attributable to owners of eSun of approximately HK\$0.65 per eSun Share as at 31 July, 2022, which was calculated based on the audited net asset value attributable to owners of eSun of approximately HK\$965.2 million as at 31 July, 2022 and 1,491,854,598 eSun Shares in issue as at the Latest Practicable Date.

The Partial Cash Alternative

Based on the closing price of HK\$0.335 per MAGHL Share as quoted on the Stock Exchange on the Last Trading Day, the implied value of each eSun Share under the Partial Cash Alternative was equivalent to approximately HK\$0.57 (which was calculated by the closing price of HK\$0.335 per MAGHL Share on the Last Trading Day minus the cash payment of HK\$0.24 under the Partial Cash Alternative, and then divided by one sixth, being the Share Exchange Ratio under the Partial Cash Alternative), representing:

- (a) a premium of approximately 32.6% over the closing price of HK\$0.43 per eSun Share as quoted on the Stock Exchange on the Last eSun Trading Day;
- (b) a premium of approximately 72.2% over the average closing price of approximately HK\$0.33 per eSun Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last eSun Trading Day;
- (c) a premium of approximately 85.2% over the average closing price of approximately HK\$0.31 per eSun Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last eSun Trading Day;
- (d) a premium of approximately 81.4% over the average closing price of approximately HK\$0.31 per eSun Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last eSun Trading Day;
- (e) a premium of approximately 46.3% over the average closing price of approximately HK\$0.39 per eSun Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last eSun Trading Day; and
- (f) a discount of approximately 11.9% to the audited net asset value per eSun Share attributable to owners of eSun of approximately HK\$0.65 per eSun Share as at 31 July, 2022, which was calculated based on the audited net asset value attributable to owners of eSun of approximately HK\$965.2 million as at 31 July, 2022 and 1,491,854,598 eSun Shares in issue as at the Last eSun Trading Day.

Based on the closing price of HK\$0.300 per MAGHL Share as quoted on the Stock Exchange on the Latest Practicable Date, the implied value of each eSun Share under the Partial Cash Alternative was equivalent to approximately HK\$0.36 (which was calculated by the closing price of HK\$0.300 per MAGHL Share on the Latest Practicable Date minus the cash payment of HK\$0.24 under the Partial Cash Alternative, and then divided by one sixth, being the Share Exchange Ratio under the Partial Cash Alternative), representing:

- (a) a premium of approximately 45.7% over the closing price of HK\$0.247 per eSun Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 16.3% to the closing price of HK\$0.43 per eSun Share as quoted on the Stock Exchange on the Last eSun Trading Day;
- (c) a premium of approximately 8.8% over the average closing price of approximately HK\$0.33 per eSun Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last eSun Trading Day;
- (d) a premium of approximately 16.9% over the average closing price of approximately HK\$0.31 per eSun Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last eSun Trading Day;
- (e) a premium of approximately 14.6% over the average closing price of approximately HK\$0.31 per eSun Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last eSun Trading Day;
- (f) a discount of approximately 7.6% to the average closing price of approximately HK\$0.39 per eSun Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last eSun Trading Day; and
- (g) a discount of approximately 44.4% to the audited net asset value per eSun Share attributable to owners of eSun of approximately HK\$0.65 per eSun Share as at 31 July, 2022, which was calculated based on the audited net asset value attributable to owners of eSun of approximately HK\$965.2 million as at 31 July, 2022 and 1,491,854,598 eSun Shares in issue as at the Latest Practicable Date.

Basis for determining the Share Alternative and the Partial Cash Alternative, and the Share Exchange Ratios

As set out in the section headed “2.4 Comparison of value - (4) Basis for determining the Share Alternative and the Partial Cash Alternative, and the Share Exchange Ratios” in the Explanatory Statement set out in Part VII of this Scheme Document, the Partial Cash Alternative, the Share Alternative and the respective Share Exchange Ratio were determined on arm’s length terms and on a commercial basis after taking into account, among other things, the prevailing and historical market prices of both the eSun Shares and the MAGHL Shares traded on the Main Board and GEM respectively; the net asset value attributable to the eSun Shareholders and to the Scheme Shareholders as at 31 July, 2022; and the respective board lot sizes of eSun Shares and MAGHL Shares to minimise odd lots created for Scheme Shareholders in the Proposal.

Based on the audited consolidated net asset value per eSun Share attributable to owners of eSun, of approximately HK\$0.65 as at 31 July, 2022, the implied value of five sixths of a new eSun Share (to be issued under the Share Alternative for each Scheme Share to be cancelled under the Scheme) was approximately HK\$0.54, and the implied value of one sixth of a new eSun Share plus a cash payment of HK\$0.24 (to be issued, or paid under the Partial Cash Alternative for each Scheme Share to be cancelled under the Scheme) was approximately HK\$0.35, which respectively represented premiums of approximately 487.9% and 279.3% over the audited consolidated net asset value per MAGHL Share of approximately HK\$0.092 as at 31 July, 2022. Accordingly, despite that the value of the Share Alternative and the Partial Cash Alternative each represented a discount to the average closing prices per MAGHL Share for certain periods, the value of the Share Alternative and the Partial Cash Alternative each represented a premium over the net asset value of MAGHL per MAGHL Share.

Please refer to the section headed “2.4 Comparison of value - (4) Basis for determining the Share Alternative and the Partial Cash Alternative, and the Share Exchange Ratios” in the Explanatory Statement set out in Part VII of this Scheme Document for further information.

4. Rights attaching to the eSun Shares and the Specific Mandate

The eSun Shares to be issued pursuant to the Scheme as the Cancellation Consideration will, when issued, be credited as fully paid, free from all Encumbrances, and will rank *pari passu* with all other eSun Shares then in issue including the rights as to dividends, voting and on return of capital.

Under both the Share Alternative and the Partial Cash Alternative, new eSun Shares shall be allotted and issued pursuant to the Specific Mandate to be sought from the eSun Shareholders at the eSun SGM. Application will be made by eSun to the Listing Committee for the approval for the listing of, and permission to deal in, the new eSun Shares to be allotted and issued pursuant to the Scheme on the Main Board.

5. Confirmation of financial resources

The total maximum amount of cash payable under the Partial Cash Alternative for the Proposal on the basis described in this Scheme Document is approximately HK\$231.5 million and the Offeror intends to finance the cash required for the Proposal with the internal cash resources of eSun.

Anglo Chinese, as financial adviser to eSun and the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy its obligations in respect of the full implementation of the Proposal in accordance with its terms.

C. CONDITIONS TO THE PROPOSAL AND THE SCHEME

The implementation of the Proposal is, and the Scheme will become effective and binding on MAGHL and all Scheme Shareholders, subject to the satisfaction or waiver (as applicable) of the Scheme Conditions set out below and in the section headed “3. Conditions to the Proposal and the Scheme” in the Explanatory Statement set out in Part VII of this Scheme Document:

- (a) the approval of the Scheme (by way of a poll) by a majority in number of Scheme Shareholders representing not less than three-fourths in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the MAGHL Court Meeting;
- (b) the approval of the Scheme (by way of poll) by at least 75% of the votes attaching to the Scheme Shares held by the Disinterested Scheme Shareholders that are voted either in person or by proxy at the MAGHL Court Meeting, provided that the number of votes cast (by way of poll) against the resolution to approve the Scheme is not more than 10% of the votes attaching to all the Scheme Shares held by the Disinterested Scheme Shareholders;
- (c) the passing by MAGHL Shareholders of a special resolution at the MAGHL SGM to approve any reduction of the issued share capital of MAGHL by the cancellation of the Scheme Shares, and an ordinary resolution to approve the application of the credit created by the cancellation of the Scheme Shares to restore the issued share capital of MAGHL by the allotment and issue of an equal number of MAGHL Shares (credited as fully paid) to the Offeror;
- (d) the sanction of the Scheme (with or without modification) by the Court and the delivery to the Registrar of Companies of a copy of the order of the Court for registration;
- (e) the necessary compliance with the procedural requirements and conditions, if any, of Section 46(2) of the Companies Act in relation to any reduction of the issued share capital of MAGHL referred to in (c) above;

- (f) the granting by the Stock Exchange of the listing of, and permission to deal in, the eSun Shares which fall to be issued pursuant to the Proposal, on the Main Board;
- (g) the eSun Shareholders passing the resolutions (i) as may be required by the Listing Rules to implement the Proposal; (ii) to approve the grant of the Specific Mandate; and (iii) to approve the proposed Increase in Authorised Share Capital;
- (h) all Authorisations (other than those set out in (d) to (f) above) having been obtained or made from, with or by (as the case may be) the Relevant Authorities in Bermuda, Hong Kong, and, or any other relevant jurisdictions;
- (i) the Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes binding and effective in accordance with its terms;
- (j) if required, the obtaining by the Offeror or eSun of such other necessary consent, approval, permission, waiver or exemption which may be required from any Relevant Authorities or other third parties which are necessary or desirable for the performance of the Scheme under applicable laws and regulations;
- (k) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Scheme or its implementation in accordance with its terms);
- (l) all necessary consents which may be required for the implementation of the Proposal under any existing material contractual obligations of MAGHL being obtained;
- (m) since the Announcement Date, there having been no material adverse change in the business, financial or trading position or prospects of any member of the MAGHL Group to an extent which is material in the context of the MAGHL Group taken as a whole or in the context of the Proposal; and

- (n) since the Announcement Date, there not having been instituted or remaining outstanding any material litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the MAGHL Group is a party (whether as plaintiff or defendant or otherwise) and no such proceedings having been threatened in writing against any such member and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member having been threatened in writing, announced, instituted or remaining outstanding by, against or in respect of any such member in each case which is material and adverse in the context of the MAGHL Group taken as a whole or in the context of the Proposal.

The Scheme Conditions (a) to (h) above are not waivable. The Offeror and eSun reserve the right to waive any of the Scheme Conditions (i) to (n), either in whole or in respect of any particular matter. All of the Scheme Conditions will have to be satisfied or validly waived (as applicable), on or before the Long Stop Date, otherwise the Scheme will not become effective. Subject to the Scheme Conditions being satisfied or validly waived (as applicable), the Scheme will become effective and binding on MAGHL and all Scheme Shareholders.

As at the Latest Practicable Date, the Offeror and eSun were not aware of, and did not foresee, (i) any Authorisations or consents required in respect of the Scheme Conditions (h) to (l); or (ii) any matter that would prevent the Scheme Conditions (m) and (n) from being satisfied. The Offeror is not a party to any agreements or arrangements which relate to circumstances in which it may or may not invoke or seek to invoke any of the above conditions to the Proposal. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror should not invoke any condition so as to cause the Scheme not to become binding and effective unless the circumstances which give rise to the right to invoke the condition are of material significance to the Offeror in the context of the Scheme.

MAGHL will apply for the withdrawal of the listing of MAGHL Shares on GEM pursuant to Rule 9.23(2) of the GEM Listing Rules.

An announcement will be made by MAGHL, eSun and the Offeror in relation to the results of the MAGHL Court Meeting and the MAGHL SGM on Monday, 13 February, 2023 by no later than 7:00 p.m. and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition of the sanction of the Scheme by the Court, the Scheme Effective Date and the date of withdrawal of listing of the MAGHL Shares from GEM in accordance with the requirements of the Takeovers Code and the GEM Listing Rules.

Warning: MAGHL Shareholders and/or potential investors should be aware that the implementation of the Proposal and the Scheme is subject to the Scheme Conditions being fulfilled or waived, as applicable, and therefore the Proposal may or may not be implemented and the Scheme may or may not become effective. MAGHL Shareholders and/or potential investors should therefore exercise caution when dealing in the securities of MAGHL. Persons who are in doubt as to the action they should take should consult their stockbroker, licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

If the Scheme Conditions are not satisfied or waived (as applicable) on or before the Long Stop Date, the Proposal will lapse. Pursuant to the Takeovers Code, neither the Offeror nor any of the parties acting in concert with it (nor any person who is subsequently acting in concert with any of them) may announce an offer or possible offer for MAGHL within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, except with the consent of the Executive.

D. SHAREHOLDING STRUCTURE OF MAGHL

Your attention is drawn to the section headed “9.1 Shareholding structure of MAGHL” in the Explanatory Statement set out in Part VII of this Scheme Document.

E. SHAREHOLDING STRUCTURE OF ESUN

Your attention is drawn to the section headed “9.2 Shareholding structure of eSun” in the Explanatory Statement set out in Part VII of this Scheme Document.

F. INFORMATION ON THE OFFEROR, THE ESUN GROUP AND THE MAGHL GROUP

1. The Offeror

The Offeror is a company incorporated in the British Virgin Islands with limited liability and is a direct wholly-owned subsidiary of eSun. The Offeror is principally engaged in investment holding. As at the Latest Practicable Date, the Offeror held approximately 67.70% of the total issued MAGHL Shares.

2. The eSun Group

eSun is an exempted company incorporated in Bermuda with limited liability. The issued eSun Shares are listed and traded on the Main Board. 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 production and distribution of television programs, films and video format products and cinema operation in Hong Kong and Mainland China.

Please see “Appendix III – Financial Information of the eSun Group” and “Appendix IV- General Information on the eSun Group” for further information on the eSun Group.

3. The MAGHL Group

MAGHL is an exempted company incorporated in the Cayman Islands and continued in Bermuda with limited liability. The issued MAGHL Shares are listed and traded on GEM. The principal activity of MAGHL is investment holding. Its subsidiaries are principally engaged in 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.

Please see “Appendix I – Financial Information of the MAGHL Group” and “Appendix II – General Information on the MAGHL Group” for further information on the MAGHL Group.

G. OFFEROR’S INTENTION REGARDING THE MAGHL GROUP

Your attention is drawn to the section headed “5. Offeror’s intention regarding the MAGHL Group” in the Explanatory Statement set out in Part VII of this Scheme Document. The Offeror intends to continue with the existing business of the MAGHL Group and to align them more closely with the upstream cinema operations of eSun, as detailed in the section headed “4. Objectives of the Proposed Merger” in the Explanatory Statement set out in Part VII of this Scheme Document. The Offeror does not intend to introduce any major changes to the existing operations or business of the MAGHL Group (including any redeployment of fixed assets of the MAGHL Group). It is also the intention of the Offeror that there will not be significant changes in the management and continued employment of the employees of the MAGHL Group as a result of the Proposal. Nevertheless, the Offeror will continue to monitor all business opportunities in relation to the eSun Group as they arise from time to time, with a particular focus on building the business in the PRC.

H. WITHDRAWAL OF LISTING OF THE MAGHL SHARES ON GEM

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished, and all the share certificates representing the Scheme Shares will cease to have effect as evidence of title as from the Scheme Effective Date.

MAGHL will apply to the Stock Exchange for the withdrawal of the listing of MAGHL Shares on GEM pursuant to Rule 9.23(2) of the GEM Listing Rules, with such withdrawal taking place as soon as practicable following the Scheme Effective Date. Scheme Shareholders will be notified of the exact dates of the last day for dealings in the MAGHL Shares and on which the Scheme and the withdrawal of the listing of the MAGHL Shares on GEM will become effective by way of announcement(s).

Your attention is drawn to the section headed “12. Withdrawal of listing of MAGHL Shares on GEM” and “13. If the Proposal is not approved or lapses” in the Explanatory Statement set out in Part VII of this Scheme Document.

I. MAGHL INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The MAGHL Board has established the MAGHL Independent Board Committee, comprising all the independent non-executive MAGHL Directors who are not interested in the Proposal, namely, Mr. Au Hoi Fung, Mr. Ng Chi Ho, Dennis and Mr. Poon Kwok Hing, Albert, to make a recommendation to the Disinterested Scheme Shareholders as to whether the terms of the Proposal are, or are not, fair and reasonable and as to voting in respect of the Proposal at the MAGHL Court Meeting and the MAGHL SGM. Please refer to their recommendations as set out in the “Letter from the MAGHL Independent Board Committee” in Part V of this Scheme Document.

MAGHL, with the approval of the MAGHL Independent Board Committee, has appointed Red Sun Capital as the Independent Financial Adviser to advise the MAGHL Independent Board Committee in connection with the Proposal. Please refer to their recommendations as set out in the “Letter from the Independent Financial Adviser” in Part VI of this Scheme Document.

J. MAGHL COURT MEETING AND MAGHL SGM

In accordance with the directions of the Court, the MAGHL Court Meeting will be held at Grand Ballrooms 1 and 2, Level B, Hong Kong Ocean Park Marriott Hotel, 180 Wong Chuk Hong Road, Aberdeen, Hong Kong, on Monday, 13 February, 2023 at 9:00 a.m.. The MAGHL SGM will be held at Grand Ballrooms 1 and 2, Level B, Hong Kong Ocean Park Marriott Hotel, 180 Wong Chuk Hong Road, Aberdeen, Hong Kong, on Monday, 13 February, 2023 at 9:15 a.m. (or as soon thereafter as the MAGHL Court Meeting shall have concluded or been adjourned).

As at the Latest Practicable Date, two Offeror Concert Parties, namely, Anglo Chinese and Mr. Cheung were holding 1,875,000 MAGHL Shares (representing approximately 0.06% of total issued MAGHL Shares) and 100,000,000 MAGHL Shares (representing approximately 3.35% of total issued MAGHL Shares), respectively. Each of these Offeror Concert Parties has given an undertaking not to vote those MAGHL Shares held by them at the MAGHL Court Meeting in respect of the Scheme.

For the purpose of exercising your right to vote at the MAGHL Court Meeting and/or the MAGHL SGM, your attention is drawn to the sections headed “18. MAGHL Court Meeting and MAGHL SGM”, “19. Actions to be taken” and “20. Exercise your right to vote” in the Explanatory Statement set out in Part VII of this Scheme Document, and the notices of the MAGHL Court Meeting and the MAGHL SGM set out in Appendices VI and VII of this Scheme Document respectively.

K. OVERSEAS SCHEME SHAREHOLDERS

If you are an overseas Scheme Shareholder, your attention is drawn to the section headed “15. Overseas Scheme Shareholders” in the Explanatory Statement set out in Part VII of this Scheme Document.

L. ACTIONS TO BE TAKEN

Your attention is drawn to the sections headed “19. Actions to be taken” and “20. Exercise your right to vote” in the Explanatory Statement set out in Part VII of this Scheme Document for details of the actions you should take as a MAGHL Shareholder, as a Beneficial Owner whose MAGHL Shares are held by a Registered Owner, or as a Beneficial Owner whose MAGHL Shares are deposited in CCASS.

If you are an overseas Scheme Shareholder, your attention is drawn to the section headed “15. Overseas Scheme Shareholders” in the Explanatory Statement set out in Part VII of this Scheme Document.

M. RECOMMENDATIONS

The MAGHL Independent Board Committee, comprising all the independent non-executive MAGHL Directors who are not interested in the Proposal, namely, Mr. Au Hoi Fung, Mr. Ng Chi Ho, Dennis and Mr. Poon Kwok Hing, Albert, has been established by the MAGHL Board to make a recommendation to the Disinterested Scheme Shareholders as to whether the terms of the Proposal are, or are not, fair and reasonable.

Your attention is drawn to the recommendations of the MAGHL Independent Board Committee in respect of the Proposal and the Scheme as set out in the “Letter from the MAGHL Independent Board Committee” in Part V of this Scheme Document.

Your attention is drawn to the recommendations of the Independent Financial Adviser in respect of the Proposal and the Scheme as set out in the “Letter from the Independent Financial Adviser” in Part VI of this Scheme Document.

N. TAXATION ADVICE

Your attention is drawn to the section headed “16. Taxation and independent advice” in the Explanatory Statement set out in Part VII of this Scheme Document.

O. FURTHER INFORMATION

You are urged to read the whole of this Scheme Document, in particular (i) the “Letter from the MAGHL Independent Board Committee” set out in Part V of this Scheme Document; (ii) the “Letter from the Independent Financial Adviser” set out in Part VI of this Scheme Document; (iii) the Explanatory Statement set out in Part VII of this Scheme Document; and (iv) the appendices to this Scheme Document. In addition, a **PINK** form of proxy in respect of the MAGHL Court Meeting, a **WHITE** form of proxy in respect of the MAGHL SGM and the Election Form are enclosed with this Scheme Document.

Yours faithfully,
By order of the board of directors
Media Asia Group Holdings Limited
Lui Siu Tsuen, Richard
Executive Director



Media Asia Group Holdings Limited

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 8075)

12 January, 2023

To the Disinterested Scheme Shareholders

Dear Sir or Madam,

**(1) PROPOSED MERGER OF MAGHL BY ESUN AND THE OFFEROR
INVOLVING A SHARE EXCHANGE OFFER WITH PARTIAL CASH
ALTERNATIVE TO THE SCHEME SHAREHOLDERS OF MAGHL FOR THE
CANCELLATION OF ALL THE SCHEME SHARES BY WAY OF A SCHEME OF
ARRANGEMENT (UNDER SECTION 99 OF THE COMPANIES ACT);
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF MAGHL SHARES**

We refer to the scheme document dated 12 January, 2023 jointly issued by the Offeror, eSun and MAGHL in relation to the Proposal and the Scheme (the “**Scheme Document**”), of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meaning as given to them in the Scheme Document.

We have been appointed by the MAGHL Board as the MAGHL Independent Board Committee to advise the Disinterested Scheme Shareholders in respect of the Proposal and the Scheme.

Red Sun Capital has been appointed, with our approval, as the Independent Financial Adviser in respect of the Proposal and the Scheme.

We wish to draw your attention to (a) the “Letter from the MAGHL Board” set out on in Part IV of this Scheme Document; (b) the “Letter from the Independent Financial Adviser” as set out in Part VI of this Scheme Document which sets out the factors and reasons taken into account by the Independent Financial Adviser in arriving at its recommendations; and (c) the Explanatory Statement as set out in Part VII of this Scheme Document.

Having considered the terms of the Proposal and the Scheme and having taken into account the advice of Red Sun Capital, in particular, the factors, reasons and recommendations as set out in the “Letter from the Independent Financial Adviser” (as set out in Part VI of the Scheme Document), we consider that the terms of the Proposal and the Scheme to be fair and reasonable so far as the Disinterested Scheme Shareholders are concerned.

Accordingly, we recommend:

- (i) the Disinterested Scheme Shareholders to vote **IN FAVOUR OF** the resolution to approve the Scheme at the MAGHL Court Meeting;
- (ii) for Disinterested Scheme Shareholders who are attracted by the business and prospects of the Enlarged eSun Group, they should elect the Share Alternative; and
- (iii) the Disinterested Scheme Shareholders to vote **IN FAVOUR OF** (i) the special resolution at the MAGHL SGM to approve and give effect to the reduction of the issued share capital of MAGHL by cancelling the Scheme Shares; and (ii) the ordinary resolution at the MAGHL SGM to approve, among other things, the increase of the issued share capital of MAGHL immediately following the cancellation of the Scheme Shares to the amount prior to the cancellation of the Scheme Shares by issuing to the Offeror such number of new MAGHL Shares as is equal to the number of Scheme Shares cancelled.

Yours faithfully

For and on behalf of

The MAGHL Independent Board Committee

Mr. Au Hoi Fung

Mr. Ng Chi Ho, Dennis

**Mr. Poon Kwok Hing,
Albert**

Independent non-executive directors

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the MAGHL Independent Board Committee and the Disinterested Scheme Shareholders regarding the Proposal and the Scheme for inclusion in this Scheme Document.



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12 January 2023

*To: The MAGHL Independent Board Committee
and the Disinterested Scheme Shareholders*

Dear Sir or Madam,

**(1) PROPOSED MERGER OF MAGHL BY ESUN AND THE OFFEROR
INVOLVING A SHARE EXCHANGE OFFER WITH PARTIAL CASH
ALTERNATIVE TO THE SCHEME SHAREHOLDERS OF MAGHL
FOR THE CANCELLATION OF ALL THE SCHEME SHARES BY WAY OF
A SCHEME OF ARRANGEMENT
(UNDER SECTION 99 OF THE COMPANIES ACT); AND
(2) PROPOSED WITHDRAWAL OF LISTING OF MAGHL SHARES**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the MAGHL Independent Board Committee and the Disinterested Scheme Shareholders in connection with the Proposal and the Scheme, and such appointment has been approved by the MAGHL Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code. The terms defined in the Scheme Document, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Scheme Document unless the context otherwise requires.

On 10 November 2022, the eSun Board, the Offeror Board, the MAGHL Board, the board of directors of LSG and the board of directors of LSD jointly announced that the eSun Board and the Offeror Board requested the MAGHL Board to put forward the Proposed Merger to the Scheme Shareholders. Subject to the satisfaction or waiver (as applicable) of the Scheme Condition(s), MAGHL will become a direct wholly-owned subsidiary of the Offeror upon the Scheme becoming effective and the listing of MAGHL Shares will be withdrawn from GEM.

As at the Latest Practicable Date, 2,986,314,015 MAGHL Shares are in issue, of which (i) 2,021,848,647 MAGHL Shares (representing approximately 67.70% of the total issued MAGHL Shares) are held by the Offeror; (ii) 1,875,000 MAGHL Shares (representing approximately 0.06% of the total issued MAGHL Shares) are held by Anglo Chinese, which is an Offeror Concert Party; (iii) 100,000,000 MAGHL Shares (representing approximately 3.35% of the total issued MAGHL Shares) are held by Mr. Cheung, who is an Offeror Concert Party; and (iv) the remaining 862,590,368 MAGHL Shares (representing approximately 28.88% of the total issued MAGHL Shares) are held by the Disinterested Scheme Shareholders. All MAGHL Shares other than those held by the Offeror will be subject to the Scheme and regarded as Scheme Shares.

The authorised share capital of eSun is HK\$1,250,000,000 divided into 2,500,000,000 eSun Shares of HK\$0.50 each, of which 1,491,854,598 eSun Shares have been issued. Under the Proposal, the maximum number of new eSun Shares required to be issued is 803,721,140 (assuming all Scheme Shareholders will elect the Share Alternative (or fail to validly elect the Partial Cash Alternative)). To accommodate the implementation of the Proposal and provide eSun with additional flexibility for future development, the eSun Board proposes to increase eSun's authorised share capital from HK\$1,250,000,000 divided into 2,500,000,000 eSun Shares to HK\$2,000,000,000 divided into 4,000,000,000 eSun Shares by an addition of 1,500,000,000 eSun Shares.

Pursuant to the Takeovers Code, as a scheme of arrangement, the Proposal is an offer which is subject to the announcement, reporting and independent shareholders' approval requirements as set out in the Takeovers Code.

The MAGHL Independent Board Committee, comprising all the independent non-executive directors of MAGHL, namely Mr. Au Hoi Fung, Mr. Ng Chi Ho, Dennis and Mr. Poon Kwok Hing, Albert, has been established to advise the Disinterested Scheme Shareholders in connection with the Proposal and the Scheme.

We, Red Sun Capital Limited, have been appointed as the Independent Financial Adviser to advise the MAGHL Independent Board Committee, our role is to give an independent opinion to the MAGHL Independent Board Committee as to (i) whether the terms of the Proposal and the Scheme are fair and reasonable so far as the Disinterested Scheme Shareholders are concerned; and (ii) to give our opinion to the MAGHL Independent Board Committee in relation to the Proposal and the Scheme for their consideration in making recommendation to the Disinterested Scheme Shareholders. Apart from the normal advisory fee payable to us in connection with our appointment, no arrangement exists whereby we shall receive any other fees or benefits from MAGHL. As at the Latest Practicable Date, we did not have any relationship with, or interest in, MAGHL, eSun, the Offeror, or any other parties that could reasonably be regarded as relevant to our independence. In the two years prior to the Latest Practicable Date, save for our appointment as the independent financial adviser to MAGHL in connection with the proposed grant of the new general mandate, details of which are set out in the circular of MAGHL dated 30 June 2021, we have not previously acted as the financial adviser or independent financial adviser to MAGHL, eSun and the Offeror. We therefore consider ourselves suitable to give independent advice to the MAGHL Independent Board Committee in respect of the Proposal and the Scheme pursuant to Rule 2.1 of the Takeovers Code and Rule 17.96 of the GEM Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Scheme Document and the information and representations provided to us by MAGHL, the MAGHL Directors and the management of MAGHL (the “**Management**”). We have assumed that all statements, information, opinions and representations contained or referred to in the Scheme Document and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at date of the Scheme Document. MAGHL will notify the MAGHL Shareholders of any material changes to the information contained or referred to in the Scheme Document as soon as possible in accordance with Rule 9.1 of the Takeovers Code. MAGHL Shareholders will also be informed when there are any material changes to the information contained or referred to herein as well as changes to our opinion, if any, as soon as possible.

We have no reason to believe that any statements, information, opinions, or representations relied on by us in forming our opinion are untrue, inaccurate or misleading, nor are we aware of any material facts that the omission of which would render the statements, information, opinions or representation provided to us to be untrue, inaccurate or misleading.

We have assumed that all the statements, information, opinions, and representations for matters relating to MAGHL contained or referred to in the Scheme Document and/or provided to us by MAGHL, the MAGHL Directors and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions, and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of MAGHL.

We have not considered the tax and regulatory implications as regards the Proposal and the Scheme since these depend on individual circumstances. In particular, the Scheme Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, should consult their own professional advisers.

This letter is issued for the information of the MAGHL Independent Board Committee and the Disinterested Scheme Shareholders solely in connection with their consideration of the Proposal and the Scheme, and except for its inclusion in the Scheme Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

BACKGROUND AND SUMMARY OF THE PROPOSAL

The following is a summary of the terms of the Proposal and the Scheme. For details of the principal terms of the Proposal and the Scheme, your attention is drawn to the section headed “Explanatory Statement” in Part VII of the Scheme Document.

1. Scheme

Pursuant to the Scheme, if approved and implemented, (i) all Scheme Shares (being all MAGHL Shares other than those held by the Offeror) will be cancelled and extinguished on the Scheme Effective Date in exchange for the Cancellation Consideration for each Scheme Share; (ii) immediately after the cancellation and extinguishment of the Scheme Shares, the issued share capital of MAGHL will be increased to the amount immediately prior to the cancellation and extinguishment of the Scheme Shares by applying the credit amount arising in the books of account of MAGHL as a result of the capital reduction in paying up in full at par such number of new MAGHL Shares as is equal to the number of the Scheme Shares cancelled and extinguished as aforesaid, to be allotted and issued, credited as fully paid, to the Offeror. MAGHL will accordingly become a direct wholly-owned subsidiary of the Offeror on the Scheme Effective Date; and (iii) the listing of the MAGHL Shares on GEM will be withdrawn as soon as practicable following the Scheme Effective Date.

The Proposal will be implemented by way of the Scheme. Pursuant to the Proposal, if the Scheme becomes effective, the Scheme Shares will be cancelled in exchange for either:

(a) *the Share Alternative*

Those Scheme Shareholders (other than those validly electing to receive the Partial Cash Alternative for all of their Scheme Shares) will be entitled to receive, for every 6 Scheme Shares, 5 new eSun Shares (which will rank pari passu with all other eSun Shares) to be issued, credited as fully paid; or

(b) *the Partial Cash Alternative*

Those Scheme Shareholders validly electing to receive the Partial Cash Alternative for all of their Scheme Shares will be entitled to receive, (i) for every 6 Scheme Shares, 1 new eSun Share (which will rank pari passu with all other eSun Shares) to be issued, credited as fully paid; and (ii) a cash payment of HK\$0.24 for each Scheme Share.

Under both the Share Alternative and the Partial Cash Alternative, the new eSun Shares shall be allotted and issued pursuant to the Specific Mandate to be sought from the eSun Shareholders at the eSun SGM.

The Scheme Shareholders may elect EITHER the Share Alternative OR the Partial Cash Alternative (but not, for the avoidance of doubt, a combination of the two, except for HKSCC Nominees, who may make different elections in respect of the Scheme Shares held by it on behalf of the relevant beneficial owners) as the form of Cancellation Consideration in respect of their entire holding of Scheme Shares held as at the Scheme Record Date. Scheme Shareholders who elect both the Share Alternative and the Partial Cash Alternative in respect of their holdings of the Scheme Shares or elect the Partial Cash Alternative in respect of only part of their holdings of the Scheme Shares will, subject to the Scheme becoming effective, receive the Share Alternative in respect of their entire holdings of the Scheme Shares. Scheme Shareholders who do not make any election or whose elections are invalid will receive the Share Alternative.

If all Scheme Shareholders elect the Share Alternative (or fail to validly elect the Partial Cash Alternative), a total of 803,721,140 new eSun Shares will be issued; and if all Scheme Shareholders elect the Partial Cash Alternative, a maximum total of 160,744,228 new eSun Shares will be issued and a total cash consideration of approximately HK\$231.5 million will be paid.

As set out in the Scheme Document, the Cancellation Consideration will not be increased, and the Offeror does not reserve the right to do so. Scheme Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Consideration.

If, after the Announcement Date, any dividend and, or other distribution and, or other return of capital is announced, declared or paid in respect of MAGHL Shares, the Offeror reserves the right to reduce the Cancellation Consideration by all or any part of the net amount or value of such dividend, distribution and, or as the case may be, return of capital after consultation with the Executive, in which case any reference in the Announcement, the Scheme Document or any other announcement or document to the Cancellation Consideration will be deemed to be a reference to the Cancellation Consideration as so reduced. As at the Latest Practicable Date, (i) MAGHL had not announced or declared any dividend, distribution or other return of capital which remains unpaid; and (ii) MAGHL did not intend to announce, declare and ,or pay any dividend, distribution or other return of capital before the Scheme Effective Date, or the date on which the Scheme is not approved, or the Proposal otherwise lapses (as the case may be).

The Proposal is subject to the satisfaction or waiver (as applicable) of the Scheme Conditions set out under the sub-section headed “3. Conditions to the Proposal and the Scheme” in the “Explanatory Statement” in Part VII of the Scheme Document. Subject to the requirements of the Takeovers Code, the Proposal will lapse if any of the Scheme Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. Pursuant to the Takeovers Code, neither the Offeror nor any of the parties acting in concert with it (nor any person who is subsequently acting in concert with any of them) may announce an offer or possible offer for MAGHL within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, except with the consent of the Executive.

In this respect, it is noted that unlike a general offer to acquire all or part of a listed company's shares, the Proposal regarding the possible merger by the Offeror will be conducted by way of a scheme of arrangement under Section 99 of the Companies Act. The key difference being that the Scheme Shareholders will not have the opportunity to partially tender to the Offeror their shareholding in MAGHL. Rather, if the Scheme Conditions as described in the sub-section headed "3. Conditions to the Proposal and the Scheme" in the "Explanatory Statement" in Part VII of the Scheme Document are fulfilled or waived (as applicable), the Proposal is, and the Scheme will be, effective and binding on MAGHL and all MAGHL Shareholders. As such, all Scheme Shareholders (regardless of whether they support the Proposal and the Scheme or otherwise) will be compelled to accept the Cancellation Consideration for their entire shareholding interests. On the other hand, if the Proposal is not approved, the Scheme will lapse and all Scheme Shareholders will retain all their existing shareholding interests in MAGHL, and without the possibility of receiving another offer from the Offeror for a period of 12 months from the date on which the Proposal is withdrawn or lapse, except with the consent of the Executive.

For further details of the Proposal and the Scheme, please refer to the section headed "Explanatory Statement" in Part VII of the Scheme Document.

2. Objectives of the Proposed Merger

The following objectives of the Proposed Merger have been extracted from "Explanatory Statement" in Part VII of the Scheme Document and summarised as below.

The Proposed Merger is intended to deliver value to both eSun Shareholders and MAGHL Shareholders. For MAGHL, the Proposal would enable Scheme Shareholders to exchange their MAGHL Shares for new eSun Shares, providing an opportunity for Scheme Shareholders to continue their participation in the future growth of the merged businesses. Upon Completion, LSD and LSG will remain as the controlling shareholders (within the meaning of the Listing Rules) of eSun, indirectly holding approximately 48.50% of the eSun Shares, and approximately 51.26% of eSun Shares will be held by the public if all Scheme Shareholders elect the Share Alternative (or fail to validly elect the Partial Cash Alternative). The resulting larger public float of eSun Shares, both in terms of percentage and the number of shares, should enhance the trading liquidity of eSun Shares.

The Proposed Merger will enable MAGHL Shareholders to participate in the future growth of all of the Enlarged eSun Group's businesses within one entity. Upon the Scheme becoming effective, the privatised MAGHL will become an indirect wholly owned subsidiary of eSun and continue to operate within the Enlarged eSun Group. Thus, Scheme Shareholders will still be able to participate in the performance of MAGHL indirectly. The Partial Cash Alternative will also provide additional flexibility for Scheme Shareholders to realise a portion of their investment in MAGHL. By providing the Share Alternative and Partial Cash Alternative, the Proposal aims to provide liquidity and flexibility to the Scheme Shareholders.

The Enlarged eSun Group will be in a stronger competitive position and both eSun Shareholders and MAGHL Shareholders are expected to benefit as a result of the following, which has been extracted from the “Explanatory Statement” in Part VII of the Scheme Document and summarised below:

(a) Enhanced size and scale: both eSun and MAGHL operate in different segments of the entertainment and media industry value chain. By consolidating ownership and control of both businesses into a single group under one management team, the Proposal aims to create synergies and strengthen the competitiveness of the merged businesses within the entertainment and media sectors through more fully integrating the upstream and downstream businesses engaged in by eSun and MAGHL within the media and entertainment industry.

The Proposed Merger aims at creating synergies from a cost and long-term perspectives. From a cost perspective, under the current structure, collaborations or exchanges of resources between the eSun Group (excluding the MAGHL Group) and the MAGHL Group constitute connected or continuing connected transactions for MAGHL, which are carried out on an arm’s length basis and on terms no less favourable for MAGHL when compared to arrangements with independent third parties. The Proposed Merger would allow the cinema operation unit of eSun and media and entertainment related operation units of MAGHL to collaborate and exchange resources more efficiently with lower compliance costs and higher tax efficiency. Please refer to the sub-section headed “4.2 Enhanced operational and corporate efficiency with low post merger integration risk” in the “Explanatory Statement” in Part VII of the Scheme Document for further details. From a long-term perspective, the Proposed Merger may increase the market capitalisation of the Enlarged eSun Group by the potential removal of the holding company discount and increase in trading volume, which may enhance the ability of the Enlarged eSun Group to obtain finance and optimise its capital structure. Please refer to sub-section headed “4.3 Possible elimination of holding company discount” in the “Explanatory Statement” in Part VII of the Scheme Document for further details.

(b) Enhanced operational and corporate efficiency with low post merger integration risk: The Proposal is expected to lead to cost savings through the simplification of the combined group’s management structure and improvements in corporate efficiency as well as vertically integrating eSun and MAGHL’s businesses. eSun and MAGHL had historically cooperated in film and music projects in the form of continuing connected transactions. In particular, the MAGHL Group has entered into the agreements in relation to film distribution, theatrical film distribution and its music catalogue with the eSun Group (excluding the MAGHL Group). Upon Completion, such agreements would no longer be required to be treated as continuing connected transactions of MAGHL for the purposes of the GEM Listing Rules, reducing administrative burdens and related compliance costs.

eSun and MAGHL are currently two separate listed entities. Although MAGHL is a subsidiary of eSun, MAGHL has its own accounting, company secretarial, marketing and I.T. units, as well as independent non-executive directors to fulfil the requirement of the GEM Listing Rules. In addition to those costs, MAGHL is also required to engage its own professional parties and vendors for the services of auditing, internal auditing, share registration, financial typesetting and printing, risk management and environmental and social performance related disclosures. Upon the successful implementation of the Proposed Merger, MAGHL will become an indirect wholly-owned subsidiary of eSun and be delisted from GEM. The aforementioned (i) overlapping corporate functions will be merged into the Enlarged eSun Group; and (ii) services in relation to the compliance and maintenance of MAGHL's listing status will not be required as a private company, thus the associated costs and operating expenses are expected to be reduced.

(c) Possible elimination of holding company discount: The Proposal also aims to eliminate the holding company discount of eSun under the current tiered shareholding structure and, in this way, unlock value shared by both eSun Shareholders and MAGHL Shareholders. The holding company discount became more pronounced after the completion of MAGHL's loan capitalisation in early 2021. In addition to holding approximately 67.70% of the issued share capital of MAGHL, eSun also engages in cinema operations and holds other assets and liabilities including the right-of-use assets attributed to the leasing of cinemas.

The management of eSun believes that the Proposal will improve the attractiveness of eSun in the capital markets, both through the elimination of the deep discount of eSun's interests in MAGHL in connection with the existing tiered shareholding structure by aligning the interest of eSun's and MAGHL's public shareholders as a whole, and through enhancing the structure as an integrated cinema and media and entertainment group to create operational efficiency and cost and commercial synergies, as discussed above.

Our analysis and our view

Based on our discussion and understanding from the management of MAGHL and eSun, despite the fact that both the MAGHL Group and eSun Group operate within the media and entertainment industry, they operate in different segments of the entertainment and media industry value chain respectively (as further detailed under the sections headed "1. Business and financial information of MAGHL Group" and "2. Business and financial information of eSun Group" in this letter), and that there are ongoing transactions between MAGHL and eSun, namely theatrical film distribution services, film distribution services and music distribution services. As such, we consider that by integrating eSun and MAGHL's businesses under a single listed company, consolidating operational and administrative functions which are common to both, MAGHL and eSun can operate through a simplified structure, achieve economies of scale as well as to offer a wider range of services to its combined customer base in Hong Kong and the PRC under the common brand of the Enlarged eSun Group with enhanced scale. Furthermore, for a majority of the period since February 2021 up to the Latest Practicable Date, we noted that the market value of the MAGHL Shares held by eSun were notably higher than eSun's market capitalisation.

BACKGROUND OF THE MAGHL GROUP, THE OFFEROR AND OTHER RELATED PARTIES

1. Business and financial information of MAGHL Group

1.1 Background of MAGHL Group

MAGHL is an exempted company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the issued MAGHL Shares of which are listed and traded on GEM.

The principal activity of MAGHL is investment holding. Its subsidiaries are principally engaged in 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.

1.2 Historical financial information of MAGHL Group

Set out below is a summary of the key audited consolidated financial information of MAGHL Group for each of the years ended 31 July 2020, 2021 and 2022, and unaudited condensed consolidated financial information of MAGHL Group for the three months ended 31 October 2021 and 2022, which has been extracted from the annual reports of MAGHL for the years ended 31 July 2021 (the “MAGHL FY2021 Annual Report”), 31 July 2022 (the “MAGHL FY2022 Annual Report”) and the first quarterly report of MAGHL for the three months ended 31 October 2022 (the “MAGHL FY2023 First Quarterly Report”), respectively.

	Three months ended		Year ended 31 July		
	31 October		2020	2021	2022
	2021	2022	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Turnover	20,213	71,434	364,773	354,986	222,466
Gross profit/(loss)	12,222	26,694	43,886	(30,453)	42,967
Loss for the period/year	(12,299)	(28,959)	(187,271)	(171,481)	(109,484)
– attributable to owners of MAGHL	(11,172)	(27,291)	(178,169)	(171,425)	(107,368)

	As at 31 July		
	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000
Net assets attributable to MAGHL			
Shareholders	40,237	335,003	273,843
Gearing ratio	870%	N/A	50%
Loss per MAGHL Share attributable to owners of MAGHL (<i>HK cents</i>)	(83.41)	(10.35)	(3.60)
	<i>(Restated)</i>		
Dividend per MAGHL Share (<i>HK cents</i>)	Nil	Nil	Nil

Source: MAGHL FY2021 Annual Report, MAGHL FY2022 Annual Report and MAGHL FY2023 First Quarterly Report

1.3 Historical financial performance of MAGHL Group

For the three months ended 31 October 2022

MAGHL Group recorded a turnover of approximately HK\$71.4 million for the three months ended 31 October 2022, representing an increase of approximately 253.5% from approximately HK\$20.2 million for the three months ended 31 October 2021. Such increase was mainly attributable to the increase in revenue from the MAGHL Group's film and entertainment event businesses.

Gross profit of the MAGHL Group amounted to approximately HK\$26.7 million for the three months ended 31 October 2022, compared to the gross profit of approximately HK\$12.2 million for the three months ended 31 October 2021. Administrative expenses remained broadly stable at approximately HK\$27.2 million and HK\$28.8 million for the three months ended 31 October 2021 and 2022, respectively.

MAGHL Group recorded a loss attributable to owners of MAGHL of approximately HK\$11.2 million and HK\$27.3 million for the three months ended 31 October 2021 and 2022, respectively. Such increase in loss attributable to owners of MAGHL was mainly attributable to the net effect of (i) the increase in gross profit by approximately HK\$14.5 million to approximately HK\$26.7 million for the three months ended 31 October 2022; (ii) the increase in marketing expenses by approximately HK\$13.6 million to approximately HK\$14.3 million for the three months ended 31 October 2022; and (iii) the increase in other operating expenses by approximately HK\$11.2 million to approximately HK\$12.4 million for the three months ended 31 October 2022.

For the year ended 31 July 2022

MAGHL Group recorded a turnover of approximately HK\$222.5 million for the year ended 31 July 2022, representing a decrease of approximately 37.3% from approximately HK\$355.0 million for the year ended 31 July 2021. Such decrease was mainly attributable to the decrease in turnover of the Group was mainly attributable to the decrease in revenue from MAGHL Group's film, TV program and event management business.

Gross profit of the MAGHL Group amounted to approximately HK\$43.0 million for the year ended 31 July 2022, compared to a gross loss of approximately HK\$30.5 million for the year ended 31 July 2021, as the cost of sales for the year ended 31 July 2022 decreased to approximately HK\$179.5 million from approximately HK\$385.4 million for the year ended 31 July 2021. Such decrease in cost of sales was primarily attributable to (i) the decrease in cost of film and TV program products, film and TV program rights and licence rights from approximately HK\$314.0 million for the year ended 31 July 2021 to approximately HK\$132.1 million for the year ended 31 July 2022; and (ii) the decrease in cost of artiste management services and services for entertainment events provided by the MAGHL Group from approximately HK\$71.4 million for the year ended 31 July 2021 to approximately HK\$47.4 million for the year ended 31 July 2022.

Administrative expenses remained broadly stable at approximately HK\$114.6 million and HK\$116.1 million for the years ended 31 July 2021 and 2022, respectively.

MAGHL Group recorded a loss attributable to owners of MAGHL of approximately HK\$171.4 million and HK\$107.4 million for the year ended 31 July 2021 and 2022, respectively. Such decrease was mainly attributable to (i) the MAGHL Group recorded a gross profit of approximately HK\$43.0 million for the year ended 31 July 2022 compared to a gross loss of approximately HK\$30.5 million for the year ended 31 July 2021; (ii) the decrease in other operating gains by approximately HK\$27.1 million to approximately HK\$12.1 million for the year ended 31 July 2022; and (iii) the decrease in other operating expenses by approximately HK\$19.2 million to approximately HK\$30.8 million for the year ended 31 July 2022.

For the year ended 31 July 2021

MAGHL Group recorded a turnover of approximately HK\$355.0 million for the year ended 31 July 2021, which was largely in line with the turnover of approximately HK\$364.8 million for the year ended 31 July 2020.

Gross loss of the MAGHL Group amounted to approximately HK\$30.5 million for the year ended 31 July 2021, compared to a gross profit of approximately HK\$43.9 million for the year ended 31 July 2020. The cost of sales for the year ended 31 July 2021 increased to approximately HK\$385.4 million from approximately HK\$320.9 million for the year ended 31 July 2020, which was mainly due to the additional amortisation of certain film and TV program products released in the fourth quarter of the year ended 31 July 2021 with unsatisfactory performance.

MAGHL Group recorded a loss attributable to owners of MAGHL of approximately HK\$171.4 million for the year ended 31 July 2021, which is comparatively less than the loss attributable to owners of MAGHL of approximately HK\$178.2 million for the year ended 31 July 2020, such was mainly attributable to (i) the reduction in administrative expenses by approximately 23.8 million to approximately HK\$114.6 million for the year ended 31 July 2021; (ii) the increase in other operating gains by approximately HK\$37.4 million to approximately HK\$39.2 million for the year ended 31 July 2021; (iii) the decrease in other operating expenses by approximately 12.4 million to approximately HK\$50.0 million for the year ended 31 July 2021; and (iv) the reduction in finance costs by approximately HK\$11.1 million to approximately HK\$6.7 million for the year ended 31 July 2021.

1.4 Net assets attributable to MAGHL Shareholders

Net assets attributable to MAGHL Shareholders amounted to approximately HK\$273.8 million as at 31 July 2022 (31 July 2021: approximately HK\$ 335.0 million), which mainly comprised of (i) films and TV programs under production and film investments of approximately HK\$317.1 million; (ii) cash and cash equivalents of approximately HK\$174.6 million; (iii) trade receivables of approximately HK\$55.5 million; (iv) prepayments, deposits and other receivables of approximately HK\$109.9 million; (v) accruals and other payables of approximately HK\$204.9 million; (vi) loan from an intermediate holding company of approximately HK\$137.0 million; and (vii) deposits received of approximately HK\$108.0 million.

1.5 Gearing

Based on the MAGHL FY2022 Annual Report, the gearing ratio of MAGHL, being the total borrowings excluding lease liabilities to shareholders' equity attributable to the owners of MAGHL was approximately 50% as at 31 July 2022. As at 31 July 2021, MAGHL had no borrowings. As at 31 July 2020, the gearing ratio of MAGHL, being the total borrowings excluding lease liabilities to shareholders' equity attributable to the owners of MAGHL as per the annual report of MAGHL, was approximately 870%.

1.6 Loss per MAGHL Share attributable to owners of MAGHL and dividend

Based on the MAGHL FY2021 Annual Report and the MAGHL FY2022 Annual Report, loss per MAGHL Share attributable to owners of MAGHL amounted approximately HK83.4 cents (restated), HK10.4 cents and HK4.0 cents for the years ended 31 July 2020, 2021 and 2022, respectively. Based on the MAGHL FY2023 First Quarterly Report, the unaudited loss per MAGHL Share attributable to owners of MAGHL amounted to approximately HK0.37 cents and HK0.91 cents for the three months ended 31 October 2021 and 2022, respectively.

In addition, based on our review of the annual reports of MAGHL, MAGHL has not declared any dividends in the past three financial years ended 31 July 2020, 2021 and 2022 and the three months ended 31 October 2022, respectively. There is no guarantee that any dividend payments will be paid in respect of the MAGHL Shares in the future.

1.7 Outlook of MAGHL Group

Based on the MAGHL FY2023 First Quarterly Report, the MAGHL FY2022 Annual Report and as advised by the Management, whilst the social and economic activities in Hong Kong have largely returned to normalcy, the latest COVID-19 outbreak in the PRC posed a challenge to the PRC entertainment market. Over the past years, the novel coronavirus epidemic has changed the consumption behavior of the general public. To rise to this challenge, the MAGHL Group has been directing its resources towards development of online content for streaming platforms and e-commerce to capture the related market opportunities as well as invested in original productions of films with Chinese themes. The current production pipeline includes, among others, “Twilight of the Warriors: Walled In”, “Tales From The Occult: Body and Soul”, “Tales From The Occult: Ultimate Malevolence” and “Dead Ringer”. The MAGHL Group is also in discussion with various Chinese portals and video websites for new project development in TV drama production. In addition, the MAGHL Group has scheduled a number of upcoming concerts and events.

Furthermore, the distribution licence of music products with Tencent Music Entertainment (Shenzhen) Co., Ltd and Warner Music continue to provide stable income to the MAGHL Group. The MAGHL Group will keep looking for new talent in Greater China and further cooperation with Asian artistes with an aim to build up a strong artiste roster for the MAGHL Group. For further details, please refer to the MAGHL FY2022 Annual Report.

It should be noted that since the outbreak of COVID-19 around early 2020, the MAGHL Group has recorded loss attributable to its owners for each of the years ended 31 July 2020, 2021 and 2022 and the three months ended 31 October 2022. The Management advised that the businesses and operations of the MAGHL Group have been and shall continue to subject to the development of COVID-19 and the related measures implemented by the Hong Kong and/or PRC government(s) from time to time.

Based on our discussion with the Management, we noted that in view of the uncertainties around the businesses and operations of the MAGHL Group, the continuous development of COVID-19 and the related measures implemented by the Hong Kong and/or PRC government(s), the MAGHL Group shall continue to exercise caution in managing and adapting to these potential changing conditions, but whether the MAGHL Group will be able to turnaround from its loss making position for the year ended 31 July 2022 in the near future remains to be uncertain and that the business prospects of the MAGHL Group in the near future may continue to subject to the challenges arising from the development of COVID-19.

Whilst it is possible for the economic conditions to improve in the long-term, there is no certainty in respect of the timing of such occurrence and the potential impact such development will have on MAGHL Group's operational and financial performance or, in the case where MAGHL Group benefits from the improved market conditions, whether the MAGHL Share price will reflect its then operational and financial performance.

2. Business and financial information of eSun Group

Pursuant to the Proposal, if the Scheme becomes effective, the Scheme Shares will be cancelled in exchange for either: (i) the Share Alternative; or (ii) the Partial Cash Alternative. In this connection, we also set out the analysis on the eSun Group with a view to providing the Scheme Shareholders with additional relevant information.

2.1 *Background of eSun Group*

eSun is an exempted company incorporated in Bermuda with limited liability, the issued eSun Shares are listed and traded on the Main Board.

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 production and distribution of, television programs, films and video format products and cinema operation in Hong Kong and Mainland China. As at the Latest Practicable Date, eSun, through the Offeror, holds approximately 67.70% of the total issued MAGHL Shares.

2.2 *Historical financial information of eSun Group*

Set out below is a summary of the key audited consolidated financial information of eSun Group for each of the years ended 31 July 2020, 2021 and 2022, which has been extracted from the annual reports of eSun Group for the year ended 31 July 2021 (the “**eSun FY2021 Annual Report**”) and 31 July 2022 (the “**eSun FY2022 Annual Report**”), respectively.

	Year ended 31 July		
	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000
Turnover (from continuing operations)	929,156	835,303	830,237
Gross profit	301,894	184,094	348,871
Loss for the year			
(from continuing operations)	(1,002,211)	(408,243)	(369,846)
Loss for the year	(9,152,612)	(408,243)	(369,846)
– attributable to owners of eSun	(8,585,404)	(351,126)	(328,732)
	As at 31 July		
	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000
Net assets attributable to eSun Shareholders	1,597,433	1,263,380	965,157
Gearing ratio	24.7%	30.3%	38.4%
Loss per eSun Share attributable to owners of eSun (from continuing operations) (<i>HK cents</i>)	(62.1)	(23.5)	(22.0)
Dividend per eSun Share (<i>HK cents</i>)	N/A	N/A	N/A

Source: eSun FY2021 Annual report and eSun FY2022 Annual Report

2.3 Historical financial performance of eSun Group

For the year ended 31 July 2022

eSun Group recorded turnover (from continuing operations) of approximately HK\$830.2 million for the year ended 31 July 2022, which was largely in line with the revenue of approximately HK\$835.3 million for the year ended 31 July 2021. For the year ended 31 July 2022, revenue from film and TV program and media entertainment businesses decreased, while revenue from cinema operation recorded a growth of approximately 80.8% as compared to the year ended 31 July 2021.

Gross profit increased by approximately 89.5% to approximately HK\$348.9 million for the year ended 31 July 2022, as compared to approximately HK\$184.1 million for the year ended 31 July 2021, which was primarily attributable to the effects of (i) the decrease in cost of film rights, licence rights and film and TV of approximately HK\$199.9 million; and (ii) the increase in cost of theatrical releasing and concessionary sales of approximately HK\$78.7 million.

Loss attributable to owners of eSun decreased by approximately 6.4% from approximately HK\$351.1 million for the year ended 31 July 2021 to approximately HK\$328.7 million for the year ended 31 July 2022, which was mainly due to the combined effect of the abovementioned factors as well as the decrease in (i) other revenue of approximately HK\$41.9 million; and (ii) other operating gains of approximately HK\$48.8 million, for the year ended 31 July 2022.

For the year ended 31 July 2021

eSun Group recorded turnover (from continuing operations) of approximately HK\$835.3 million for the year ended 31 July 2021, representing a decrease of approximately 10.1% from approximately HK\$929.2 million for the year ended 31 July 2020. The decrease was mainly attributable to the decrease in revenue generated from film and TV program production and distribution segment from approximately HK\$370.2 million for the year ended 31 July 2020 to approximately HK\$298.9 million for the year ended 31 July 2021.

Gross profit of eSun Group from continuing operations decreased from approximately HK\$301.9 million for the year ended 31 July 2020 to approximately HK\$184.1 million for the year ended 31 July 2021, which was primarily attributable to the decrease in revenue as set out above and the increase in the cost of sales from continuing operations, from approximately HK\$627.3 million for the year ended 31 July 2020 to approximately HK\$651.2 million for the year ended 31 July 2021.

Loss of eSun Group (from continuing operations) decreased from approximately HK\$1,002.2 million for the year ended 31 July 2020 to approximately HK\$408.2 million for the year ended 31 July 2021, such was mainly due to (i) the reduction in the impairment of right-of-use assets and property, plant and equipment of approximately HK\$364.4 million; and (ii) the absence of impairment of goodwill of approximately HK\$72.4 million, for the year ended 31 July 2021 as compared to the year ended 31 July 2020.

In addition, there was a loss from discontinued operations in relation to the disposal of the equity interest in Lai Fung Holdings Limited held by eSun Group in May 2020, which amounted to approximately HK\$8,150.4 million for the year ended 31 July 2020, such was primarily attributable to the one-off loss on disposal of subsidiaries of approximately HK\$7,259.0 million, compared to nil for the year ended 31 July 2021.

Loss attributable to owners of eSun amounted to approximately HK\$8,585.4 million for the year ended 31 July 2020 as compared to approximately HK\$351.1 million for the year ended 31 July 2021.

2.4 Net assets attributable to eSun Shareholders

Net assets attributable to eSun Shareholders amounted to approximately HK\$965.2 million as at 31 July 2022 (31 July 2021: approximately HK\$1,263.4 million), which mainly comprised (i) cash and cash equivalents of approximately HK\$1,056.6 million; (ii) right-of-use assets of approximately HK\$758.9 million; (iii) films and TV programs under production and film investments of approximately HK\$317.1 million; (iv) lease liabilities, under current liabilities and non-current liabilities, of approximately HK\$1,144.7 million; and (v) creditors and accruals, under current liabilities and non-current liabilities, of approximately HK\$433.9 million.

2.5 Gearing

Based on the eSun FY2022 Annual Report, the gearing ratio of the eSun Group, being the total borrowings to net assets attributable to the owners of eSun, was approximately 38.4% as at 31 July 2022. Based on the eSun FY2021 Annual Report, as at 31 July 2021 and 31 July 2020, the gearing ratio of the eSun Group, being the total borrowings to net assets attributable to the owners of eSun, was approximately 30.3% and 24.7%, respectively.

2.6 Loss per eSun Share attributable to owners of eSun and dividend

Based on the eSun FY2022 Annual Report and eSun FY2021 Annual Report, loss per eSun Share attributable to owners of eSun (from continuing operations) amounted approximately HK62.1 cents, HK23.5 cents and HK22.0 cents for the years ended 31 July 2020, 2021 and 2022, respectively.

Based on our review of the annual reports of eSun, eSun has not declared any dividends in the past three financial years ended 31 July 2020, 2021 and 2022, respectively. There is no guarantee that any dividend payments will be paid in respect of the eSun Shares in the future.

2.7 Outlook of eSun Group

According to information as set out in the eSun FY2022 Annual Report, due to the relaxation of social distancing measures and the release of a number of local and international blockbuster movies, the cinema operation of the eSun Group in Hong Kong recovered gradually. However, during the year ended 31 July 2022, there had been periods of time when the cinemas operated by the eSun Group in Hong Kong only operated at partial capacity and/or were subject to temporary closure due to the Hong Kong government's efforts and measures to contain the spread of COVID-19.

While cinemas in the PRC have capped their attendance at 75% of capacity in low-risk areas and operations got suspended when their neighborhoods or districts were categorised as medium or high-risk areas. Nonetheless, the box office in the PRC has also shown a recovery since 2021 driven by the success of patriotic blockbusters. As at the date of the eSun FY2022 Annual Report, the eSun Group operated fifteen cinemas in Hong Kong (including one joint venture project) with a total of over 12,600 seats and two cinemas in the PRC with a total of over 2,300 seats. It is also noted that the eSun Group is closely monitoring the market conditions and intends to continue to improve its overall operating efficiency and take a prudent approach in evaluating opportunities for further expansion of its footprint. For further details, please refer to the eSun FY2022 Annual Report.

Based on the above and our discussion with the management of eSun, the businesses and operations of the eSun Group have been and shall continue to subject to the development of COVID-19 and the related measures implemented by the Hong Kong and/or PRC government(s) from time to time. In this connection, it is noted that the eSun Group shall continue to exercise caution in managing and adapting to these potential changing conditions, and that the financial performance of the eSun Group will subject to various factors, such as, (i) the operating environment in Hong Kong and the PRC; (ii) the development of COVID-19 and the related measures; and (iii) the performance of (a) the films and music produced, invested, distributed and/or released by the eSun Group; (b) entertainment events managed and/or organised by the eSun Group; and (c) cinema operations of the eSun Group.

Given MAGHL is a non-wholly owned listed subsidiary of the eSun Group, it should be noted that the financial performance and position of the MAGHL Group have been consolidated to the consolidated financial statements of the eSun Group in the past.

3. Shareholding structure of MAGHL and the corresponding information

On the assumption that there is no other change in the shareholding of MAGHL immediately before the Scheme becoming effective, the table below sets out the shareholding structure of MAGHL as at the Latest Practicable Date and immediately upon the Scheme becoming effective:

Shareholders	As at the Latest Practicable Date		Immediately upon the Scheme becoming effective if all Scheme Shareholders elect the Share Alternative (or fail to validly elect the Partial Cash Alternative)			
	No. of MAGHL Shares	Approximate percentage of the issued share capital of MAGHL (%) ^(Note 1)	the Partial Cash Alternative		the Partial Cash Alternative	
			No. of MAGHL Shares ^(Note 2)	Approximate percentage of the issued share capital of MAGHL (%) ^(Note 1)	No. of MAGHL Shares ^(Note 2)	Approximate percentage of the issued share capital of MAGHL (%) ^(Note 1)
Offeror ^(Note 3)	2,021,848,647	67.70	2,986,314,015	100.00	2,986,314,015	100.00
Offeror Concert Parties						
– Anglo Chinese ^(Note 4)	1,875,000 ^(Note 6)	0.06	–	–	–	–
– Mr. Cheung ^(Note 5)	100,000,000 ^(Note 7)	3.35	–	–	–	–
Aggregate number of MAGHL Shares held by the Offeror and the Offeror Concert Parties	2,123,723,647	71.12	2,986,314,015	100.00	2,986,314,015	100.00
Scheme Shareholders						
Disinterested Scheme Shareholders	862,590,368	28.88	–	–	–	–
Anglo Chinese	1,875,000 ^(Note 6)	0.06	–	–	–	–
Mr. Cheung	100,000,000 ^(Note 7)	3.35	–	–	–	–
Aggregate number of Scheme Shares (i.e. MAGHL Shares held by Scheme Shareholders)	964,465,368	32.30	–	–	–	–
Total	2,986,314,015	100.00	2,986,314,015	100.00	2,986,314,015	100.00

Notes:

- (1) *All percentages in the above table are approximations.*
- (2) *Under the Scheme, the issued share capital of MAGHL will, on the Scheme Effective Date, be reduced by cancelling the Scheme Shares. Upon the Scheme becoming effective and the aforementioned capital reduction, the issued share capital of MAGHL will be increased to its former amount by the issuance to the Offeror, credited as fully paid, of the aggregate number of MAGHL Shares as is equal to the number of Scheme Shares cancelled. The credit created in MAGHL's books of account as a result of any capital reduction will be applied in paying up in full at par for the new MAGHL Shares so issued, credited as fully paid, to the Offeror. The Offeror will accordingly hold 100% of the issued share capital of MAGHL upon the Scheme becoming effective.*
- (3) *As at the Latest Practicable Date, the Offeror is directly wholly-owned by eSun, which is indirectly owned as to approximately 74.62% by LSD, which is in turn directly and indirectly owned as to approximately 53.19% by LSG, which is in turn directly and indirectly owned as to approximately 41.93% by Dr. Peter Lam, a Director of the Offeror and the chairman and an executive Director of MAGHL.*
- (4) *Anglo Chinese is the financial adviser to eSun and the Offeror in respect of Proposed Merger. Accordingly, Anglo Chinese is presumed to be acting in concert with the Offeror under class (5) of the definition of "acting in concert" under the Takeovers Code. The 1,875,000 MAGHL Shares held by Anglo Chinese will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective. Anglo Chinese, as an Offeror Concert Party, has undertaken not to vote the MAGHL Shares held by it at the MAGHL Court Meeting.*
- (5) *Mr. Cheung is presumed to be acting in concert with the Offeror under class (5) of the definition of "acting in concert" under Takeovers Code by virtue of (i) his control (within the meaning of the Takeovers Code) over the voting rights of Christfund Securities; and (ii) the engagement of Christfund Securities by a wholly-owned subsidiary of each of LSD and LSG to provide brokerage services. The 100,000,000 MAGHL Shares held by Mr. Cheung will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective.*
- (6) *For the avoidance of doubt, these refer to the same 1,875,000 MAGHL Shares held by Anglo Chinese as at the Latest Practicable Date, but are disclosed as both MAGHL Shares held by the Offeror Concert Parties and MAGHL Shares held by the Scheme Shareholders in the shareholding table above as Anglo Chinese is both an Offeror Concert Party and a Scheme Shareholder.*
- (7) *For the avoidance of doubt, these refer to the same 100,000,000 MAGHL Shares held by Mr. Cheung, but are disclosed as both MAGHL Shares held by the Offeror Concert Parties and MAGHL Shares held by the Scheme Shareholders in the shareholding table above as Mr. Cheung is both an Offeror Concert Party and a Scheme Shareholder.*

4. Information of the Offeror

The Offeror is a company incorporated in the British Virgin Islands with limited liability and is a direct wholly-owned subsidiary of eSun. The Offeror is principally engaged in investment holding.

5. Offeror's intention regarding the MAGHL Group

The Offeror intends to continue with the existing business of the MAGHL Group and to align them more closely with the upstream cinema operations of eSun, as detailed in the sub-section headed "5. Offeror's intention regarding the MAGHL Group" in the "Explanatory Statement" set out in Part VII of the Scheme Document. The Offeror does not intend to introduce any major changes to the existing operations or business of the MAGHL Group (including any redeployment of fixed assets of the MAGHL Group). It is also the intention of the Offeror that there will not be significant changes in the management and continued employment of the employees of the MAGHL Group as a result of the Proposal. Nevertheless, the Offeror will continue to monitor all business opportunities in relation to the eSun Group as they arise from time to time, with a particular focus on building the business in the PRC.

PRINCIPAL FACTORS AND REASONS CONSIDERED

The following are the principal factors which we have taken into account in assessing the fairness and reasonableness of the Proposal and the Scheme, and in giving our advice to the MAGHL Independent Board Committee and the Scheme Shareholders:

1. Cancellation Consideration and comparison of value***1.1 Comparison of the value of the Cancellation Consideration with (i) the trading prices of MAGHL Shares; and (ii) the audited net asset value per MAGHL Share attributable to the owners of MAGHL****The Share Alternative*

Based on the closing price of HK\$0.43 per eSun Share as quoted on the Stock Exchange on the Last eSun Trading Day, the value of the Share Alternative is equivalent to approximately HK\$0.36 per Scheme Share, being the value of five sixths of a new eSun Share, representing:

- (i) a premium of approximately 7.0% over the closing price of HK\$0.335 per MAGHL Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 13.8% over the average closing price of approximately HK\$0.32 per MAGHL Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 7.5% over the average closing price of approximately HK\$0.33 per MAGHL Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;

- (iv) a discount of approximately 25.9% to the average closing price of approximately HK\$0.48 per MAGHL Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (v) a discount of approximately 41.0% to the average closing price of approximately HK\$0.61 per MAGHL Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day; and
- (vi) a premium of approximately 290.8% over the audited net asset value per MAGHL Share attributable to owners of MAGHL of approximately HK\$0.092 per MAGHL Share as at 31 July 2022, which was calculated based on the audited net asset value attributable to owners of MAGHL of approximately HK\$273.8 million as at 31 July 2022 and 2,986,314,015 MAGHL Shares in issue as at the Last Trading Day.

Based on the closing price of HK\$0.247 per eSun Share as quoted on the Stock Exchange on the Latest Practicable Date, the value of the Share Alternative was approximately HK\$0.21 per Scheme Share, representing:

- (i) a discount of approximately 31.4% to the closing price of HK\$0.30 per MAGHL Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 38.6% to the closing price of HK\$0.335 per MAGHL Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 34.7% to the average closing price of approximately HK\$0.32 per MAGHL Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 38.3% to the average closing price of approximately HK\$0.33 per MAGHL Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (v) a discount of approximately 57.4% to the average closing price of approximately HK\$0.48 per MAGHL Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (vi) a discount of approximately 66.1% to the average closing price of approximately HK\$0.61 per MAGHL Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day; and

- (vii) a premium of approximately 124.5% over the audited net asset value per MAGHL Share attributable to owners of MAGHL of approximately HK\$0.092 per MAGHL Share as at 31 July 2022, which was calculated based on the audited net asset value attributable to owners of MAGHL of approximately HK\$273.8 million as at 31 July 2022 and 2,986,314,015 MAGHL Shares in issue as at the Last Practicable Date.

The Partial Cash Alternative

Based on the closing price of HK\$0.43 per eSun Share as quoted on the Stock Exchange on the Last eSun Trading Day, the value of the Partial Cash Alternative is equivalent to approximately HK\$0.31 per Scheme Share, being the aggregate value of (i) the cash payment of HK\$0.24; and (ii) one sixth of a new eSun Share (being approximately HK\$0.07), representing:

- (i) a discount of approximately 7.0% to the closing price of HK\$0.335 per MAGHL Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 1.1% to the average closing price of approximately HK\$0.32 per MAGHL Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 6.5% to the average closing price of approximately HK\$0.33 per MAGHL Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 35.5% to the average closing price of approximately HK\$0.48 per MAGHL Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (v) a discount of approximately 48.7% to the average closing price of approximately HK\$0.61 per MAGHL Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day; and
- (vi) a premium of approximately 239.9% over the audited net asset value per MAGHL Share attributable to owners of MAGHL of approximately HK\$0.092 per MAGHL Share as at 31 July 2022, which was calculated based on the audited net asset value attributable to owners of MAGHL of approximately HK\$273.8 million as at 31 July 2022 and 2,986,314,015 MAGHL Shares in issue as at the Last Trading Day.

Based on the closing price of HK\$0.247 per eSun Share as quoted on the Stock Exchange on the Latest Practicable Date, the value of the Partial Cash Alternative was approximately HK\$0.28 per Scheme Share, representing:

- (i) a discount of approximately 6.3% to the closing price of HK\$0.30 per MAGHL Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 16.1% to the closing price of HK\$0.335 per MAGHL Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 10.7% to the average closing price of approximately HK\$0.32 per MAGHL Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 15.7% to the average closing price of approximately HK\$0.33 per MAGHL Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (v) a discount of approximately 41.8% to the average closing price of approximately HK\$0.48 per MAGHL Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (vi) a discount of approximately 53.7% to the average closing price of approximately HK\$0.61 per MAGHL Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day; and
- (vii) a premium of approximately 206.6% over the audited net asset value per MAGHL Share attributable to owners of MAGHL of approximately HK\$0.092 per MAGHL Share as at 31 July 2022, which was calculated based on the audited net asset value attributable to owners of MAGHL of approximately HK\$273.8 million as at 31 July 2022 and 2,986,314,015 MAGHL Shares in issue as at the Last Practicable Date.

1.2 Comparison of the implied value of eSun Shares under the Cancellation Consideration with (i) the trading prices of eSun Shares; and (ii) the audited net asset value per eSun Share attributable to owners of eSun

The Share Alternative

Based on the closing price of HK\$0.335 per MAGHL Share as quoted on the Stock Exchange on the Last Trading Day, the implied value of each eSun Share under the Share Alternative was equivalent to approximately HK\$0.40 (which was calculated by the closing price of HK\$0.335 per MAGHL Share on the Last Trading Day divided by five sixths, being the Share Exchange Ratio under the Share Alternative), representing:

- (i) a discount of approximately 6.5% to the closing price of HK\$0.43 per eSun Share as quoted on the Stock Exchange on the Last eSun Trading Day;
- (ii) a premium of approximately 21.5% over the average closing price of approximately HK\$0.33 per eSun Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last eSun Trading Day;
- (iii) a premium of approximately 30.6% over the average closing price of approximately HK\$0.31 per eSun Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last eSun Trading Day;
- (iv) a premium of approximately 28.0% over the average closing price of approximately HK\$0.31 per eSun Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last eSun Trading Day;
- (v) a premium of approximately 3.2% over the average closing price of approximately HK\$0.39 per eSun Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last eSun Trading Day; and
- (vi) a discount of approximately 37.9% to the audited net asset value per eSun Share attributable to owners of eSun of approximately HK\$0.65 per eSun Share as at 31 July 2022, which was calculated based on the audited net asset value attributable to owners of eSun of approximately HK\$965.2 million as at 31 July 2022 and 1,491,854,598 eSun Shares in issue as at the Last eSun Trading Day.

Based on the closing price of HK\$0.300 per MAGHL Share as quoted on the Stock Exchange on the Latest Practicable Date, the implied value of each eSun Share under the Share Alternative was equivalent to approximately HK\$0.36 (which was calculated by the closing price of HK\$0.300 per MAGHL Share on the Latest Practicable Date divided by five sixths, being the Share Exchange Ratio under the Share Alternative), representing:

- (i) a premium of approximately 45.7% over the closing price of HK\$0.247 per eSun Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 16.3% to the closing price of HK\$0.43 per eSun Share as quoted on the Stock Exchange on the Last eSun Trading Day;
- (iii) a premium of approximately 8.8% over the average closing price of approximately HK\$0.33 per eSun Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last eSun Trading Day;
- (iv) a premium of approximately 16.9% over the average closing price of approximately HK\$0.31 per eSun Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last eSun Trading Day;
- (v) a premium of approximately 14.6% over the average closing price of approximately HK\$0.31 per eSun Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last eSun Trading Day;
- (vi) a discount of approximately 7.6% to the average closing price of approximately HK\$0.39 per eSun Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last eSun Trading Day; and
- (vii) a discount of approximately 44.4% to the audited net asset value per eSun Share attributable to owners of eSun of approximately HK\$0.65 per eSun Share as at 31 July 2022, which was calculated based on the audited net asset value attributable to owners of eSun of approximately HK\$965.2 million as at 31 July 2022 and 1,491,854,598 eSun Shares in issue as at the Latest Practicable Date.

The Partial Cash Alternative

Based on the closing price of HK\$0.335 per MAGHL Share as quoted on the Stock Exchange on the Last Trading Day, the implied value of each eSun Share under the Partial Cash Alternative was equivalent to approximately HK\$0.57 (which was calculated by the closing price of HK\$0.335 per MAGHL Share on the Last Trading Day minus the cash payment of HK\$0.24 under the Partial Cash Alternative, and then divided by one sixth, being the Share Exchange Ratio under the Partial Cash Alternative), representing:

- (i) a premium of approximately 32.6% over the closing price of HK\$0.43 per eSun Share as quoted on the Stock Exchange on the Last eSun Trading Day;
- (ii) a premium of approximately 72.2% over the average closing price of approximately HK\$0.33 per eSun Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last eSun Trading Day;
- (iii) a premium of approximately 85.2% over the average closing price of approximately HK\$0.31 per eSun Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last eSun Trading Day;
- (iv) a premium of approximately 81.4% over the average closing price of approximately HK\$0.31 per eSun Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last eSun Trading Day;
- (v) a premium of approximately 46.3% over the average closing price of approximately HK\$0.39 per eSun Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last eSun Trading Day; and
- (vi) a discount of approximately 11.9% to the audited net asset value per eSun Share attributable to owners of eSun of approximately HK\$0.65 per eSun Share as at 31 July 2022, which was calculated based on the audited net asset value attributable to owners of eSun of approximately HK\$965.2 million as at 31 July 2022 and 1,491,854,598 eSun Shares in issue as at the Last eSun Trading Day.

Based on the closing price of HK\$0.300 per MAGHL Share as quoted on the Stock Exchange on the Latest Practicable Date, the implied value of each eSun Share under the Partial Cash Alternative was equivalent to approximately HK\$0.36 (which was calculated by the closing price of HK\$0.300 per MAGHL Share on the Latest Practicable Date minus the cash payment of HK\$0.24 under the Partial Cash Alternative, and then divided by one sixth, being the Share Exchange Ratio under the Partial Cash Alternative), representing:

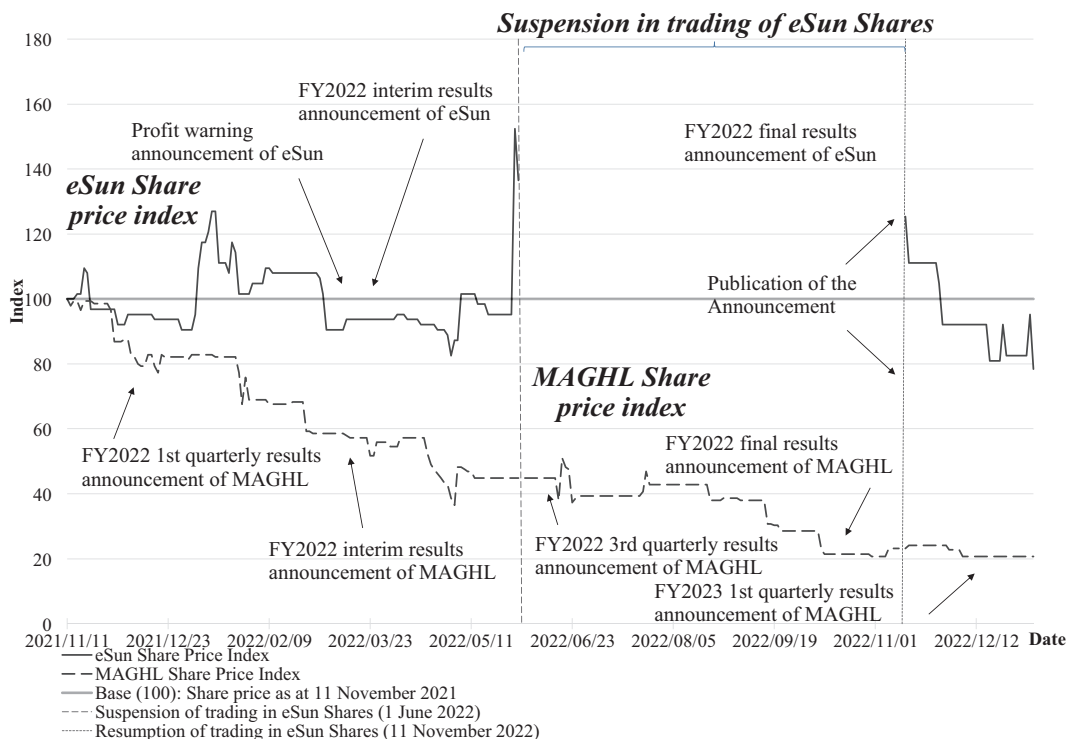
- (i) a premium of approximately 45.7% over the closing price of HK\$0.247 per eSun Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 16.3% to the closing price of HK\$0.43 per eSun Share as quoted on the Stock Exchange on the Last eSun Trading Day;
- (iii) a premium of approximately 8.8% over the average closing price of approximately HK\$0.33 per eSun Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last eSun Trading Day;
- (iv) a premium of approximately 16.9% over the average closing price of approximately HK\$0.31 per eSun Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last eSun Trading Day;
- (v) a premium of approximately 14.6% over the average closing price of approximately HK\$0.31 per eSun Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last eSun Trading Day;
- (vi) a discount of approximately 7.6% to the average closing price of approximately HK\$0.39 per eSun Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last eSun Trading Day; and
- (vii) a discount of approximately 44.4% to the audited net asset value per eSun Share attributable to owners of eSun of approximately HK\$0.65 per eSun Share as at 31 July 2022, which was calculated based on the audited net asset value attributable to owners of eSun of approximately HK\$965.2 million as at 31 July 2022 and 1,491,854,598 eSun Shares in issue as at the Last Practicable Date.

Based on information as set out in the “Explanatory Statement” in Part VII of the Scheme Document, the Share Exchange Ratios of five sixths of a new eSun Share under the Share Alternative, or one sixth of a new eSun Share together with a cash payment of HK\$0.24 under the Partial Cash Alternative, for every Scheme Share cancelled under the Scheme were determined on arm’s length terms and on a commercial basis after taking into account, among other things: (i) the prevailing and historical market prices of both the eSun Shares and the MAGHL Shares traded on the Main Board and GEM respectively; (ii) net asset value attributable to the eSun Shareholders and to the Scheme Shareholders as at 31 July 2022; and (iii) the respective board lot size of eSun and MAGHL, being 2,000 eSun Shares and 12,000 MAGHL Shares, to minimise odd lots created for Scheme Shareholders in the Proposal. For further details of the basis for determining the Share Alternative and the Partial Cash Alternative, and the Share Exchange Ratios, please refer to the paragraph headed “(4) Basis for determining the Share Alternative and the Partial Cash Alternative, and the Share Exchange Ratios” in the “Explanatory Statement” in Part VII of the Scheme Document.

1.3 Historical market price performance

With a view to assess the reasonableness of the Cancellation Consideration, from the point of view of recent market price trend, we have conducted an analysis on the market prices per MAGHL Share and eSun Share. The chart below sets out the closing share prices of MAGHL Shares and eSun Shares for a 12-month period, from 11 November 2021 up to the Last Trading Day (the “**First Review Period**”); and from 11 November 2022, being the date immediately following the Last Trading Day up to and including Latest Practicable Date (the “**Second Review Period**”, together with the First Review Period, the “**Review Period**”), set at a base of 100 as at 11 November 2021 with a view to illustrate the relative share price performance of MAGHL Shares and eSun Shares:

Chart 1 – Relative historical price performance of the MAGHL Shares and the eSun Shares during the Review Period



Source: www.hkex.com.hk

Absolute price trends

The closing price per MAGHL Share ranged from HK\$0.98 and HK\$1.45 during the period from 11 November 2021 to 31 January 2022. At the end of the first quarter and second quarter of 2022, the closing price per MAGHL Share was HK\$0.79 and HK\$0.57, respectively, showing a downward trend. During the third quarter, the closing price per MAGHL Share ranged from HK\$0.415 and HK\$0.68. During the fourth quarter of 2022 (up to the Announcement Date), it is noted that the closing price per MAGHL Share experienced further decrease, ranged from HK\$0.3 and HK\$0.415. During the Second Review Period, the closing price per MAGHL Share ranged from HK\$0.3 and HK\$0.35.

The trading of the eSun Shares was suspended from 1 June 2022 and trading in eSun Shares was resumed on 11 November 2022. Prior to its suspension of trading during the Review Period, the closing price per eSun Share fluctuated between HK\$0.285 (30 December 2021 to 4 January 2022) and HK\$0.4 (12 and 13 January 2022) since the commencement of the First Review Period up to and including 13 January 2022. From

then on until 29 April 2022, the closing price per eSun Share was in a general downward trend and reached a closing price per eSun Share of HK\$0.26 before increasing to the closing price per eSun Share of HK\$0.48, being the highest closing price per eSun Share during the First Review Period, after which the closing price per eSun Share was at HK\$0.43 on the Last eSun Trading Day (i.e. 31 May 2022) prior to its suspension in trading. During the Second Review Period, the closing price per eSun Share ranged from HK\$0.247 and HK\$0.395.

Relative price trends

Since the commencement of the First Review Period, the MAGHL Share price index was in the region of 100 during the month of November 2021. Thereafter, the MAGHL Share price index has experienced a general downward trend, which decreased from approximately 97 (30 November 2021) to a low of approximately 21 (from 11 October 2022 up to 4 November 2022), before increasing to approximately 23 on the Last Trading Day (i.e. 10 November 2022).

The eSun Share price index fluctuated between approximately 90 to 127 from the commencement of the First Review Period to 13 January 2022, before decreasing to approximately 83 on 29 April 2022, subsequent to which the price index reached a high of approximately 152 before closing at approximately 137 on the Last eSun Trading Day in the First Review Period.

During the Second Review Period, the share price index of (i) MAGHL ranged from approximately 21 to 24; and (ii) eSun Shares ranged from approximately 78 to 125, respectively.

It is noted that the fluctuation of the closing prices of MAGHL Shares and eSun Shares during the Second Review Period may be affected by the market reactions in response to the Proposal and the Scheme as set out in the Announcement and that the closing prices of MAGHL Shares and eSun Shares may continue to fluctuate up to the last day of trading in the MAGHL Shares on the Stock Exchange, being 20 March 2023, in the event that the Scheme becomes effective.

As (i) the values of the Share Alternative and the Partial Cash Alternative depend on, among others, the value attributable to each new eSun Share, which may change after the Latest Practicable Date; and (ii) the values of the Share Alternative and the Partial Cash Alternative may not be the same, the Disinterested Scheme Shareholders should continue to monitor the trading share price of both MAGHL Shares and eSun Shares. For further details of our view and recommendations in relation to the Proposal and the Scheme, please refer to the section headed “OPINION AND RECOMMENDATIONS” in this letter below.

1.4 Comparison of liquidity of Main Board listed companies and GEM listed companies

Given the MAGHL Shares are listed on GEM, while the eSun Shares are listed on the Main Board, we have conducted market research based on data published by the Stock Exchange in relation to the liquidity of Main Board listed companies and GEM listed companies. The following data sets forth (i) the monthly turnover value; and (ii) number of listed companies, on the Main Board and GEM respectively from November 2021 to November 2022:

Table 2: Information on trading liquidity of the Main Board and GEM from November 2021 to November 2022

	Turnover value (HK\$'million) (A)	Main Board Market capitalisation of Main Board (HK\$'million) (B)	Stock market turnover ratio (Note 1) (A/B)	Turnover value (HK\$'million) (C)	GEM Market capitalisation of GEM (HK\$'million) (D)	Stock market turnover ratio (Note 1) (C/D)
2021						
November	2,892,054	42,762,811	6.8%	4,431	118,070	3.8%
December	2,586,939	42,272,766	6.1%	3,722	108,381	3.4%
2022						
January	2,695,914	42,028,853	6.4%	4,373	98,925	4.4%
February	2,214,193	40,791,734	5.4%	2,241	97,243	2.3%
March	4,018,450	38,840,840	10.3%	3,027	90,531	3.3%
April	2,097,838	37,560,041	5.6%	2,935	84,301	3.5%
May	2,385,573	37,794,383	6.3%	2,778	88,185	3.2%
June	3,157,982	38,970,450	8.1%	6,202	94,423	6.6%
July	2,167,950	35,795,798	6.1%	3,205	92,837	3.5%
August	2,121,597	35,499,088	6.0%	3,417	91,623	3.7%
September	1,948,051	30,742,612	6.3%	2,263	84,559	2.7%
October	2,089,854	26,316,638	7.9%	2,047	77,931	2.6%
November	3,083,699	33,234,909	9.3%	4,183	82,907	5.0%
Average ^(Note 2)	2,573,853	37,123,917	6.9%	3,448	93,070	3.7%

Source: www.hkex.com.hk

Note:

- (1) All percentages in the table are approximations.
- (2) Calculated using relevant monthly figures in the table.
- (3) Data available from the website of the Stock Exchange as at Latest Practicable Date.

Based on the information as set out in Table 2 above, in particular, the stock market turnover ratio (the “**Stock Market Turnover Ratio**”) (being turnover value divided by total market capitalisation), the Main Board as a whole has greater market liquidity when compared to GEM as a whole as evidenced by the Stock Market Turnover Ratio of (i) Main Board, which ranged from approximately 5.4% to 10.3%, with an average of approximately 6.9%; and (ii) GEM, which ranged from approximately 2.3% to 6.6%, with an average of approximately 3.7%, during the period from November 2021 to November 2022. On this basis, assuming all things being equal, it would be more advantageous to hold shares of a Main Board listed company than a GEM listed company from a market liquidity’s perspective.

Furthermore, we have also conducted analysis on the trading liquidity of the MAGHL Shares and the eSun Shares during the Review Period and set out our analysis below.

1.5 Trading liquidity of the MAGHL Shares and the eSun Shares

Subject to the Scheme becoming effective, Scheme Shareholders will own eSun Shares instead of MAGHL Shares. In this connection, we have also considered the liquidity of both MAGHL Shares and eSun Shares during the Review Period, such includes the monthly trading volume and trading value (for illustration purpose, calculated based on the respective closing prices during that trading day) of MAGHL Shares and eSun Shares from 11 November 2021 up to and including the Latest Practicable Date:

Table 3: Information on trading liquidity of MAGHL Shares during the Review Period

	Total number of MAGHL Shares traded	Number of issued MAGHL Shares as at the last day of the relevant month/period	Total number of MAGHL Shares traded to the total number of issued MAGHL Shares (%) <i>(Note 1)</i>	Total number of MAGHL Shares traded to the total number of issued MAGHL Shares held by the public (%) <i>(Note 1, 2)</i>	Total number of MAGHL Shares traded to the total number of issued MAGHL Shares held by the public and other Scheme Shareholders (%) <i>(Note 1, 3)</i>	Total value of MAGHL Shares traded <i>(Note 4)</i>
First Review Period						
2021						
November (commenced from 11 November 2021)	324,050	2,986,314,015	0.011%	0.038%	0.034%	462,313
December	563,875	2,986,314,015	0.019%	0.065%	0.058%	682,558
2022						
January	136,858	2,986,314,015	0.005%	0.016%	0.014%	146,498
February	208,201	2,986,314,015	0.007%	0.024%	0.022%	195,929
March	265,547	2,986,314,015	0.009%	0.031%	0.028%	209,380
April	77,020	2,986,314,015	0.003%	0.009%	0.008%	57,665
May	1,156,600	2,986,314,015	0.039%	0.134%	0.120%	786,950
June	539,075	2,986,314,015	0.018%	0.062%	0.056%	318,387
July	219,231	2,986,314,015	0.007%	0.025%	0.023%	145,273
August	26,200	2,986,314,015	0.001%	0.003%	0.003%	14,915
September	125,400	2,986,314,015	0.004%	0.015%	0.013%	57,435
October	64,030	2,986,314,015	0.002%	0.007%	0.007%	20,297
November (up to Last Trading Day: 10 November 2022)	396,000	2,986,314,015	0.013%	0.046%	0.041%	130,560
Average ^{<i>(Note 5)</i>}	315,545	N/A	0.011%	0.037%	0.033%	248,320
Second Review Period						
2022						
November (commenced from 11 November 2022)	72,300	2,986,314,015	0.002%	0.008%	0.007%	24,105
December	139,790	2,986,314,015	0.005%	0.016%	0.014%	44,843
2023						
January (up to and including the Latest Practicable Date)	–	2,986,314,015	–	–	–	–
Average ^{<i>(Note 5)</i>}	70,697	N/A	0.002%	0.008%	0.007%	22,983

Note:

- (1) All percentages in the table are approximations.*
- (2) For illustration purposes, calculated based on the number of MAGHL Shares held by public shareholders of MAGHL on 10 November 2022 as set out in the Announcement.*
- (3) For illustration purposes, calculated based on the number of MAGHL Shares on 10 November 2022 held by public shareholders of MAGHL and other Scheme Shareholders, namely, Anglo Chinese and Mr. Cheung, who are both Offeror Concert Parties, as set out in the Announcement.*
- (4) For illustration purposes, calculated based on the respective closing prices during that trading day. The total value disclosed is rounded to the nearest Hong Kong dollar.*
- (5) Calculated using relevant monthly figures in the table.*

Table 4: Information on trading liquidity of eSun Shares during the Review Period

	Total number of eSun Shares traded	Number of issued eSun Shares as at the last day of the relevant month/period	Total number of eSun Shares traded to the total number of issued eSun Shares (%) <i>(Note 3)</i>	Total number of eSun Shares traded to the total number of issued eSun Shares held by the public (%) <i>(Note 3, 4)</i>	Total value of eSun Shares traded <i>(Note 5)</i>
First Review Period					
2021					
November (commenced from 11 November 2021)	1,088,000	1,491,854,598	0.073%	0.488%	343,580
December	464,000	1,491,854,598	0.031%	0.208%	138,530
2022					
January	354,000	1,491,854,598	0.024%	0.159%	125,030
February	87,040	1,491,854,598	0.006%	0.039%	29,614
March	18,120	1,491,854,598	0.001%	0.008%	5,225
April	384,500	1,491,854,598	0.026%	0.172%	114,350
May	2,100,108	1,491,854,598	0.141%	0.941%	962,212
June <i>(Note 1)</i>	–	1,491,854,598	–	–	–
July <i>(Note 1)</i>	–	1,491,854,598	–	–	–
August <i>(Note 1)</i>	–	1,491,854,598	–	–	–
September <i>(Note 1)</i>	–	1,491,854,598	–	–	–
October <i>(Note 1)</i>	–	1,491,854,598	–	–	–
November <i>(Note 1)</i>	–	1,491,854,598	–	–	–
(up to Last Trading Day: 10 November 2022)					
Average <i>(Note 2, 6)</i>	642,253	N/A	0.043%	0.288%	245,506
Second Review Period					
2022					
November (commenced from 11 November 2022)	203,900	1,491,854,598	0.014%	0.091%	79,082
December	856,000	1,491,854,598	0.057%	0.384%	218,730
2023					
January (up to and including the Latest Practicable Date)	88,000	1,491,854,598	0.006%	0.039%	25,976
Average <i>(Note 6)</i>	382,633	N/A	0.026%	0.171%	107,929

Note:

- (1) Trading in the eSun Shares was suspended during the period commenced on 1 June 2022 and ended on 10 November 2022 (inclusive of both days). Trading of the eSun Shares was resumed on 11 November 2022.*
- (2) The average was calculated based on the months which trading of eSun Shares was not suspended.*
- (3) All percentages in the table are approximations.*
- (4) For illustration purposes, calculated based on the number of eSun Shares held by public shareholders of eSun on 10 November 2022.*
- (5) For illustration purposes, calculated based on the respective closing prices during that trading day and the total value disclosed is rounded to the nearest Hong Kong dollar.*
- (6) Calculated using relevant monthly figures in the table.*

The average daily trading volume of both MAGHL Shares and eSun Shares have been thin in general during the First Review Period and the Second Review Period. However, the average daily trading volume of MAGHL Shares during the First Review Period and Second Review Period represented (a) approximately 0.011% and 0.002% of the total number of MAGHL Shares in issue; and (b) approximately 0.037% and 0.008% of the total number of MAGHL Shares held by the public, was notably lower than the daily average trading volume of eSun Shares during the First Review Period and Second Review Period, which represented (a) approximately 0.043% and 0.026% of the total number of eSun Shares in issue; and (b) approximately 0.288% and 0.171% of the total number of eSun Shares held by the public.

In this connection, the Scheme Shareholders may find it difficult to dispose of a significant number of MAGHL Shares in the open market without causing an adverse impact on the MAGHL Share price. Furthermore, the Proposal would allow the Scheme Shareholders to exchange his/her/its holding of MAGHL Shares into eSun Share(s), which had comparatively higher historical trading volume, although still thinly traded, during the First Review Period and the Second Review Period.

2. Analysis on comparable companies and securities exchange offer privatisation precedents**2.1 Market comparable analysis**

With a view to evaluating the Cancellation Consideration under the Proposal and the Scheme, having considered the principal activities of MAGHL and eSun and that the MAGHL Shares are listed on GEM and the eSun Shares are listed on the Main Board, we have set out the following criteria (the “**Criteria**”) when selecting comparable companies for the purpose of our analysis, namely (i) the shares of which are listed and trading on GEM or Main Board as at the Announcement Date, excluding listed companies which are being suspended as at the Announcement Date; (ii) generated over 50% of its total revenue from media and entertainment businesses and/or production and distribution of film and/or TV program for its latest completed financial year; and (iii) based on its closing share price on each of the Last Trading Day and the Latest Practicable Date, their market capitalisation shall be not less than HK\$300 million and not more than HK\$1,500 million, respectively. Based on the Criteria, we have identified six comparable companies (the “**Market Comparables**”), which represents an exhaustive list of Market Comparables identified from the Stock Exchange’s website based on the Criteria, and conducted analysis on price-to-earnings ratio (the “**P/E Ratio**”) and price-to-book ratio (the “**P/B Ratio**”). However, given each of MAGHL and eSun has recorded a loss attributable to its owners, P/E Ratio analysis is not considered to be applicable. On this basis, as an alternative and with a view to providing more tailored analysis for loss making companies, we have included the price-to-sales ratio (the “**P/S Ratio**”), being a commonly adopted valuation benchmark for loss-making companies, as part of our analysis. The following sets out our analysis on the P/B Ratio and P/S Ratio for the Market Comparables, MAGHL and eSun.

Table 5: Market Comparables Analysis

Company name (stock code)	Principal business	Market capitalisation ^(Note 1) (HK\$'million)	P/B ratio (times)	P/S ratio (times)
China Bright Culture Group (1859)	Principally engaged in developing, producing, marketing and distributing video content (including but not limited to long, medium and short scale video content) for media platforms (including TV media platforms and online video platforms)	456.0	0.35	1.23
Digital Domain Holdings Limited (547)	Principally engaged in the media entertainment business	1,471.9	3.27	1.70
Mei Ah Entertainment Group Limited (391)	Principally engaged in channel operations, film exhibition and film rights licensing and sub-licensing, cinema operations, concert performance and events organisation, applications and video online and property investment	622.0	1.79	7.95
Litian Pictures Holdings Limited (9958)	Primarily engaged in the production, distribution and licensing of broadcasting rights of drama series in the PRC	312.0	0.61	0.94
Lajin Entertainment Network Group Limited (8172)	Principally engaged in artiste management, new media e-commerce and movies, TV programmes and internet contents	416.7	1.81	6.10
Strawbear Entertainment Group (2125)	Principally engaged in the PRC in (i) licensing of broadcasting rights of drama series to TV channels, online video platforms and third party distributors; and (ii) production of made-to-order drama series per online video platforms' orders	717.5	0.36	0.39

Company name (stock code)	Principal business	Market capitalisation ^(Note 1) (HK\$'million)	P/B ratio (times)	P/S ratio (times)
		Maximum	3.27	7.95
		Minimum	0.35	0.39
		Average	1.36	3.05
		Median	1.20 <i>(Note 2)</i>	1.47 <i>(Note 2)</i>
	MAGHL <i>(under the Share Alternative)</i>	1,070.1 <i>(Note 3)</i>	4.35 <i>(Note 4)</i>	4.81 <i>(Note 5)</i>
	MAGHL <i>(under the Partial Cash Alternative)</i>	930.7 <i>(Note 6)</i>	3.79 <i>(Note 7)</i>	4.18 <i>(Note 8)</i>
	eSun	641.5 <i>(Note 9)</i>	0.66 <i>(Note 10)</i>	0.77 <i>(Note 11)</i>

Source: website of the Stock Exchange and the respective published annual reports

Note:

- (1) Market capitalisation of the Market Comparables is based on the closing share price as at the Latest Practicable Date and the total number of issued shares based on the latest available monthly return of the subject listed company published on the website of the Stock Exchange.
- (2) The median of the P/B Ratio and P/S Ratio of the Market Comparable, each has a data set of six, is the average of the third ranked and fourth ranked P/B Ratio and P/S Ratio of the Market Comparables.
- (3) The implied market capitalisation of MAGHL of approximately HK\$1,070.1 million under the Share Alternative (the "**Share Alternative Implied MAGHL Market Capitalisation**"), was calculated based on five sixths of the closing price per eSun Share of HK\$0.43 as at the Last eSun Trading Day, and the total number of issued MAGHL Shares as at the Last Trading Day.
- (4) P/B ratio of MAGHL under the Share Alternative was calculated based on (i) the Share Alternative Implied MAGHL Market Capitalisation; divided by (ii) the MAGHL Group's net assets attributable to its owners of approximately HK\$245.8 million as at 31 October 2022.
- (5) P/S ratio of MAGHL under the Share Alternative was calculated based on (i) the Share Alternative Implied MAGHL Market Capitalisation; divided by (ii) the MAGHL Group's revenue of approximately HK\$222.5 million during the year ended 31 July 2022.
- (6) The implied market capitalisation of MAGHL of approximately HK\$930.7 million under the Partial Cash Alternative (the "**Partial Cash Alternative Implied MAGHL Market Capitalisation**"), was calculated based on the aggregate of (i) cash payment of HK\$0.24 per Scheme Share; and (ii) one sixth of the closing price per eSun Share of HK\$0.43 as at the Last eSun Trading Day, and the total number of issued MAGHL Shares as at the Last Trading Day.

- (7) *P/B ratio of MAGHL under the Partial Cash Alternative was calculated based on (i) the Partial Cash Alternative Implied MAGHL Market Capitalisation; divided by (ii) the MAGHL Group's net assets attributable to its owners of approximately HK\$245.8 million as at 31 October 2022.*
- (8) *P/S ratio of MAGHL under the Partial Cash Alternative was calculated based on (i) the Partial Cash Alternative Implied MAGHL Market Capitalisation; divided by (ii) the MAGHL Group's revenue of approximately HK\$222.5 million during the year ended 31 July 2022.*
- (9) *The implied market capitalisation of eSun of approximately HK\$641.5 million (the "**Implied eSun Market Capitalisation**"), was calculated based on the closing price per eSun Share of HK\$0.43 as at the Last eSun Trading Day, and the total number of issued eSun Shares as at the Last Trading Day.*
- (10) *P/B ratio of eSun was calculated based on (i) the Implied eSun Market Capitalisation; divided by (ii) the eSun Group's net asset attributable to its owners of approximately HK\$965.2 million as at 31 July 2022.*
- (11) *P/S ratio of eSun was calculated based on (i) the Implied eSun Market Capitalisation; divided by (ii) the eSun Group's revenue of approximately HK\$830.2 million during the year ended 31 July 2022.*
- (12) *Under Table 5, amounts in US\$ are translated into HK\$ on the basis of US\$1.00 = HK\$7.81 and amounts in RMB are translated into HK\$ on the basis of RMB0.92 = HK\$1.00. Such conversion rates are for illustration purposes only and should not be taken as a representation that US\$ and RMB could or may be converted into HK\$ at such rates or at all.*

As shown in Table 5 above, the P/B Ratio of the Market Comparables ranged from approximately 0.35 times to approximately 3.27 times with an average of approximately 1.36 times and a median of approximately 1.20 times.

The implied P/B Ratio of MAGHL under the Share Alternative, calculated based on the Share Alternative Implied MAGHL Market Capitalisation, was approximately 4.35 times, which is (i) higher than the range of the P/B Ratio of the Market Comparables; and (ii) higher than the average and the median of the P/B Ratio of the Market Comparables.

The implied P/B Ratio of MAGHL under the Partial Cash Alternative, calculated based on the Partial Cash Alternative Implied MAGHL Market Capitalisation, was approximately 3.79 times, which is (i) higher than the range of the P/B Ratio of the Market Comparables; and (ii) higher than the average and the median of the P/B Ratio of the Market Comparables.

For illustration purposes, MAGHL's implied P/B Ratio under the Share Alternative and the Partial Cash Alternative was approximately 4.35 times and 3.79 times, respectively, each being higher than the implied P/B Ratio of eSun, being approximately 0.66 times.

The P/S Ratio of the Market Comparables ranged from approximately 0.39 times to approximately 7.95 times with an average of approximately 3.05 times and a median of approximately 1.47 times.

The implied P/S Ratio of MAGHL under the Share Alternative, calculated based on the Share Alternative Implied MAGHL Market Capitalisation, was approximately 4.81 times, which is (i) within the range of the P/S Ratio of the Market Comparables; and (ii) higher than the average and the median of the P/S Ratio of the Market Comparables.

The implied P/S Ratio of MAGHL under the Partial Cash Alternative, calculated based on the Partial Cash Alternative Implied MAGHL Market Capitalisation, was approximately 4.18 times, which is (i) within the range of the P/S Ratio of the Market Comparables; and (ii) higher than the average and the median of the P/S Ratio of the Market Comparables.

For illustration purposes, MAGHL's implied P/S Ratio under the Share Alternative and the Partial Cash Alternative was approximately 4.81 times and 4.18 times, respectively, is also higher than the P/S Ratio of eSun, being approximately 0.77 times.

On this basis, the Cancellation Consideration under the Share Alternative and the Partial Cash Alternative are considered to be fair and reasonable, respectively.

2.2 Analysis on market precedents in connection with privatisation and securities exchange merger

With a view to further assessing the fairness and reasonableness of the Proposal, we have considered to conduct market research on cash offer privatisation precedents for comparison purposes.

However, having considered the different characteristics of the Proposed Merger and a typical cash offer privatisation market precedents, in particular (i) the Proposed Merger offers the Share Alternative, being a securities exchange offer under the Takeovers Code that involves no cash consideration, and the Partial Cash Alternative, which offers a combination of securities and cash as the consideration, both are dissimilar to a typical privatisation offer whereby the offeror only offers cash consideration that involves no securities as part of the consideration; and (ii) the Proposed Merger, if approved and implemented, would enable the Scheme Shareholders to hold equity interest in eSun (i.e. the holding company of the Offeror), and still maintain an interest in MAGHL as MAGHL would become a wholly-owned unlisted subsidiary of the Enlarged eSun group immediately upon the completion of the Proposed Merger, such is fundamentally different from the view of minority shareholders who are subject to a cash offer under a typical privatisation, which would involve the offeror(s) acquiring all the shares of the subject listed company (other than those held by the offeror and its concert parties at the material time) from the other shareholders and upon completion of such privatisation, the offeror, together with its concert parties, would become the owner of the subject

company, the shares of which will no longer be listed, therefore we considered that the typical cash offer privatisation which involves an offer comprising only of cash consideration to be not directly comparable to the Proposed Merger.

In this connection, we have conducted market research on securities exchange offer privatisation market precedents proposed by listed companies on the Stock Exchange (as the acquirer), with no cash element (the “**Securities Exchange Market Precedent(s)**”) in relation to listed companies on the Main Board or GEM (as the target company), with the date of the initial privatisation announcement, published pursuant to Rule 3.5 of the Takeovers Code, falls within the past 12 months immediately preceding the Announcement Date (the “**Initial Securities Exchange Privatisation Offer Criteria**”). However, no such securities exchange offer was found based on the Initial Securities Exchange Privatisation Offer Criteria.

Accordingly, we extended the aforesaid review period from 12 months to 5 years , while keeping the other criteria under the Initial Securities Exchange Privatisation Offer Criteria the same (the “**Final Securities Exchange Privatisation Offer Criteria**”).

However, only two Securities Exchange Market Precedents were identified, which represents an exhaustive list of Securities Exchange Market Precedents identified from the Stock Exchange’s website based on the Final Securities Exchange Privatisation Offer Criteria. Furthermore, given (i) the lapse of time, it should be noted that the identified Securities Exchange Market Precedents were conducted under different market conditions and economic environment; (ii) both Securities Exchange Market Precedents were in different industries from that of the MAGHL Group and the eSun Group; and (iii) the limited sample size, such may not be representative and be of limited comparability to that of the Proposal (the “**Securities Exchange Market Precedent Limitations**”), but we have nonetheless included such analysis hereunder for information purposes only.

Table 6: Securities Exchange Market Precedent Analysis

Announcement date	Name of acquirer (stock code)	Name of target company (stock code)	Securities exchange ratio	Comparison of the value of the cancellation consideration with (i) the closing share prices of the target company; and (ii) the latest published net asset value per share attributable to the owners of the target company ^(Note 1)			Latest published net asset value per share of the target company attributable to its owners premium/(discount)	
				Last trading day premium/(discount)	Last 10 trading days up to and including the Last Trading Day premium/(discount)	Last 30 trading days up to and including the Last Trading Day premium/(discount)		Last 90 trading days up to and including the Last Trading Day premium/(discount)
6 July 2020	Huarong International Financial Holdings Limited (993) ("HRIF")	Huarong Investment Stock Corporation Limited (2277) ("HRIV")	0.3546	35.5%	54.5%	61.0%	53.9% (Note 2)	N/A
29 September 2020	Shandong Gold Mining Co., Ltd. ("Shandong Gold") (1787)	Hengxing Gold Holding Company Limited ("Hengxing Gold") (2303)	0.1724	(3.10%) (Note 3)	3.03% (Note 3)	(0.79%) (Note 3)	9.76% (Note 3)	262.3% (Note 3)
10 November 2022	eSun Holdings Limited (571)	Media Asia Group Holdings Limited (8075)	0.8333	7.0%	13.8%	7.5%	(25.9%)	290.8%

The Share Alternative under the Proposal:

Source: website of the Stock Exchange, scheme document of the subject companies

Note:

- (1) All percentages in the table are approximations.
- (2) As set out in the scheme document for the proposed privatisation of HRIV, although the HRIV Group reported total equity of approximately HK\$1,285.0 million as at 30 June 2020, of which approximately HK\$1,424.1 million was attributable to the holder(s) of the HRIV perpetual bond and equity attributable to the ordinary shareholders of HRIV was in a negative balance of approximately HK\$139.1 million.
- (3) These figures are extracted from the scheme document jointly issued by Shandong Gold and Hengxing Gold for the proposed privatisation of Hengxing Gold dated 22 December 2020 (the “SDG HXG Scheme Document”). It is noted that Hengxing Gold shares (the “HXG Shares”) were entitled to a special dividend (the “HXG Special Dividend”) and thus as specified in the SDG HXG Scheme Document, the price per HXG Shares used to calculate the percentages were after adjustment due to commencement of dealings in the HXG Shares on an ex-entitlement basis for the HXG Special Dividend.

As shown in Table 6 above, with reference to the Securities Exchange Market Precedents, the comparison of the value of the cancellation consideration with (i) the closing share prices of the respective target company ranged from a discount of approximately 3.1% to a premium of approximately 61.0%; and (ii) the then latest published net asset value per share attributable to the owners of Hengxing Gold represented a premium of approximately 262.3% and such analysis was not applicable to HRIV as the equity attributable to the ordinary shareholders of HRIV was a negative balance at the material time.

For the Share Alternative under the Proposal, the comparison of the value of the Cancellation Consideration with (i) the closing share prices of the target company ranged from a discount of approximately 25.9% to a premium of approximately 13.8%; and (ii) the latest published net asset value per share attributable to the owners of the target company represented a premium of approximately 290.8%.

Given the Securities Exchange Market Precedent Limitations, the above analysis has been included for information purposes only.

2.3 Our analysis on the relative value in terms of net asset value when exchanging MAGHL Shares into (i) new eSun Shares under the Share Alternative; and (ii) a combination of cash and new eSun Shares under the Partial Cash Alternative

Given each of the MAGHL Group and the eSun Group recorded a loss attributable to its owners for their respective latest completed financial year (i.e. the year ended 31 July 2022), when considering the reasonableness of the Proposal, we have analysed the relative value in terms of net asset value when exchanging MAGHL Shares into (i) new eSun Shares under the Share Alternative; and (ii) a combination of cash and new eSun Shares under the Partial Cash Alternative.

Based on (i) the net asset value attributable to owners of MAGHL of approximately HK\$273.8 million as at 31 July 2022 based on the MAGHL FY2022 Annual Report; and (ii) the total number of issued MAGHL Shares of approximately 2,986.3 million as at 31 December 2022, the net asset value per MAGHL Share was calculated to be approximately HK\$0.09 (the “**NAV per MAGHL Share**”).

Based on (i) the net asset value attributable to owners of eSun of approximately HK\$965.2 million as at 31 July 2022 based on the eSun FY2022 Annual Report; and (ii) the total number of issued eSun Shares of approximately 1,491.9 million as at 31 December 2022, the net asset value per eSun Share was calculated to be approximately HK\$0.65 (the “**NAV per eSun Share**”).

For the purpose of this analysis, we assumed all Scheme Shareholders elect the Share Alternative, based on (i) the net asset value attributable to owners of eSun of approximately HK\$965.2 million as at 31 July 2022 based on the eSun FY2022 Annual Report; add (ii) the non-controlling interest of MAGHL held by the Scheme Shareholders of approximately HK\$88.1 million, which shall be consolidated into eSun Group after the implementation of the Proposal; and then divided by (iii) the total number of issued eSun Shares of approximately 1,491.9 million as at 31 December 2022 together with additional new eSun Shares of approximately 803.7 million to be issued to the Scheme Shareholders, being a total of approximately 2,295.6 million eSun Shares, the adjusted net asset value per eSun Share was calculated to be approximately HK\$0.46 (the “**Share Alternative Adjusted NAV per eSun Share**”).

For the purpose of this analysis, we assumed all Scheme Shareholders elect the Partial Cash Alternative, based on (i) the net asset value attributable to owners of eSun of approximately HK\$965.2 million as at 31 July 2022 based on the eSun FY2022 Annual Report; add (ii) the non-controlling interest of MAGHL held by the Scheme Shareholders of approximately HK\$88.1 million, which shall be consolidated into eSun Group after the implementation of the Proposal; minus (iii) cash payment by eSun of approximately HK\$231.5 million, being approximately HK\$821.8 million; and then divided by (iv) the total number of issued eSun Shares of approximately 1,491.9 million as at 31 December 2022 together with additional new eSun Shares of approximately 160.7 million to be issued to the Scheme Shareholders, being a total of approximately 1,652.6 million eSun Shares, the adjusted net asset value per eSun Share was calculated to be approximately HK\$0.50 (the “**Partial Cash Alternative Adjusted NAV per eSun Share**”).

With reference to (i) the Share Alternative; and (ii) the Partial Cash Alternative, under the Proposal, we herewith set out the respective comparison in tabular format below:

Table 7: Share Alternative – Underlying net asset value of MAGHL Shares and eSun Shares

	MAGHL HK\$	eSun HK\$
– NAV per MAGHL Share	0.09	
– NAV per eSun Share		0.65
– Share Alternative Adjusted NAV per eSun Share (Note)		0.46
Share Alternative under the Proposal (for every 6 Scheme Shares, 5 new eSun Shares):		
– 6 Scheme Shares x NAV per MAGHL Share (a)	0.54	
– 5 new eSun Shares x Share Alternative Adjusted NAV per eSun Share (b)		2.30
Premium of the implied value of every 5 new eSun Shares (based on (b) above) to the implied value of every 6 Scheme Shares (based on (a) above)		325.9%

Note:

Share Alternative Adjusted NAV per eSun Share of HK\$0.46 is calculated by (i) the sum of (a) the net asset value attributable to owners of eSun of approximately HK\$965.2 million as at 31 July 2022; and (b) the non-controlling interest held by the Scheme Shareholders of approximately HK\$88.1 million, being a total of approximately HK\$1,053.3 million; and divided by (ii) the total number of issued eSun Shares of approximately 1,491.9 million as at 31 December 2022 and additional new eSun Shares of approximately 803.7 million to be issued to the Scheme Shareholders, being approximately 2,295.6 million eSun Shares.

Based on Table 7 above, assuming all Scheme Shareholders elect the Share Alternative, the Scheme Shareholders is, in principle, exchanging (i) 6 Scheme Shares with a combined net asset value of approximately HK\$0.54; for (ii) 5 new eSun Shares with a combined adjusted net asset value of HK\$2.30 (based on the Share Alternative Adjusted NAV per eSun Share of approximately HK\$0.46 each), representing a premium of approximately 325.9% over the combined net asset value of 6 Scheme Shares at approximately HK\$0.54.

On this basis, (i) based on the MAGHL FY2022 Annual Report, the combined net asset value of every 6 Scheme Shares held by the Scheme Shareholders amounted to approximately HK\$0.54; and (ii) assuming all Scheme Shareholders elect the Share Alternative, after the Proposal becomes effective and implemented, the adjusted net asset value of every 5 new eSun Shares to be held by the Scheme Shareholders would amount to approximately HK\$2.30.

Table 8: Partial Cash Alternative – Underlying net asset value of MAGHL Shares and eSun Shares

	MAGHL HK\$	eSun HK\$
– NAV per MAGHL Share	0.09	
– Share Alternative Adjusted NAV per eSun Share		0.65
– Partial Cash Alternative Adjusted NAV per eSun Share (<i>Note</i>)		0.50
Partial Cash Alternative under the Proposal (for every 6 Scheme Shares, 1 new eSun Share):		
– 6 Scheme Shares x NAV per MAGHL Share (<i>a</i>)	0.54	
– 1 new eSun Share x Partial Cash Alternative Adjusted NAV per eSun Share (<i>b</i>)		0.50
– Cash payment of HK\$1.44 for 6 Scheme Shares (i.e. HK\$0.24 for each Scheme Share) (<i>c</i>)		1.44
– Sum of (<i>b</i>) and (<i>c</i>)		1.94
Premium of the implied value of (i) every 1 new eSun Share (based on (<i>b</i>) above); and (ii) cash payment of HK\$1.44, in aggregate of approximately HK\$1.94, to the implied value of every 6 Scheme Shares of approximately HK\$0.54 (based on (<i>a</i>) above)		259.3%

Note:

Partial Cash Alternative Adjusted NAV per eSun Share of HK\$0.50 is calculated by (i) the net amount of (a) the net asset value attributable to owners of eSun of approximately HK\$965.2 million as at 31 July 2022; add (b) the non-controlling interest held by the Scheme Shareholders of approximately HK\$88.1 million; and less (c) cash payment by eSun of approximately HK\$231.5 million, totaling a net amount of approximately HK\$821.8 million; and divided by (ii) the total number of issued eSun Shares of approximately 1,491.9 million as at 31 December 2022 and additional new eSun Shares of approximately 160.7 million to be issued to the Scheme Shareholders, being approximately 1,652.6 million eSun Shares.

Based on Table 8 above, assuming all Scheme Shareholders elect the Partial Cash Alternative, the Scheme Shareholders are, in principle, exchanging (i) 6 Scheme Shares with a combined net asset value of approximately HK\$0.54; for (ii) 1 new eSun Share with adjusted net asset value of HK\$0.50 (based on the Partial Cash Alternative Adjusted NAV per eSun Share) and a cash payment of HK\$1.44 (HK\$0.24 for each Scheme Share), with a combined implied value of HK\$1.94 (i.e. the sum of the Partial Cash Alternative Adjusted NAV per eSun Share and the cash payment), representing a premium of approximately 259.3% over the combined net asset value of 6 Scheme Shares at approximately HK\$0.54.

OPINION AND RECOMMENDATIONS

In making our recommendation, we have considered information, factors and analysis as set out in this letter, in particular:

- (i) it should be noted that since the outbreak of COVID-19 around early 2020, the MAGHL Group has recorded loss attributable to its owners for each of the years ended 31 July 2020, 2021 and 2022, and the three months ended 31 October 2022. The Management advised that the businesses and operations of the MAGHL Group have been and shall continue to subject to the development of COVID-19 and the related measures implemented by the Hong Kong and/or PRC government(s) from time to time. Whilst it is possible for the economic conditions to improve in the long-term, there is no assurance in respect of the timing of such occurrence and the potential impact such development will have on MAGHL Group's operational and financial performance or, in the case where MAGHL Group benefits from the improved market conditions, whether the MAGHL Share price will reflect its then prevailing operational and financial performance. As MAGHL is a non-wholly owned subsidiary of eSun, its financial position and performance have been consolidated into the consolidated financial statements of the eSun Group, the eSun Group has also been adversely affected by COVID-19 and its related containment measures;
- (ii) during the three financial years ended 31 July 2020, 2021 and 2022, (a) MAGHL Group recorded turnover ranging from approximately HK\$222.5 million to HK\$364.8 million per annum, and net assets attributable to its owners of approximately HK\$273.8 million as at 31 July 2022; and (b) eSun Group recorded turnover from continuing operations ranging from approximately HK\$830.2 million to HK\$929.2 million per annum, and net assets attributable to its owners of approximately HK\$965.2 million as at 31 July 2022. On this basis, the scale of eSun Group is notably larger than MAGHL Group. The Proposal represents an opportunity for the Scheme Shareholders to exchange its investment in the comparatively smaller scaled MAGHL Group to the comparatively larger scaled eSun Group under the Proposal;

- (iii) having considered that by integrating eSun and MAGHL's businesses under a single listed company, consolidating operational and administrative functions which are common to both, MAGHL and eSun can operate through a simplified structure, achieve economies of scale as well as to offer a wider range of services to its combined customer base in Hong Kong and the PRC under the common brand of the Enlarged eSun Group with enhanced scale. On this basis, we concur with the Management's expectation that the Proposal shall lead to cost savings through the simplification of the combined group's management structure and improvements in corporate efficiency as well as vertically integrating eSun and MAGHL's businesses. As MAGHL will become an indirect wholly-owned subsidiary of eSun upon successful implementation of the Proposal, cost savings could be achieved through the elimination of certain overlapping corporate functions, as well as the cost associated with compliance and maintenance of both eSun's and MAGHL's listing status;
- (iv) the information, results of comparison of value and our analysis as set out under section headed "1. Cancellation Consideration and comparison of value" in this letter;
- (v) the MAGHL Shares are listed on GEM, while the eSun Shares are listed on the Main Board. Based on our analysis as set out under sub-section headed "1.4 Comparison of liquidity of Main Board listed companies and GEM listed companies" under the section headed "Principal Factors and Reasons Considered" in this letter, Main Board as a whole has greater market liquidity when compared to GEM as a whole. On this basis, assuming all things being equal, it would be more advantageous to hold listed shares of a Main Board listed company than a GEM listed company from a market liquidity perspective;
- (vi) the average daily trading volume of both MAGHL Shares and eSun Shares have been thin in general during the First Review Period and the Second Review Period. However, based on our analysis as set out under sub-section headed "1.5 Trading liquidity of the MAGHL Shares and the eSun Shares" under the section headed "Principal Factors and Reasons Considered" in this letter, the average daily trading volume of MAGHL Shares during the Review Period (i.e. the First Review Period together with the Second Review Period) was notably lower than the daily average trading volume of eSun Shares during the Review Period.

In this connection, the Scheme Shareholders may find it difficult to dispose of a significant number of MAGHL Shares in the open market without causing an adverse impact on the MAGHL Share price and the Proposal provides an opportunity which would allow the Scheme Shareholders, who are attracted by the business and prospects of the Enlarged eSun Group, to exchange his/her/its holding of MAGHL Shares into eSun Share(s), which had comparatively higher historical trading volume, although still thinly traded, during the Review Period;

- (vii) based on the Cancellation Consideration, (a) the implied P/B Ratio of MAGHL under the Share Alternative and the Partial Cash Alternative of approximately 4.35 times and 3.79 times respectively, is higher than the range, above the average and median of the P/B Ratio of the Comparable Companies; and (b) the implied P/S Ratio of MAGHL under the Share Alternative and the Partial Cash Alternative of approximately 4.81 times and 4.18 times respectively, is within the range, above the average and median of the P/S Ratio of the Comparable Companies. On this basis, we are of the view that the Cancellation Consideration under the Share Alternative and the Partial Cash Alternative, from the standpoint of the respective MAGHL's implied P/B Ratios and the implied P/S Ratios under the Market Comparable analysis, is reasonable;
- (viii) our analysis on the relative value in terms of net asset value when exchanging MAGHL Shares into (a) new eSun Shares under the Share Alternative; and (b) a combination of cash payment for each Scheme Share and 1 new eSun Share for every 6 Scheme Shares under the Partial Cash Alternative, both of which represented a notably premium of approximately 325.9% and 259.3%, respectively; and
- (ix) while the Share Alternative represents an opportunity for the Scheme Shareholders to exchange its shareholding in MAGHL Shares into eSun Shares, the Proposal also provides the Scheme Shareholders, who wish to realise part of his/her/its investment in MAGHL Shares, an alternative in the form of the Partial Cash Alternative, pursuant to which for every 6 Scheme Shares held by the Scheme Shareholders, it can be exchanged into 1 new eSun Share and a cash payment of HK\$1.44 in aggregate (i.e. HK\$0.24 for each Scheme Share).

We consider the terms of the Proposal and the Scheme to be fair and reasonable so far as the Disinterested Scheme Shareholders are concerned. Accordingly, we advise the MAGHL Independent Board Committee to recommend, and we recommend, the Disinterested Scheme Shareholders to vote in favour of the relevant resolution(s) to approve the Scheme at the MAGHL Court Meeting and the MAGHL SGM, respectively.

Whether to accept the Share Alternative or the Partial Cash Alternative under the Proposal

Based on the principal factors and reasons considered in this letter, in particular,

- (i) the background and information of the eSun Group and the MAGHL Group as set out under sections headed "1. Business and financial information of MAGHL Group" and "2. Business and financial information of eSun Group" in this letter;
- (ii) the Offeror's intention for MAGHL as set out under section headed "5. Offeror's intention regarding the MAGHL Group" in this letter and in the Letter from the MAGHL Board;

- (iii) the information and results of comparison of value under section headed “1. Cancellation Consideration and comparison of value” in this letter, in particular, we have primarily focused on the comparison of values prior to the Announcement as the fluctuation of the closing prices of MAGHL Shares and eSun Shares during the Second Review Period and as at the Latest Practicable Date, may have been affected by the market reactions in response to the Proposal and the Scheme and that there is no assurance on whether the MAGHL Share price can be maintained at the current level;
- (iv) based on the closing price per MAGHL Share as quoted on the Stock Exchange on the Last Trading Day, save for the closing price of HK\$0.43 per eSun Share as quoted on the Stock Exchange on the Last eSun Trading Day under the Share Alternative, the implied value of each eSun Share under each of the Share Alternative and Partial Cash Alternative, represents a premium over the respective eSun Shares as quoted on the Stock Exchange on the Last eSun Trading Day and the various average closing price as set out under the section headed “1. Cancellation Consideration and comparison of value” in this letter. Nonetheless, the implied value of each eSun Share under each of the Share Alternative and Partial Cash Alternative, represents a discount to the audited net asset value per eSun Share attributable to owners of eSun as at 31 July 2022 as set out under the section headed “1. Cancellation Consideration and comparison of value” in this letter;
- (v) for a majority of the period since February 2021 and up to the Latest Practicable Date, we noted that the market value of the MAGHL Shares held by eSun were notably higher than eSun’s market capitalisation;
- (vi) the analysis on the implied P/B Ratio and implied P/S Ratio of MAGHL under the Share Alternative and the Partial Cash Alternative under the Market Comparable analysis as set out in point (vii) under section headed “OPINION AND RECOMMENDATIONS” in this letter above; and
- (vii) our analysis on the relative value in terms of net asset value when exchanging MAGHL Shares into (a) new eSun Share(s) under the Share Alternative; and (b) a combination of cash payment and new eSun Share under the Partial Cash Alternative, and the respective premium they each represent as set out in point (viii) under section headed “OPINION AND RECOMMENDATIONS” in this letter above,

for Disinterested Scheme Shareholders who are attracted by the business and prospects of the Enlarged eSun Group, they should elect the Share Alternative.

For Disinterested Scheme Shareholders who wish to realise their investment in MAGHL in part or in whole, there is no assurance on whether the MAGHL Share price can maintain at the current level in the event the Scheme lapses. On this basis, such Disinterested Scheme Shareholders may consider selling part or all of their MAGHL Shares in the market rather than electing the Share Alternative or the Partial Cash Alternative if the sales proceeds, net of transaction costs, exceeds the implied value of the Share Alternative or the Partial Cash Alternative. However, these Disinterested Scheme Shareholders should continue to monitor the share price of both MAGHL Shares and eSun Shares. The expected last day for trading in the MAGHL Shares on the Stock Exchange is 20 March 2023 and upon the Scheme becoming effective, the listing of the MAGHL Shares will be withdrawn.

Disinterested Scheme Shareholders are also reminded that if the Scheme Conditions are fulfilled or waived (as applicable), the Proposal is, and the Scheme will be, effective and binding on MAGHL and all MAGHL Shareholders. As such, all Scheme Shareholders (regardless of whether they support the Proposal and the Scheme or otherwise) will be compelled to accept the Cancellation Consideration for their entire shareholding interests. On the other hand, if the Proposal is not approved, the Scheme will lapse and all Scheme Shareholders will retain all their existing shareholding interests in MAGHL, and without the possibility of receiving another offer from the Offeror for a period of 12 months from the date on which the Proposal is withdrawn or lapse, except with the consent of the Executive.

As different Scheme Shareholders would have different investment criteria, objectives or risk appetite and profiles, we recommend any Scheme Shareholders who may require advice in relation to any aspect of the Scheme Document, or as to the action to be taken, to consult a licenced securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited
Lewis Lai
Managing Director

Mr. Lewis Lai is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 15 years of experience in the corporate finance industry.

This Explanatory Statement constitutes the statement required under Section 100 of the Companies Act.

1. INTRODUCTION

Reference is made to the Announcement.

On 10 November, 2022, the eSun Board and the Offeror Board requested the MAGHL Board to put forward the Proposed Merger to the Scheme Shareholders. If the Proposed Merger is approved and implemented, it involves the privatisation of MAGHL through the Scheme and the withdrawal of the listing of the MAGHL Shares on GEM. Subject to the satisfaction or waiver (as applicable) of the Scheme Conditions, MAGHL will become a direct wholly-owned subsidiary of the Offeror upon the Scheme becoming effective and the listing of MAGHL Shares will be withdrawn from GEM.

The purpose of this Explanatory Statement is to set out the terms and effect of the Proposal and to give the MAGHL Shareholders other relevant information in relation to the Proposal.

2. TERMS OF THE PROPOSED MERGER

2.1 The Proposal

Under the Proposal, subject to the satisfaction or waiver (as applicable) of the Scheme Conditions, it is proposed that:

- (a) all Scheme Shares will be cancelled and extinguished on the Scheme Effective Date in exchange for the Cancellation Consideration for each Scheme Share;
- (b) immediately after the cancellation and extinguishment of the Scheme Shares, the issued share capital of MAGHL will be increased to the amount immediately prior to the cancellation and extinguishment of the Scheme Shares by applying the credit arising in the books of account of MAGHL as a result of the capital reduction in paying up in full at par such number of new MAGHL Shares as is equal to the number of Scheme Shares cancelled and extinguished as aforesaid, to be allotted and issued, credited as fully paid, to the Offeror. MAGHL will accordingly become a direct wholly-owned subsidiary of the Offeror on the Scheme Effective Date; and
- (c) the listing of the MAGHL Shares on GEM will be withdrawn as soon as practicable following the Scheme Effective Date.

MAGHL will become an indirect wholly-owned subsidiary of eSun upon the Scheme becoming effective, and the listing of MAGHL Shares on GEM will be withdrawn. Depending on MAGHL Shareholders' election of the form of Cancellation Consideration, eSun may (i) remain as a subsidiary of LSD and LSG; or (ii) cease to be a subsidiary of LSD and LSG, and the assets and liabilities of eSun would cease to be consolidated into the accounts of LSD and LSG. Specifically:

- (a) should all Scheme Shareholders or Scheme Shareholders representing more than 28.83% of the total issued MAGHL Shares elect the Share Alternative (or fail to validly elect the Partial Cash Alternative), the percentage of equity interests of LSD in the enlarged issued share capital of eSun will be diluted to 50.0% or lower upon the allotment and issue of new eSun Shares in satisfaction of the Cancellation Consideration. In such case, eSun will cease to be a subsidiary of LSD and LSG; and
- (b) should all Scheme Shareholders validly elect the Partial Cash Alternative, it is expected that the number of new eSun Shares to be allotted and issued under the Proposal will represent approximately 9.73% of the enlarged issued share capital of eSun, and the equity interests of LSD in eSun will be diluted to approximately 67.36%. In such case, eSun will remain as a subsidiary of LSD and LSG.

2.2 Cancellation Consideration

As at the Latest Practicable Date, 2,986,314,015 MAGHL Shares were in issue, of which:

- (a) 2,021,848,647 MAGHL Shares (representing approximately 67.70% of the total issued MAGHL Shares) were held by the Offeror;
- (b) 1,875,000 MAGHL Shares (representing approximately 0.06% of the total issued MAGHL Shares) were held by Anglo Chinese, which is an Offeror Concert Party;
- (c) 100,000,000 MAGHL Shares (representing approximately 3.35% of the total issued MAGHL Shares) were held by Mr. Cheung, who is an Offeror Concert Party; and
- (d) the remaining 862,590,368 MAGHL Shares (representing approximately 28.88% of the total issued MAGHL Shares) were held by the Disinterested Scheme Shareholders.

All MAGHL Shares other than those held by the Offeror will be subject to the Scheme and regarded as Scheme Shares.

The Proposal will be implemented by way of the Scheme. Pursuant to the Proposal, if the Scheme becomes effective, the Scheme Shares will be cancelled in exchange for either:

(i) the Share Alternative

Scheme Shareholders (other than those validly electing to receive the Partial Cash Alternative for all of their Scheme Shares) will be entitled to receive, for every 6 Scheme Shares, 5 new eSun Shares (which will rank *pari passu* with all other eSun Shares) to be issued, credited as fully paid; or

(ii) the Partial Cash Alternative

Scheme Shareholders validly electing to receive the Partial Cash Alternative for all of their Scheme Shares will be entitled to receive, (i) for every 6 Scheme Shares, 1 new eSun Share (which will rank *pari passu* with all other eSun Shares) to be issued, credited as fully paid; and (ii) a cash payment of HK\$0.24 for each Scheme Share.

By way of illustration, if a Scheme Shareholder held 12,000 Scheme Shares as at the Scheme Record Date, under the Partial Cash Alternative, it will be entitled to a cash payment of HK\$2,880 and 2,000 new eSun Shares.

Scheme Shareholders may elect EITHER the Share Alternative OR the Partial Cash Alternative (but not, for the avoidance of doubt, a combination of the two, except for HKSCC Nominees, who may make different elections in respect of the Scheme Shares held by it on behalf of the relevant Beneficial Owners) as the form of Cancellation Consideration in respect of their entire holdings of Scheme Shares held as at the Scheme Record Date. Scheme Shareholders (other than HKSCC Nominees) who elect both the Share Alternative and the Partial Cash Alternative in respect of their holdings of the Scheme Shares or elect the Partial Cash Alternative in respect of only part of their holdings of the Scheme Shares will, subject to the Scheme becoming effective, receive the Share Alternative in respect of their entire holdings of the Scheme Shares.

Scheme Shareholders who wish to elect the Partial Cash Alternative should specify the same in the Election Form enclosed with this Scheme Document. Assuming the Scheme becomes effective, any Scheme Shareholder who has not, by 4:30 p.m. on Monday, 13 March, 2023 or such later date and time as may be notified through announcement(s), delivered an Election Form to the MAGHL Branch Share Registrar, or who has returned an Election Form which is not duly completed or executed in accordance with the terms of the Scheme, will receive the Share Alternative in respect of his/her/its entire holding of Scheme Shares. If a Scheme Shareholder does not make a valid election for the Partial Cash Alternative, such Scheme Shareholder will receive the Share Alternative as the form of Cancellation Consideration in respect of his/her/its entire holding of the Scheme Shares. Scheme Shareholders who wish to elect the Share Alternative are not required to complete and deliver the Election Form.

The Cancellation Consideration will not be increased, and the Offeror does not reserve the right to do so. Scheme Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Consideration.

If, after the Latest Practicable Date, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of MAGHL Shares, the Offeror reserves the right to reduce the Cancellation Consideration by all or any part of the net amount or value of such dividend, distribution and, or as the case may be, return of capital after consultation with the Executive, in which case any reference in this Scheme Document or any other announcement or document to the Cancellation Consideration will be deemed to be a reference to the Cancellation Consideration as so reduced.

As at the Latest Practicable Date, (i) MAGHL had not announced or declared any dividend, distribution or other return of capital which remains unpaid; and (ii) MAGHL did not intend to announce, declare and/or pay any dividend, distribution or other return of capital before the Scheme Effective Date, or the date on which the Scheme is not approved, or the Proposal otherwise lapses (as the case may be).

No fraction of a cent will be payable and the amount of cash consideration payable to the Scheme Shareholders who have elected the Partial Cash Alternative will be rounded down to the nearest cent. No fraction of new eSun Shares will be allotted and issued to the Scheme Shareholders as Cancellation Consideration and fractional entitlements to new eSun Shares will be rounded down to the nearest whole number. There will not be any rounding up of fractions of a new eSun Share to a whole eSun Share because Scheme Shareholders could deliberately create odd holdings of Scheme Shares resulting in the issue of more eSun Shares than contemplated and thereby increasing the cost of the Scheme to eSun. It is not the intention of eSun that entitlements to the Cancellation Consideration be the subject of such potential abuse.

2.3 Total Consideration

If all Scheme Shareholders elect the Share Alternative (or fail to validly elect the Partial Cash Alternative), a total of 803,721,140 new eSun Shares will be issued, representing approximately (i) 53.87% of the total issued share capital of eSun of 1,491,854,598 eSun Shares as at the Latest Practicable Date; or (ii) approximately 35.01% of the enlarged issued share capital of eSun of 2,295,575,738 eSun Shares.

If all Scheme Shareholders validly elect the Partial Cash Alternative, a total cash consideration of approximately HK\$231.5 million will be paid and a total of 160,744,228 new eSun Shares will be issued, representing approximately (i) 10.77% of the total issued share capital of eSun of 1,491,854,598 eSun Shares as at the Latest Practicable Date; or (ii) approximately 9.73% of the enlarged issued share capital of eSun of 1,652,598,826 eSun Shares.

Accordingly, upon the allotment and issue of new eSun Shares under the Proposal (assuming that there is no other change in the shareholding of eSun immediately prior thereto), the Proposal will result in a shareholding split in eSun Shares between (i) the existing eSun Shareholders, with aggregate shareholding ranging from 65.0% to 90.3%; and (ii) the Scheme Shareholders, with aggregate shareholding ranging from 9.7% to 35.0%. For details of eSun's shareholding structure before and after the implementation of the Proposal, please refer to the sub-section headed "9. Effect of the Proposal on the Shareholding Structures of MAGHL and eSun – 9.2 Shareholding structure of eSun" in this Explanatory Statement.

The actual number of new eSun Shares to be issued under the Share Alternative and the Partial Cash Alternative will be determined after the latest time by which Scheme Shareholders shall elect the Share Alternative or the Partial Cash Alternative.

2.4 Comparison of value

(1) Comparison of the value of the Cancellation Consideration with (i) the trading prices of MAGHL Shares; and (ii) the audited net asset value per MAGHL Share attributable to the owners of MAGHL

The Share Alternative

The value of the Share Alternative is equivalent to the value of five sixths of a new eSun Share, being the Share Exchange Ratio under the Share Alternative.

Based on the closing price of HK\$0.43 per eSun Share as quoted on the Stock Exchange on the Last eSun Trading Day, the value of the Share Alternative was approximately HK\$0.36 per Scheme Share, representing:

- (a) a premium of approximately 7.0% over the closing price of HK\$0.335 per MAGHL Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 13.8% over the average closing price of approximately HK\$0.32 per MAGHL Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (c) a premium of approximately 7.5% over the average closing price of approximately HK\$0.33 per MAGHL Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (d) a discount of approximately 25.9% to the average closing price of approximately HK\$0.48 per MAGHL Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;

- (e) a discount of approximately 41.0% to the average closing price of approximately HK\$0.61 per MAGHL Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day; and
- (f) a premium of approximately 290.8% over the audited net asset value per MAGHL Share attributable to owners of MAGHL of approximately HK\$0.092 per MAGHL Share as at 31 July, 2022, which is calculated based on the audited net asset value attributable to owners of MAGHL of approximately HK\$273.8 million as at 31 July, 2022 and 2,986,314,015 MAGHL Shares in issue as at the Last Trading Day.

Based on the closing price of HK\$0.247 per eSun Share as quoted on the Stock Exchange on the Latest Practicable Date, the value of the Share Alternative was approximately HK\$0.21 per Scheme Share, representing:

- (a) a discount of approximately 31.4% to the closing price of HK\$0.30 per MAGHL Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 38.6% to the closing price of HK\$0.335 per MAGHL Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 34.7% to the average closing price of approximately HK\$0.32 per MAGHL Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (d) a discount of approximately 38.3% to the average closing price of approximately HK\$0.33 per MAGHL Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (e) a discount of approximately 57.4% to the average closing price of approximately HK\$0.48 per MAGHL Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (f) a discount of approximately 66.1% to the average closing price of approximately HK\$0.61 per MAGHL Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day; and

- (g) a premium of approximately 124.5% over the audited net asset value per MAGHL Share attributable to owners of MAGHL of approximately HK\$0.092 per MAGHL Share as at 31 July, 2022, which was calculated based on the audited net asset value attributable to owners of MAGHL of approximately HK\$273.8 million as at 31 July, 2022 and 2,986,314,015 MAGHL Shares in issue as at the Latest Practicable Date.

The Partial Cash Alternative

The value of the Partial Cash Alternative is equivalent to the aggregate value of (i) the cash payment of HK\$0.24; and (ii) one sixth of a new eSun Share.

Based on the closing price of HK\$0.43 per eSun Share as quoted on the Stock Exchange on the Last eSun Trading Day, the value of the Partial Cash Alternative was approximately HK\$0.31 per Scheme Share, representing:

- (a) a discount of approximately 7.0% to the closing price of HK\$0.335 per MAGHL Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 1.1% to the average closing price of approximately HK\$0.32 per MAGHL Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (c) a discount of approximately 6.5% to the average closing price of approximately HK\$0.33 per MAGHL Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (d) a discount of approximately 35.5% to the average closing price of approximately HK\$0.48 per MAGHL Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (e) a discount of approximately 48.7% to the average closing price of approximately HK\$0.61 per MAGHL Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day; and
- (f) a premium of approximately 239.9% over the audited net asset value per MAGHL Share attributable to owners of MAGHL of approximately HK\$0.092 per MAGHL Share as at 31 July, 2022, which was calculated based on the audited net asset value attributable to owners of MAGHL of approximately HK\$273.8 million as at 31 July, 2022 and 2,986,314,015 MAGHL Shares in issue as at the Last Trading Day.

Based on the closing price of HK\$0.247 per eSun Share as quoted on the Stock Exchange on the Latest Practicable Date, the value of the Partial Cash Alternative was approximately HK\$0.28 per Scheme Share, representing:

- (a) a discount of approximately 6.3% to the closing price of HK\$0.30 per MAGHL Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 16.1% to the closing price of HK\$0.335 per MAGHL Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 10.7% to the average closing price of approximately HK\$0.32 per MAGHL Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (d) a discount of approximately 15.7% to the average closing price of approximately HK\$0.33 per MAGHL Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (e) a discount of approximately 41.8% to the average closing price of approximately HK\$0.48 per MAGHL Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (f) a discount of approximately 53.7% to the average closing price of approximately HK\$0.61 per MAGHL Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day; and
- (g) a premium of approximately 206.6% over the audited net asset value per MAGHL Share attributable to owners of MAGHL of approximately HK\$0.092 per MAGHL Share as at 31 July, 2022, which was calculated based on the audited net asset value attributable to owners of MAGHL of approximately HK\$273.8 million as at 31 July, 2022 and 2,986,314,015 MAGHL Shares in issue as at the Latest Practicable Date.

- (2) *Comparison of the implied value of eSun Shares under the Cancellation Consideration with (i) the trading prices of eSun Shares; and (ii) the audited net asset value per eSun Share attributable to owners of eSun*

The Share Alternative

Based on the closing price of HK\$0.335 per MAGHL Share as quoted on the Stock Exchange on the Last Trading Day, the implied value of each eSun Share under the Share Alternative was equivalent to approximately HK\$0.40 (which was calculated by the closing price of HK\$0.335 per MAGHL Share on the Last Trading Day divided by five sixths, being the Share Exchange Ratio under the Share Alternative), representing:

- (a) a discount of approximately 6.5% to the closing price of HK\$0.43 per eSun Share as quoted on the Stock Exchange on the Last eSun Trading Day;
- (b) a premium of approximately 21.5% over the average closing price of approximately HK\$0.33 per eSun Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last eSun Trading Day;
- (c) a premium of approximately 30.6% over the average closing price of approximately HK\$0.31 per eSun Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last eSun Trading Day;
- (d) a premium of approximately 28.0% over the average closing price of approximately HK\$0.31 per eSun Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last eSun Trading Day;
- (e) a premium of approximately 3.2% over the average closing price of approximately HK\$0.39 per eSun Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last eSun Trading Day; and
- (f) a discount of approximately 37.9% to the audited net asset value per eSun Share attributable to owners of eSun of approximately HK\$0.65 per eSun Share as at 31 July, 2022, which was calculated based on the audited net asset value attributable to owners of eSun of approximately HK\$965.2 million as at 31 July, 2022 and 1,491,854,598 eSun Shares in issue as at the Last eSun Trading Day.

Based on the closing price of HK\$0.300 per MAGHL Share as quoted on the Stock Exchange on the Latest Practicable Date, the implied value of each eSun Share under the Share Alternative was equivalent to approximately HK\$0.36 (which was calculated by the closing price of HK\$0.300 per MAGHL Share on the Latest Practicable Date divided by five sixths, being the Share Exchange Ratio under the Share Alternative), representing:

- (a) a premium of approximately 45.7% over the closing price of HK\$0.247 per eSun Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 16.3% to the closing price of HK\$0.43 per eSun Share as quoted on the Stock Exchange on the Last eSun Trading Day;
- (c) a premium of approximately 8.8% over the average closing price of approximately HK\$0.33 per eSun Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last eSun Trading Day;
- (d) a premium of approximately 16.9% over the average closing price of approximately HK\$0.31 per eSun Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last eSun Trading Day;
- (e) a premium of approximately 14.6% over the average closing price of approximately HK\$0.31 per eSun Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last eSun Trading Day;
- (f) a discount of approximately 7.6% to the average closing price of approximately HK\$0.39 per eSun Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last eSun Trading Day; and
- (g) a discount of approximately 44.4% to the audited net asset value per eSun Share attributable to owners of eSun of approximately HK\$0.65 per eSun Share as at 31 July, 2022, which was calculated based on the audited net asset value attributable to owners of eSun of approximately HK\$965.2 million as at 31 July, 2022 and 1,491,854,598 eSun Shares in issue as at the Latest Practicable Date.

The Partial Cash Alternative

Based on the closing price of HK\$0.335 per MAGHL Share as quoted on the Stock Exchange on the Last Trading Day, the implied value of each eSun Share under the Partial Cash Alternative was equivalent to approximately HK\$0.57 (which was calculated by the closing price of HK\$0.335 per MAGHL Share on the Last Trading Day minus the cash payment of HK\$0.24 under the Partial Cash Alternative, and then divided by one sixth, being the Share Exchange Ratio under the Partial Cash Alternative), representing:

- (a) a premium of approximately 32.6% over the closing price of HK\$0.43 per eSun Share as quoted on the Stock Exchange on the Last eSun Trading Day;
- (b) a premium of approximately 72.2% over the average closing price of approximately HK\$0.33 per eSun Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last eSun Trading Day;
- (c) a premium of approximately 85.2% over the average closing price of approximately HK\$0.31 per eSun Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last eSun Trading Day;
- (d) a premium of approximately 81.4% over the average closing price of approximately HK\$0.31 per eSun Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last eSun Trading Day;
- (e) a premium of approximately 46.3% over the average closing price of approximately HK\$0.39 per eSun Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last eSun Trading Day; and
- (f) a discount of approximately 11.9% to the audited net asset value per eSun Share attributable to owners of eSun of approximately HK\$0.65 per eSun Share as at 31 July, 2022, which was calculated based on the audited net asset value attributable to owners of eSun of approximately HK\$965.2 million as at 31 July, 2022 and 1,491,854,598 eSun Shares in issue as at the Last eSun Trading Day.

Based on the closing price of HK\$0.300 per MAGHL Share as quoted on the Stock Exchange on the Latest Practicable Date, the implied value of each eSun Share under the Partial Cash Alternative was equivalent to approximately HK\$0.36 (which was calculated by the closing price of HK\$0.300 per MAGHL Share on the Latest Practicable Date minus the cash payment of HK\$0.24 under the Partial Cash Alternative, and then divided by one sixth, being the Share Exchange Ratio under the Partial Cash Alternative), representing:

- (a) a premium of approximately 45.7% over the closing price of HK\$0.247 per eSun Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 16.3% to the closing price of HK\$0.43 per eSun Share as quoted on the Stock Exchange on the Last eSun Trading Day;
- (c) a premium of approximately 8.8% over the average closing price of approximately HK\$0.33 per eSun Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last eSun Trading Day;
- (d) a premium of approximately 16.9% over the average closing price of approximately HK\$0.31 per eSun Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last eSun Trading Day;
- (e) a premium of approximately 14.6% over the average closing price of approximately HK\$0.31 per eSun Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last eSun Trading Day;
- (f) a discount of approximately 7.6% to the average closing price of approximately HK\$0.39 per eSun Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last eSun Trading Day; and
- (g) a discount of approximately 44.4% to the audited net asset value per eSun Share attributable to owners of eSun of approximately HK\$0.65 per eSun Share as at 31 July, 2022, which was calculated based on the audited net asset value attributable to owners of eSun of approximately HK\$965.2 million as at 31 July, 2022 and 1,491,854,598 eSun Shares in issue as at the Latest Practicable Date.

(3) *Historical share price of MAGHL Shares and eSun Shares*

MAGHL Shares

The historical share price information on MAGHL Shares is set out in “Appendix II – General Information on the MAGHL Group – 5. Market Prices” in this Scheme Document.

During the period between 10 May, 2022 (being the date of commencement of the Relevant Period) and 10 November, 2022 (being the last trading day in MAGHL Shares immediately preceding the Announcement Date), the average closing price of each MAGHL Share quoted on the Stock Exchange was approximately HK\$0.53, and the highest and lowest closing prices for each MAGHL Share were HK\$0.74 and HK\$0.30 respectively. Since the first trading day after the Announcement Date and up to the Latest Practicable Date, the closing price of each MAGHL Share had been in the range of between HK\$0.30 and HK\$0.35.

eSun Shares

The historical share price information on eSun Shares is set out in “Appendix IV – General Information on the eSun Group – 3. Market Prices” in this Scheme Document.

During the period between 10 May, 2022 (being the date of commencement of the Relevant Period) and 31 May, 2022 (being the last trading day in eSun Shares immediately preceding the Announcement Date), the average closing price of each eSun Share quoted on the Stock Exchange was approximately HK\$0.33, and the highest and lowest closing prices for each eSun Share were HK\$0.48 and HK\$0.30 respectively. Since the first trading day after the Announcement Date and up to the Latest Practicable Date, the closing price of each eSun Share had been in the range of between HK\$0.247 and HK\$0.395.

(4) *Basis for determining the Share Alternative and the Partial Cash Alternative, and the Share Exchange Ratios*

Since early 2020, the outbreak of COVID-19 has had an impact on every facet of the global economy, including the media and entertainment industry. With entertainment spending affected severely by the accompanying economic recession and social distancing measures, cinema operation, being the core business of the eSun Group, has been disrupted. To support its normal operations, the consolidated cash and bank balances of the eSun Group (excluding the MAGHL Group) decreased from HK\$1,345.4 million as at 31 July, 2021 to HK\$1,028.3 million as at 31 July, 2022. The eSun Board believed that it is desirable and prudent to reserve sufficient cash for normal operations and future development of the eSun Group during this period, which was taken into account when considering the Share Alternative and the Partial Cash Alternative under the Proposal. In addition, the eSun Board believed that allowing Scheme Shareholders to elect between the Share Alternative and the Partial Cash Alternative as Cancellation Consideration would be beneficial to them, as it provides them with the flexibility to choose between full re-investment in the entertainment business of the Enlarged eSun Group or partial monetisation of their existing investment in the MAGHL Group.

The Share Exchange Ratios of five sixths of a new eSun Share under the Share Alternative, or one sixth of a new eSun Share together with a cash payment of HK\$0.24 under the Partial Cash Alternative, for every Scheme Share cancelled under the Scheme were determined on arm's length terms and on a commercial basis after taking into account, among other things:

- (i) the prevailing and historical market prices of both the eSun Shares and the MAGHL Shares traded on the Main Board and GEM respectively;
- (ii) the net asset value attributable to the eSun Shareholders and to the Scheme Shareholders as at 31 July, 2022; and
- (iii) the respective board lot sizes of eSun Shares and MAGHL Shares, being 2,000 eSun Shares and 12,000 MAGHL Shares, to minimise odd lots created for Scheme Shareholders in the Proposal.

Scheme Shareholders will receive less eSun Shares per Scheme Share based on the Partial Cash Alternative as compared with the Share Alternative, with the difference between the share exchange ratios under the Share Alternative and the Partial Cash Alternative, being two thirds of a eSun Share (as derived from five sixths of a eSun Share under the Share Alternative minus one sixth of a eSun Share under the Partial Cash Alternative). The implied value of two thirds of a eSun Share was approximately HK\$0.287, based on the share price of eSun Shares as at the Last eSun Trading Day of HK\$0.43. Accordingly, having considered that (i) the implied difference in value regarding the Partial Cash Alternative

and the Share Alternative as discussed above; (ii) it is desirable and prudent to reserve sufficient cash for normal operations and the future development of the eSun Group; and (iii) a cash payment would provide Scheme Shareholders with more liquidity and certainty in value, the eSun Board resolved to include a cash payment of HK\$0.24 in addition to one sixth of a new eSun Share per Scheme Share under the Partial Cash Alternative.

As shown above in this sub-section, (i) the values of the Share Alternative and the Partial Cash Alternative depend on, among others, the value attributable to each new eSun Share, which may change after the Latest Practicable Date; and (ii) the values of the Share Alternative and the Partial Cash Alternative may not be the same.

Based on the audited consolidated net asset value per eSun Share attributable to owners of eSun, of approximately HK\$0.65 as at 31 July, 2022, the implied value of five sixths of a new eSun Share (to be issued under the Share Alternative for each Scheme Share to be cancelled under the Scheme) was approximately HK\$0.54, and the implied value of one sixth of a new eSun Share plus a cash payment of HK\$0.24 (to be issued, or paid under the Partial Cash Alternative for each Scheme Share to be cancelled under the Scheme) was approximately HK\$0.35, which respectively represented premiums of approximately 487.9% and 279.3% over the audited consolidated net asset value per MAGHL Share of approximately HK\$0.092 as at 31 July, 2022. Accordingly, despite that the value of the Share Alternative and the Partial Cash Alternative each represented a discount to the average closing prices per MAGHL Share for certain periods as shown above in this sub-section, the value of the Share Alternative and the Partial Cash Alternative each represented a premium over the net asset value of MAGHL per MAGHL Share.

2.5 Rights attaching to the new eSun Shares and the Specific Mandate

The eSun Shares to be issued pursuant to the Scheme as the Cancellation Consideration will, when issued, be credited as fully paid, free from all Encumbrances, and will rank *pari passu* with all other eSun Shares then in issue, including the rights as to dividends, voting and on return of capital.

Under both the Share Alternative and the Partial Cash Alternative, new eSun Shares shall be allotted and issued pursuant to the Specific Mandate to be sought from the eSun Shareholders at the eSun SGM. Application will be made by eSun to the Listing Committee for the approval for the listing of, and permission to deal in, the new eSun Shares to be allotted and issued pursuant to the Scheme on the Main Board.

2.6 Confirmation of financial resources

The total maximum amount of cash payable under the Partial Cash Alternative for the Proposal on the basis described in this Scheme Document is approximately HK\$231.5 million and the Offeror intends to finance the cash required for the Proposal with the internal cash resources of eSun.

Anglo Chinese, as financial adviser to eSun and the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy its obligations in respect of the full implementation of the Proposal in accordance with its terms.

As at the Latest Practicable Date, eSun and the Offeror did not intend that the payment of interest on, repayment of or security for any liability (contingent or otherwise) will depend to any significant extent on the business of the MAGHL Group.

3. CONDITIONS TO THE PROPOSAL AND THE SCHEME

The implementation of the Proposal is, and the Scheme will become effective and binding on MAGHL and all Scheme Shareholders, subject to the satisfaction or waiver (as applicable) of the following Scheme Conditions:

- (a) the approval of the Scheme (by way of a poll) by a majority in number of Scheme Shareholders representing not less than three-fourths in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the MAGHL Court Meeting;
- (b) the approval of the Scheme (by way of poll) by at least 75% of the votes attaching to the Scheme Shares held by the Disinterested Scheme Shareholders that are voted either in person or by proxy at the MAGHL Court Meeting, provided that the number of votes cast (by way of poll) against the resolution to approve the Scheme is not more than 10% of the votes attaching to all the Scheme Shares held by the Disinterested Scheme Shareholders;
- (c) the passing by MAGHL Shareholders of a special resolution at the MAGHL SGM to approve any reduction of the issued share capital of MAGHL by the cancellation of the Scheme Shares, and an ordinary resolution to approve the application of the credit created by the cancellation of the Scheme Shares to restore the issued share capital of MAGHL by the allotment and issue of an equal number of MAGHL Shares (credited as fully paid) to the Offeror;
- (d) the sanction of the Scheme (with or without modification) by the Court and the delivery to the Registrar of Companies of a copy of the order of the Court for registration;
- (e) the necessary compliance with the procedural requirements and conditions, if any, of Section 46(2) of the Companies Act in relation to any reduction of the issued share capital of MAGHL referred to in (c) above;

- (f) the granting by the Stock Exchange of the listing of, and permission to deal in, the eSun Shares which fall to be issued pursuant to the Proposal, on the Main Board;
- (g) the eSun Shareholders passing the resolutions (i) as may be required by the Listing Rules to implement the Proposal; (ii) to approve the grant of the Specific Mandate; and (iii) to approve the proposed Increase in Authorised Share Capital;
- (h) all Authorisations (other than those set out in (d) to (f) above) having been obtained or made from, with or by (as the case may be) the Relevant Authorities in Bermuda, Hong Kong, and, or any other relevant jurisdictions;
- (i) the Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes binding and effective in accordance with its terms;
- (j) if required, the obtaining by the Offeror or eSun of such other necessary consent, approval, permission, waiver or exemption which may be required from any Relevant Authorities or other third parties which are necessary or desirable for the performance of the Scheme under applicable laws and regulations;
- (k) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Scheme or its implementation in accordance with its terms);
- (l) all necessary consents which may be required for the implementation of the Proposal under any existing material contractual obligations of MAGHL being obtained;
- (m) since the Announcement Date, there having been no material adverse change in the business, financial or trading position or prospects of any member of the MAGHL Group to an extent which is material in the context of the MAGHL Group taken as a whole or in the context of the Proposal; and

- (n) since the Announcement Date, there not having been instituted or remaining outstanding any material litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the MAGHL Group is a party (whether as plaintiff or defendant or otherwise) and no such proceedings having been threatened in writing against any such member and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member having been threatened in writing, announced, instituted or remaining outstanding by, against or in respect of any such member in each case which is material and adverse in the context of the MAGHL Group taken as a whole or in the context of the Proposal.

The Scheme Conditions (a) to (h) above are not waivable. The Offeror and eSun reserve the right to waive any of the Scheme Conditions (i) to (n), either in whole or in respect of any particular matter. All of the Scheme Conditions will have to be satisfied or validly waived (as applicable), on or before the Long Stop Date, otherwise the Scheme will not become effective. Subject to the Scheme Conditions being satisfied or validly waived (as applicable), the Scheme will become effective and binding on MAGHL and all Scheme Shareholders.

As at the Latest Practicable Date, the Offeror and eSun were not aware of, and did not foresee, (i) any Authorisations or consents required in respect of the Scheme Conditions (h) to (l); or (ii) any matter that would prevent the Scheme Conditions (m) and (n) from being satisfied. The Offeror is not a party to any agreements or arrangements which relate to circumstances in which it may or may not invoke or seek to invoke any of the above conditions to the Proposal. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may not invoke any condition so as to cause the Scheme not to become binding and effective unless the circumstances which give rise to the right to invoke the condition are of material significance to the Offeror in the context of the Scheme.

4. OBJECTIVES OF THE PROPOSED MERGER

The Proposed Merger is intended to deliver value to both eSun Shareholders and MAGHL Shareholders. For eSun, the listed company which will hold the merged businesses upon Completion, the Proposed Merger will facilitate integration between the eSun Group (excluding the MAGHL Group) and the MAGHL Group (as MAGHL will become an indirect wholly-owned subsidiary of eSun upon the Scheme becoming effective), generating synergies within the media and entertainment businesses of both companies and achieving cost-savings through reduction of administrative and financial burden of MAGHL as a separately listed company. For MAGHL, the Proposal would enable the Scheme Shareholders to exchange their MAGHL Shares for new eSun Shares, providing an opportunity for Scheme Shareholders to continue their participation in the future growth of the merged businesses.

Upon Completion, LSD and LSG will remain as the controlling shareholders (within the meaning of the Listing Rules) of eSun, indirectly holding approximately 48.50% of the eSun Shares, and approximately 51.26% of eSun Shares will be held by the public, assuming that all Scheme Shareholders elect the Share Alternative (or fail to validly elect the Partial Cash Alternative). The resulting larger public float of eSun Shares, both in terms of percentage and the number of shares, should enhance the trading liquidity of eSun Shares.

The Proposed Merger will enable MAGHL Shareholders to participate in the future growth of all of the Enlarged eSun Group's businesses within one entity. Upon the Scheme becoming effective, the privatised MAGHL will become an indirect wholly-owned subsidiary of eSun and continue to operate within the Enlarged eSun Group. Thus, Scheme Shareholders will still be able to participate in the performance of MAGHL indirectly. The Partial Cash Alternative will also provide additional flexibility for Scheme Shareholders to realise a portion of their investment in MAGHL. By providing the Share Alternative and Partial Cash Alternative, the Proposal aims to provide liquidity and flexibility to the Scheme Shareholders.

The Enlarged eSun Group will be in a stronger competitive position and both eSun Shareholders and MAGHL Shareholders are expected to benefit as a result of the following:

4.1 Enhanced size and scale

Both eSun and MAGHL operate in different segments of the entertainment and media industry value chain. Other than its interest in MAGHL, eSun's businesses consist principally of its cinema operations in Hong Kong and Mainland China, i.e. theatrical distribution; and MAGHL derives a substantial portion of its revenue from (i) investment in, and the production of, sale, distribution and licensing of films and television programs; and (ii) investment in, and the production of, entertainment events, the provision of artiste management services, album sales and the distribution, and license of music, i.e. focusing on content production.

By consolidating ownership and control of both businesses into a single group under one management team, the Proposal aims to create synergies and strengthen the competitiveness of the merged businesses within the entertainment and media sectors through more fully integrating the upstream and downstream businesses engaged in by eSun and MAGHL within the media and entertainment industry.

The Proposed Merger aims at creating synergies from a cost and long-term perspectives. From a cost perspective, under the current structure, collaborations or exchanges of resources between the eSun Group (excluding the MAGHL Group) and the MAGHL Group constitute connected or continuing connected transactions for MAGHL, which are carried out on an arm's length basis and on terms no less favourable for MAGHL when compared to arrangements with independent third parties. The Proposed Merger would allow the cinema operation unit of eSun and media and entertainment related operation units of MAGHL to collaborate and exchange resources more efficiently with lower compliance costs and higher tax efficiency. Please refer to the sub-section headed "4.2 Enhanced operational and corporate efficiency with low post merger integration risk" below for further details. From a long-term perspective, the Proposed Merger may increase the market capitalisation of the Enlarged eSun Group by the potential removal of the holding company discount and increase in trading volume, which may enhance the ability of the Enlarged eSun Group to obtain finance and optimise its capital structure. Please refer to sub-section headed "4.3 Possible elimination of holding company discount" below for further details.

4.2 Enhanced operational and corporate efficiency with low post merger integration risk

The Proposal is expected to lead to cost savings through the simplification of the combined group's management structure and improvements in corporate efficiency as well as vertically integrating eSun and MAGHL's businesses. As discussed above, eSun and MAGHL had historically co-operated in film and music projects in the form of continuing connected transactions. In particular, the MAGHL Group has entered into the following agreements in relation to film distribution, theatrical film distribution and its music catalogue with the eSun Group (excluding the MAGHL Group):

— *2022 theatrical film distribution agreement*

Under the 2022 theatrical film distribution agreement dated 28 July 2022, Media Asia Film Distribution (HK) Limited ("**MAFD**", an indirect and wholly-owned subsidiary of MAGHL and is principally engaged in film distribution and licensing of films) granted an exclusive licence to exploit in Hong Kong and Macau, the theatrical rights in the relevant motion pictures of the MAGHL Group (the "**Pictures**") to Intercontinental Film Distributors (H.K.) Limited ("**IFDL**", an indirect and non-wholly-owned subsidiary of eSun and is principally engaged in film distribution). IFDL is responsible for arrangement for exhibition contracts and bookings for screening of the Pictures with the best available cinemas and other places of exhibition, as well as publicity, promotion and advertising using Perfect Advertising & Production Company Limited (an indirect and non-wholly-owned subsidiary of eSun).

— *2022 film distribution agreements*

Under the 2022 film distribution agreement entered into between Media Asia Distribution (HK) Limited ("**MAD(HK)**", an indirect and wholly-owned subsidiary of eSun) and MAGHL on 28 July 2022, MAGHL was appointed to act as its sole agent for distribution services in respect of the relevant films owned or licensed to MAD(HK) (the "**MAD(HK) Films**"). Pursuant to the agreement, MAGHL is responsible for (i) arrangements in connection with the sub-licensing of any prospective MAD(HK) Films licensees; (ii) managing any agreements entered into between the existing licensees, MAD(HK) and its subsidiaries, fellow subsidiaries and/or associates; and (iii) collecting all monies from licensees and sublicensees.

Under the 2022 film distribution agreement entered into between Media Asia Distribution Ltd. ("**MAD**", an indirect and wholly-owned subsidiary of eSun) and MAGHL on 28 July 2022, MAGHL was appointed to act as its sole agent for distribution services in respect of the relevant films owned or licensed to MAD (the "**MAD Films**"). Pursuant to the agreement, MAGHL is responsible for (i) arrangements in connection with the sub-licensing of any prospective MAD Films licensees; (ii) managing any agreements entered into between the existing licensees, MAD and its subsidiaries, fellow subsidiaries and/or associates; and (iii) collecting all monies from licensees and sublicensees.

— *2021 music catalogue distribution agreement*

Under the 2021 music catalogue distribution agreement dated 30 April 2021, Capital Artists Limited, East Asia Music (Holdings) Limited and Fortunate Sound Limited, each of which is an indirect and wholly-owned subsidiary of eSun, has appointed MAGHL as the distributor of, and licensed with the rights to distribute the relevant sound recordings and music audio-visual recordings in the PRC.

Upon Completion, such agreements would no longer be required to be treated as continuing connected transactions of MAGHL for the purposes of the GEM Listing Rules, reducing administrative burdens and related compliance costs.

eSun and MAGHL are currently two separate listed entities. Although MAGHL is an indirect and non-wholly owned subsidiary of eSun, MAGHL has its own accounting, company secretarial, marketing and I.T. units, as well as independent non-executive directors to fulfill the requirement of the GEM Listing Rules. In addition to those costs, MAGHL is also required to engage its own professional parties and vendors for the services of auditing, internal auditing, share registration, financial typesetting and printing, risk management and environmental and social performance related disclosures. Upon the successful implementation of the Proposed Merger, MAGHL will become an indirect wholly-owned subsidiary of eSun and be delisted from GEM. The aforementioned (i) overlapping corporate functions will be merged into the Enlarged eSun Group; and (ii) services in relation to the compliance and maintenance of MAGHL's listing status will not be required as a private company, thus the associated costs and operating expenses are expected to be reduced.

As at the Latest Practicable Date, eSun held approximately 67.70% of the issued share capital of MAGHL through the Offeror, and the improvements in corporate efficiency that may be achieved as a result of the Proposal were expected to entail a lower post-merger integration risk than would be the case where eSun acquires assets in which it had no prior interest.

4.3 Possible elimination of holding company discount

The Proposal also aims to eliminate the holding company discount of eSun under the current tiered shareholding structure and, in this way, unlock value shared by both eSun Shareholders and MAGHL Shareholders. The holding company discount became more pronounced after the completion of MAGHL's loan capitalisation in early 2021 as illustrated in the diagram below. In addition to indirectly holding approximately 67.70% of the issued share capital of MAGHL, eSun also engages in cinema operations and holds other assets and liabilities including the right-of-use assets attributed to the leasing of cinemas.



The management of eSun believes that the Proposal will improve the attractiveness of eSun in the capital markets, both through the elimination of the discount of eSun's interests in MAGHL in connection with the existing tiered shareholding structure by aligning the interest of eSun's and MAGHL's public shareholders as a whole, and through enhancing the structure as an integrated cinema and media and entertainment group to create operational efficiency and cost and commercial synergies, as discussed above.

5. OFFEROR'S INTENTION REGARDING THE MAGHL GROUP

The Offeror intends to continue with the existing business of the MAGHL Group and to align them more closely with the upstream cinema operations of eSun, as detailed in the section headed "4. Objectives of the Proposed Merger" above. The Offeror does not intend to introduce any major changes to the existing operations or business of the MAGHL Group (including any redeployment of fixed assets of the MAGHL Group). It is also the intention of the Offeror that there will not be significant changes in the management and continued employment of the employees of the MAGHL Group as a result of the Proposal. Nevertheless, the Offeror will continue to monitor all business opportunities in relation to the eSun Group as they arise from time to time, with a particular focus on building the business in the PRC.

6. THE SCHEME UNDER SECTION 99 OF THE COMPANIES ACT

According to Section 99 of the Companies Act, where an arrangement is proposed between a company and its members or any class of them, the Court may, on the application of the company or any member of the company, order a meeting of the members of the company or class of members, as the case may be, to be summoned in such manner as the Court directs.

It is provided in Section 99 of the Companies Act that if a majority in number representing three-fourths in value of the members or class of members, as the case may be, present and voting either in person or by proxy at the meeting summoned as directed by the Court agree to any arrangement, the arrangement shall, if sanctioned by the Court, be binding on all members or class of members, as the case may be, and also on the company. Section 99 of the Companies Act further provides that any order of the Court sanctioning such a scheme shall have no effect until a copy of the court order has been delivered to the Registrar of Companies in Bermuda for registration.

7. REQUIREMENTS UNDER RULE 2.10 OF THE TAKEOVERS CODE

In addition to satisfying any requirements imposed by the law of Bermuda as summarised above, but except with the consent of the Executive to dispense with compliance or strict compliance therewith, Rule 2.10 of the Takeovers Code requires that the Scheme may only be implemented if:

- (a) the approval of the Scheme (by way of poll) by at least 75% of the votes attaching to the Scheme Shares held by the Disinterested Scheme Shareholders that are voted either in person or by proxy at the MAGHL Court Meeting; and
- (b) the number of votes cast (by way of poll) against the resolution to approve the Scheme is not more than 10% of the votes attaching to all the Scheme Shares held by the Disinterested Scheme Shareholders.

As at the Latest Practicable Date, the Disinterested Scheme Shareholders held in aggregate 862,590,368 Scheme Shares and 10% of the votes attached to all the Scheme Shares held by the Disinterested Scheme Shareholders referred to in paragraph (b) above was 86,259,036 Scheme Shares.

8. BINDING EFFECT OF THE SCHEME

Upon the Scheme becoming effective, it will be binding on MAGHL and all Scheme Shareholders, regardless of how they voted (or whether they voted) at the MAGHL Court Meeting and the MAGHL SGM.

9. EFFECT OF THE PROPOSAL ON THE SHAREHOLDING STRUCTURES OF MAGHL AND ESUN

9.1 Shareholding structure of MAGHL

On the assumption that there is no other change in the shareholding of MAGHL immediately before the Scheme becoming effective, the table below sets out the shareholding structure of MAGHL as at the Latest Practicable Date and immediately upon the Scheme becoming effective:

MAGHL Shareholders	As at the Latest Practicable Date		Immediately upon the Scheme becoming effective if all Scheme Shareholders elect the Share Alternative (or fail to validly elect the Partial Cash Alternative)			
	<i>Approximate percentage of the issued share capital</i>	<i>Approximate percentage of the issued share capital</i>	the Partial Cash Alternative		the Partial Cash Alternative	
	<i>No. of MAGHL Shares</i>	<i>of MAGHL (%)^(Note 1)</i>	<i>No. of MAGHL Shares^(Note 2)</i>	<i>of MAGHL (%)^(Note 1)</i>	<i>No. of MAGHL Shares^(Note 2)</i>	<i>of MAGHL (%)^(Note 1)</i>
Offeror^(Note 3)	2,021,848,647	67.70	2,986,314,015	100.00	2,986,314,015	100.00
Offeror Concert Parties						
– Anglo Chinese ^(Note 4)	1,875,000 ^(Note 6)	0.06	–	–	–	–
– Mr. Cheung ^(Note 5)	100,000,000 ^(Note 7)	3.35	–	–	–	–
Aggregate number of MAGHL Shares held by the Offeror and the Offeror Concert Parties	2,123,723,647	71.12	2,986,314,015	100.00	2,986,314,015	100.00
Scheme Shareholders						
Disinterested Scheme Shareholders	862,590,368	28.88	–	–	–	–
Anglo Chinese	1,875,000 ^(Note 6)	0.06	–	–	–	–
Mr. Cheung	100,000,000 ^(Note 7)	3.35	–	–	–	–
Aggregate number of Scheme Shares (i.e. MAGHL Shares held by Scheme Shareholders)	964,465,368	32.30	–	–	–	–
Total	2,986,314,015	100.00	2,986,314,015	100.00	2,986,314,015	100.00

Notes:

1. All percentages in the above table are approximations.
2. Under the Scheme, the issued share capital of MAGHL will, on the Scheme Effective Date, be reduced by cancelling the Scheme Shares. Upon the Scheme becoming effective and the aforementioned capital reduction, the issued share capital of MAGHL will be increased to its former amount by the issuance to the Offeror, credited as fully paid, of the aggregate number of MAGHL Shares as is equal to the number of Scheme Shares cancelled. The credit created in MAGHL's books of account as a result of any capital reduction will be applied in paying up in full at par the new MAGHL Shares so issued, credited as fully paid, to the Offeror. The Offeror will accordingly hold 100% of the issued share capital of MAGHL upon the Scheme becoming effective.
3. As at the Latest Practicable Date, the Offeror was directly wholly-owned by eSun, which was indirectly owned as to approximately 74.62% by LSD, which was in turn directly and indirectly owned as to approximately 53.19% by LSG, which was in turn directly and indirectly owned as to approximately 41.93% by Dr. Peter Lam, a director of the Offeror, and the chairman and an executive director of MAGHL, LSD and LSG.
4. Anglo Chinese is the financial adviser to eSun and the Offeror in respect of the Proposed Merger. Accordingly, Anglo Chinese is presumed to be acting in concert with the Offeror under class (5) of the definition of "acting in concert" under the Takeovers Code. The 1,875,000 MAGHL Shares held by Anglo Chinese will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective. Anglo Chinese, as an Offeror Concert Party, has undertaken not to vote its MAGHL Shares at the MAGHL Court Meeting.
5. Mr. Cheung is presumed to be acting in concert with the Offeror under class (5) of the definition of "acting in concert" under the Takeovers Code by virtue of (i) his control (within the meaning of the Takeovers Code) over the voting rights of Christfund Securities; and (ii) the engagement of Christfund Securities by a wholly-owned subsidiary of each of LSD and LSG to provide brokerage services. The 100,000,000 MAGHL Shares held by Mr. Cheung will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective. Mr. Cheung, as an Offeror Concert Party, has undertaken not to vote his MAGHL Shares at the MAGHL Court Meeting.
6. For the avoidance of doubt, these refer to the same 1,875,000 MAGHL Shares held by Anglo Chinese as at the Latest Practicable Date, but are disclosed as both MAGHL Shares held by the Offeror Concert Parties and MAGHL Shares held by the Scheme Shareholders in the shareholding table above as Anglo Chinese is both an Offeror Concert Party and a Scheme Shareholder.
7. For the avoidance of doubt, these refer to the same 100,000,000 MAGHL Shares held by Mr. Cheung as at the Latest Practicable Date, but are disclosed as both MAGHL Shares held by the Offeror Concert Parties and MAGHL Shares held by the Scheme Shareholders in the shareholding table above as Mr. Cheung is both an Offeror Concert Party and a Scheme Shareholder.

As at the Latest Practicable Date:

- (a) MAGHL had no outstanding options, warrants, derivatives, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) other than its issued share capital comprising 2,986,314,015 MAGHL Shares;
- (b) save as disclosed in the shareholding table above and in “Appendix IV – General Information on the eSun Group – 4. Interests in the securities of MAGHL and eSun” in this Scheme Document, none of the Offeror and the Offeror Concert Parties owned or had control or direction over any MAGHL Shares, or any options, warrants, derivatives or convertible securities in respect of MAGHL Shares;
- (c) neither the Offeror nor any Offeror Concert Parties had entered into any outstanding derivatives in respect of the securities in MAGHL; and
- (d) save as disclosed in “Appendix IV – General Information on the eSun Group – 5. Dealings in the securities of MAGHL and eSun” in this Scheme Document, none of the Offeror and the Offeror Concert Parties had dealt for value in any MAGHL Shares, or any options, warrants, derivatives or other convertible securities in respect of MAGHL Shares during the Relevant Period.

9.2 Shareholding structure of eSun

On the assumption that there is no other change in the shareholding of eSun immediately before the Scheme becoming effective, the table below sets out the shareholding structure of eSun as at the Latest Practicable Date and immediately upon the allotment and issue of new eSun Shares under the Proposal:

e Sun Shareholders	As at the Latest Practicable Date		Immediately upon the allotment and issue of new eSun Shares under the Proposal, if all Scheme Shareholders elect the Share Alternative (or fail to validly elect the Partial Cash Alternative)			
			the Partial Cash Alternative		the Partial Cash Alternative	
	Approximate percentage of the issued share capital		Approximate percentage of the issued share capital		Approximate percentage of the issued share capital	
	No. of eSun Shares	of eSun (%) ^(Note 1)	No. of eSun Shares	of eSun (%) ^(Note 1)	No. of eSun Shares	of eSun (%) ^(Note 1)
Existing eSun Shareholders						
LSD	1,113,260,072	74.62	1,113,260,072	48.50	1,113,260,072	67.36
Dr. Peter Lam ^(Note 2)	2,794,443	0.19	2,794,443	0.12	2,794,443	0.17
Mr. Lester Lam ^(Note 3)	2,794,443	0.19	2,794,443	0.12	2,794,443	0.17
Yu Cheuk Yi & Yu Siu Yuk ^(Note 4)	149,864,000	10.05	149,864,000	6.53	149,864,000	9.07
Other existing eSun Shareholders	223,141,640	14.95	223,141,640	9.72	223,141,640	13.50
Sub-total	1,491,854,598	100.00	1,491,854,598	64.99	1,491,854,598	90.27
Scheme Shareholders						
Anglo Chinese ^(Note 5)	–	–	1,562,500	0.07	312,500	0.02
Mr. Cheung ^(Note 6)	–	–	83,333,333	3.63	16,666,667	1.01
Disinterested Scheme Shareholders ^(Note 7)	–	–	718,825,307	31.31	143,765,061	8.70
Sub-total	–	–	803,721,140	35.01	160,744,228	9.73
Total	1,491,854,598	100.00	2,295,575,738	100.00	1,652,598,826	100.00
Public eSun Shareholders^(Note 8)	223,141,640	14.95	1,176,726,780	51.26	533,749,868	32.30

Notes:

- All percentages in the above table are approximations.
- As at the Latest Practicable Date, (i) the Offeror was directly wholly-owned by eSun, which was indirectly owned as to approximately 74.62% by LSD, which was in turn directly and indirectly owned as to approximately 53.19% by LSG, which was in turn directly and indirectly owned as to approximately 41.93% by Dr. Peter Lam, a director of the Offeror and the chairman and an executive director of MAGHL; and (ii) Dr. Peter Lam held 2,794,443 eSun Shares as beneficial owner. Dr. Peter Lam is also the chairman and an executive director of LSD and LSG.

3. As at the Latest Practicable Date, Mr. Lester Lam held 2,794,443 eSun Shares as beneficial owner. Mr. Lester Lam is an executive director of eSun, LSD and LSG.
4. Based on the disclosure of interests' notices received by eSun, as at 30 May, 2022, Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk were both taken to be interested in the same 149,864,000 eSun Shares (approximately 10.0455% of the total issued eSun Shares), which were held jointly by them. Please refer to the announcement of eSun dated 31 May, 2022, in relation to the public float and suspension of trading for details.
5. Anglo Chinese is presumed to be acting in concert with the Offeror in accordance with class (5) of the definition of "acting in concert" under the Takeovers Code but is not a core connected person of eSun.
6. Mr. Cheung is presumed to be acting in concert with the Offeror under class (5) of the definition of "acting in concert" under the Takeovers Code but is not a core connected person of eSun.
7. None of the Disinterested Scheme Shareholders is a core connected person of eSun, therefore the eSun Shares to be held by them upon the Scheme becoming effective will form part of the public float of eSun for the purpose of the Listing Rules.
8. The public eSun Shareholders upon the allotment and issue of the new eSun Shares under the Proposal will comprise (i) the existing eSun Shareholders other than LSD, Dr. Peter Lam and Mr. Lester Lam; and (ii) the Scheme Shareholders.

As at the Latest Practicable Date:

- (a) save for (i) outstanding share options comprising a total of 1,500,000 underlying eSun Shares granted under the share option scheme of eSun adopted on 11 December, 2015; and (ii) the issued share capital of eSun comprising 1,491,854,598 eSun Shares, eSun had no outstanding options, warrants, derivatives, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code);
- (b) save as disclosed in the shareholding table above and in "Appendix IV – General Information on the eSun Group – 4. Interests in the securities of MAGHL and eSun" in this Scheme Document, none of the Offeror and the Offeror Concert Parties owned or had control or direction over any eSun Shares, or any options, warrants, derivatives or convertible securities in respect of eSun Shares;
- (c) neither the Offeror nor any Offeror Concert Parties had entered into any outstanding derivatives in respect of the securities in eSun; and
- (d) save as disclosed in "Appendix IV – General Information on the eSun Group – 5. Dealings in the securities of MAGHL and eSun" in this Scheme Document, none of the Offeror and the Offeror Concert Parties had dealt for value in any eSun Shares, or any options, warrants, derivatives or other convertible securities in respect of eSun Shares in the Relevant Period.

10. INFORMATION ON THE MAGHL GROUP

MAGHL is an exempted company incorporated in the Cayman Islands and continued in Bermuda with limited liability. The issued MAGHL Shares are listed and traded on GEM. The principal activity of MAGHL is investment holding. Its subsidiaries are principally engaged in 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.

Please see “Appendix I – Financial Information of the MAGHL Group” and “Appendix II – General Information on the MAGHL Group” for further information on the MAGHL Group.

11. INFORMATION ON THE OFFEROR AND THE ESUN GROUP**11.1 The Offeror**

The Offeror is a company incorporated in the British Virgin Islands with limited liability and is a direct wholly-owned subsidiary of eSun. The Offeror is principally engaged in investment holding. As at the Latest Practicable Date, the Offeror held approximately 67.70% of the total issued MAGHL Shares.

11.2 The eSun Group

eSun is an exempted company incorporated in Bermuda with limited liability. The issued eSun Shares are listed and traded on the Main Board. 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 production and distribution of, television programs, films and video format products and cinema operation in Hong Kong and Mainland China.

Please see “Appendix III – Financial Information of the eSun Group” and “Appendix IV- General Information on the eSun Group” for further information on the eSun Group.

12. WITHDRAWAL OF LISTING OF MAGHL SHARES ON GEM

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished, and all the share certificates representing the Scheme Shares will cease to have effect as evidence of title as from the Scheme Effective Date. MAGHL will apply to the Stock Exchange for the withdrawal of the listing of MAGHL Shares on GEM pursuant to Rule 9.23(2) of the GEM Listing Rules, with such withdrawal taking place as soon as practicable following the Scheme Effective Date.

Dealings in the MAGHL Shares on the Stock Exchange are expected to cease after 4:10 p.m. on Wednesday, 22 February, 2023, and the listing of the MAGHL Shares on GEM is expected to be withdrawn after the Scheme Effective Date, which is expected to be 4:00 p.m. on Monday, 20 March, 2023.

Scheme Shareholders will be notified of the exact dates of the last day for dealings in the MAGHL Shares and on which the Scheme and the withdrawal of the listing of the MAGHL Shares on GEM will become effective by way of announcement(s). The Scheme will not become effective if it does not become unconditional on or before the Long Stop Date, and the MAGHL Shareholders will be notified by way of announcement(s) accordingly.

If the Scheme does not become effective or the Proposal otherwise lapses, it is intended that the listing of the MAGHL Shares on GEM shall be maintained.

13. IF THE PROPOSAL IS NOT APPROVED OR LAPSES

If the Scheme Conditions are not satisfied or waived (as applicable) on or before the Long Stop Date, the Proposal will not be implemented and the Scheme will lapse, and the listing of the MAGHL Shares on GEM will not be withdrawn and there will be no change to the current trading arrangement in the MAGHL Shares. Further, assuming there are no changes to the shareholding structure of MAGHL from the Latest Practicable Date, the Offeror will continue to hold approximately 67.70% of the issued share capital of MAGHL and at least 25% of MAGHL's issued shares will be held by the public ^(Note) and therefore there will be no impact on MAGHL's public float in the event that the Proposal is not approved or lapses.

Note: The Offeror Concert Parties holding MAGHL Shares as at the Latest Practicable Date (namely, Anglo Chinese and Mr. Cheung) are not core connected persons of MAGHL as defined under the GEM Listing Rules and therefore their shareholdings in MAGHL should be considered as being "in public hands" for the purpose of the GEM Listing Rules. For further details, please refer to the sub-section headed "9. Effect of the Proposal on the Shareholding Structures of MAGHL and eSun – 9.1 Shareholding structure of MAGHL" in this Explanatory Statement.

Pursuant to the Takeovers Code, neither the Offeror nor any of the parties acting in concert with it (nor any person who is subsequently acting in concert with any of them) may announce an offer or possible offer for MAGHL within 12 months from the date on which the Proposal is withdrawn or lapses, except with the consent of the Executive.

14. REGISTRATION, PAYMENT AND DESPATCH OF ESUN SHARE CERTIFICATES

14.1 Closure of the register of members of MAGHL

On the basis that the Scheme Record Date will be on Wednesday, 1 March, 2023, it is proposed that the register of members of MAGHL will be closed from Tuesday, 28 February, 2023 onwards (or such other date as may be notified to the Scheme Shareholders by way of announcement) in order to determine the entitlements of

the Scheme Shareholders to the Cancellation Consideration under the Scheme. **Scheme Shareholders should ensure that their MAGHL Shares are registered or the relevant transfer documentation for their MAGHL Shares are lodged for registration with the MAGHL Branch Share Registrar before the closure of the register of members of MAGHL.**

14.2 Payment of the Cancellation Consideration and despatch of share certificates for eSun Consideration Shares to the Scheme Shareholders

In the event that the Scheme becomes effective, settlement of the Cancellation Consideration will be made to the Scheme Shareholders whose names appear on the register of members of MAGHL as at the Scheme Record Date in accordance with the terms of the Scheme. Share certificates for new eSun Consideration Shares for Scheme Shareholders who elect the Share Alternative or the Partial Cash Alternative, and cheques for cash entitlements to Scheme Shareholders who elect the Partial Cash Alternative, will be despatched as soon as practicable but in any event within seven (7) business days (as defined in the Takeovers Code) following the Scheme Effective Date. On the basis that the Scheme becomes effective on Thursday, 16 March, 2023 (Bermuda time), the share certificates and cheques for settlement of the Cancellation Consideration are expected to be despatched on or before Monday, 27 March, 2023 (Hong Kong time).

In respect of the new eSun Consideration Shares which the Scheme Shareholders are entitled to receive as consideration for cancellation of their Scheme Shares under the Scheme, each Scheme Shareholder will be sent (a) one share certificate representing eSun Shares that are a whole multiple of a board lot of 2,000 eSun Shares; and (b) (if applicable) one share certificate for the remaining eSun Shares which represent less than a whole multiple of 2,000 eSun Shares (i.e. an odd lot of eSun Shares), except for HKSCC Nominees which may request for share certificates to be issued in such denominations as it may specify.

Any share certificates of new eSun Consideration Shares posted to the Scheme Shareholders pursuant to the Scheme which have been returned or undelivered will be cancelled. The branch share registrar and transfer office of eSun in Hong Kong may thereafter issue new share certificates in respect of such eSun Shares to persons who satisfy the Offeror that they are respectively entitled thereto, and transfer to them all accrued entitlements from the date of allotment and issue of the relevant eSun Consideration Shares, subject to the payment of any expenses incurred. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant eSun Consideration Shares.

Share certificates and cheques for the settlement of the Cancellation Consideration will be sent by ordinary post in postage pre-paid envelopes addressed to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name then stands first in the register of members of MAGHL in respect of the joint holding. For Beneficial Owners that hold Scheme Shares through a nominee (other than HKSCC Nominees), share certificates and cheques issued in the name of the nominee will be sent by post in pre-paid envelopes addressed to the nominee. All such cheques will be posted at the risk of the persons entitled thereto and none of the Offeror, eSun, MAGHL, Anglo Chinese, Red Sun Capital and the MAGHL Branch Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal will be responsible for any loss or delay in transmission.

For Beneficial Owners whose Scheme Shares are deposited in CCASS and registered under the name of HKSCC Nominees, share certificate(s) and cheque(s) will be in envelope(s) addressed to and made available for collection by HKSCC Nominees. Upon receipt of the cheque(s), HKSCC Nominees will cause (a) such eSun Consideration Shares to be transferred to the relevant CCASS Participants; and (b) such cash payment to be credited to the designated bank accounts of the relevant CCASS Participants in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

As provided in the Scheme, on or after the day being six calendar months after the date of posting the cheques for the cash element of the Partial Cash Alternative, the Offeror shall have the right to cancel or countermand payment of any cheque which has not been cashed or which has been returned uncashed and shall place all monies represented thereby in a deposit account in the name of the Offeror with a licensed bank in Hong Kong selected by the Offeror. The Offeror shall hold monies represented by uncashed cheques until the expiry of six years from the Scheme Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to the Scheme to persons who satisfy the Offeror that they are respectively entitled thereto and the cheques of which they are payees have not been cashed. Any payments made by the Offeror shall include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme (calculated at the annual rate prevailing from time to time at the licensed bank in which the monies are deposited), subject, if applicable, to the deduction of interest, tax or any withholding tax or any other deduction required by law. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

Settlement of the Cancellation Consideration to which the Scheme Shareholders are entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against any such Scheme Shareholder.

Scheme Shareholders are recommended to consult their professional advisers if they are in doubt as to the above procedures.

15. OVERSEAS SCHEME SHAREHOLDERS

The making and implementation of the Proposal to the Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders are located. Scheme Shareholders and Beneficial Owners who are not resident in Hong Kong should inform themselves about and observe any applicable requirements in their own jurisdictions. eSun, the Offeror and MAGHL do not represent that this Scheme Document may be lawfully distributed in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by eSun, the Offeror and MAGHL which is intended to permit a public offering or the distribution of this Scheme Document in any jurisdiction (other than Hong Kong) where action for that purpose is required. Accordingly, it is prohibited for any person to (i) copy, distribute or publish all or part of this Scheme Document or any advertisement or other offering material in any jurisdiction; (ii) disclose the content of this Scheme Document; or (iii) use information contained herein for any purpose other than assessment of the Proposal, unless the information is already publicly available in another form.

It is the responsibility of any overseas Scheme Shareholders and Beneficial Owners wishing to take any action in relation to the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with the necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction. Any action taken by such Scheme Shareholders and Beneficial Owners in respect of the Proposal and the Scheme will be deemed to constitute a representation and warranty from such persons to eSun, the Offeror and MAGHL and their respective advisers that those laws and regulatory requirements have been complied with.

As at the Latest Practicable Date, no Non-Qualifying Overseas Shareholders had been identified.

Scheme Shareholders and Beneficial Owners residing in jurisdictions other than Hong Kong should consult their professional advisers if they are in any doubt as to the potential applicability of, or consequence under, any provision of law or regulation or judicial or regulatory decisions or interpretations in any jurisdictions, territory or locality therein or thereof and, in particular, whether there will be any restriction or prohibition on the acquisition, retention, disposal or otherwise with respect to the MAGHL Shares or the eSun Shares. It is emphasised that none of eSun, the Offeror, MAGHL, Anglo Chinese, Red Sun Capital and any of their respective directors, officers, employees, agents, affiliates or advisers or any other person involved in the Proposal accepts any responsibility in relation to the above.

As at the Latest Practicable Date, there were 3 MAGHL Shareholders (representing approximately 3.66% of the total number of the MAGHL Shareholders) whose addresses as shown in the register of members of MAGHL were outside Hong Kong and those MAGHL Shareholders together held 88,227,443 MAGHL Shares (representing approximately 2.95% of the issued share capital of MAGHL). Jurisdictions of these MAGHL Shareholders include the British Virgin Islands, Japan and Taiwan.

A summary of requirements applicable to the MAGHL Shareholders in the aforementioned jurisdictions is set out below.

Shareholder(s) residing or located in the British Virgin Islands

In respect of the making of the Proposal by the Offeror and MAGHL in Hong Kong to, and the acceptance of the Proposal by, the Scheme Shareholders who are residents in the British Virgin Islands (the “**BVI Shareholders**”) solely by reason that each of them is an existing shareholder or beneficial owner of shares of MAGHL, there are (a) no legal restrictions in the British Virgin Islands which prohibits the Proposal to be made to the BVI Shareholders, and (b) no securities law or other similar laws in the British Virgin Islands to comply with in order to enable MAGHL to include the BVI Shareholder in the Proposal.

Shareholder(s) residing or located in Japan

In respect of the making of the Proposal by the Offeror and MAGHL in Hong Kong to, and the acceptance of the Proposal by, the Scheme Shareholders who are residents in Japan (the “**Japanese Shareholders**”) solely by reason that each of them is an existing shareholder or beneficial owner of shares of MAGHL, there are (a) no legal restrictions in the Japan which prohibits the Proposal to be made to the Japanese Shareholders, and (b) no securities law or other similar laws in Japan to comply with in order to enable MAGHL to include the Japanese Shareholder in the Proposal.

Shareholder(s) residing or located in Taiwan

The new eSun Shares that are offered as Cancellation Consideration under the Proposal have not been and will not be registered or filed with, or approved by, the Financial Supervisory Commission of the Republic of China (Taiwan) and/or any other regulatory authorities of Taiwan pursuant to relevant securities laws and regulations of Taiwan and may not be sold, issued or offered within Taiwan through a public offering or in circumstances which constitute an offer or a solicitation of an offer within the meaning of the Securities and Exchange Act or any relevant law and/or regulation of Taiwan that requires a registration, filing or approval of the Financial Supervisory Commission of the Republic of China (Taiwan) and/or any other regulatory authorities of Taiwan. No person or entity in Taiwan has been authorised to offer or sell the shares in Taiwan.

16. TAXATION AND INDEPENDENT ADVICE

As the Scheme does not involve the sale and purchase of Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation of the Scheme Shares upon the Scheme becoming effective.

The Scheme Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their own professional advisers if they are in doubt as to the taxation implications of the Proposal and, in particular, whether the receipt of the Cancellation Consideration would make such Scheme Shareholders liable to taxation in Hong Kong or in other jurisdictions.

It is emphasised that none of eSun, the Offeror, MAGHL, Anglo Chinese, Red Sun Capital and any of their respective directors, officers, employees, agents, affiliates or advisers or any other person involved in the Proposal accepts any responsibility in relation to any tax or other effects on, or liabilities of, any person in connection with the Proposal in Hong Kong or any other jurisdictions.

17. COSTS OF THE PROPOSAL

In light of the recommendations of the MAGHL Independent Board Committee and the Independent Financial Adviser as set out in Parts V and VI of this Scheme Document, respectively, Rule 2.3 of the Takeovers Code is not applicable, and the Offeror and MAGHL shall bear their own expenses incurred in connection with the Proposal.

18. MAGHL COURT MEETING AND MAGHL SGM**18.1 MAGHL Court Meeting**

In accordance with the direction of the Court, the MAGHL Court Meeting will be convened for the purposes of considering and, if thought fit, passing the resolution to approve the Scheme (with or without modification(s)).

All Scheme Shareholders whose names appear on the register of members of MAGHL as at the Meeting Record Date will be entitled to attend and vote on the Scheme at the MAGHL Court Meeting either in person or by proxy, but only the votes of the Disinterested Scheme Shareholders will be taken into account in determining if the Scheme Condition in paragraph (b) in the section headed “3. Conditions to the Proposal and the Scheme” in this Explanatory Statement is satisfied. Anglo Chinese and Mr. Cheung, as Offeror Concert Parties, have respectively undertaken not to vote their MAGHL Shares at the MAGHL Court Meeting. As the Offeror is not a Scheme Shareholder, the Offeror will not vote on the Scheme at the MAGHL Court Meeting.

For the purpose of the Scheme Condition in paragraph (a) in the section headed “3. Conditions to the Proposal and the Scheme” in this Explanatory Statement (the “**Scheme Condition (a)**”), the Scheme will become effective subject to, among others, the approval of the Scheme (by way of a poll) by a majority in number of Scheme Shareholders representing not less than three-fourths in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the MAGHL Court Meeting.

In accordance with the Companies Act, the abovementioned “majority in number” requirement in Scheme Condition (a) will be met if the number of Scheme Shareholders voting either in person or by proxy in favour of the Scheme at the MAGHL Court Meeting exceeds the number of Scheme Shareholders voting either in person or by proxy against the Scheme at the MAGHL Court Meeting. In accordance with the direction from the Court, HKSCC Nominees will be counted as one person or member of MAGHL for the purposes of ascertaining whether or not the requirement that a majority in number of the Scheme Shareholders approve the Scheme under Section 99(2) of the Companies Act has been satisfied. For such purpose, HKSCC Nominees may cast votes or be counted in favour of or against the Scheme as indicated by the majority of voting instructions received by it from CCASS Participants or any Investor Participants pursuant to the “Operating Guide For Investor Participants” and “CCASS Operational Procedures” in effect from time to time.

The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast, and/or the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast, will be disclosed to the Court and may be taken into account in deciding whether or not the Court should exercise its discretion to sanction the Scheme.

At the MAGHL Court Meeting, each holder of Scheme Shares (other than HKSCC Nominees), present and voting in person or by proxy, is entitled to vote all of his MAGHL Shares either in favour of or against the Scheme, but not some of his MAGHL Shares in favour of, and any or all of the balance of his MAGHL Shares against, the Scheme (and vice versa). Each Scheme Shareholder (other than HKSCC Nominees) is only entitled to submit one proxy form for the MAGHL Court Meeting. If more than one proxy form for the MAGHL Court Meeting is submitted by a Scheme Shareholder (other than HKSCC Nominees) and the voting instructions require the proxies to vote both in favour of and against the Scheme, the chairman of the Court Meeting shall be at liberty to reject those proxy forms. If more than one proxy form for the MAGHL Court Meeting is submitted by a Scheme Shareholder (other than HKSCC Nominees) and the voting instructions require the proxies to vote either in favour of or against the Scheme but not to vote both in favour of and against the Scheme, the chairman of the MAGHL Court Meeting shall have absolute discretion as to whether or not to accept those proxy forms.

Notice of the MAGHL Court Meeting is set out in Appendix VI to of this Scheme Document. The MAGHL Court Meeting will be held at 9:00 a.m. on Monday, 13 February, 2023 at the time and place specified in the notice.

18.2 MAGHL SGM

The MAGHL SGM will be held immediately after the MAGHL Court Meeting for the purpose of considering and, if thought fit, passing (i) a special resolution to approve the reduction of the issued share capital of MAGHL by cancelling and extinguishing the Scheme Shares; and (ii) an ordinary resolution to approve, among other things, the application of the credit created by the cancellation of the Scheme Shares to restore the issued share capital of MAGHL by the allotment and issue of an equal number of MAGHL Shares (credited as fully paid) to the Offeror.

All MAGHL Shareholders whose names appear on the register of members of MAGHL as at the Meeting Record Date will be entitled to attend and vote at the MAGHL SGM. At the MAGHL SGM, all votes will be taken by poll and each MAGHL Shareholder present and voting, either in person or by proxy, will be entitled to either vote all of his MAGHL Shares in favour of or against each of the resolutions proposed at the MAGHL SGM, or he may vote some of his MAGHL Shares in favour of, and any or all of the balance of his MAGHL Shares against, each of the resolutions proposed at the MAGHL SGM (and vice versa).

Notice of the MAGHL SGM is set out in Appendix VII to this Scheme Document. The MAGHL SGM will be held at the same place and on the same date as at the MAGHL Court Meeting at 9:15 a.m. (or as soon thereafter as the MAGHL Court Meeting shall have concluded or been adjourned).

18.3 Prevention and control measures in light of COVID-19

In light of the epidemic situation of the COVID-19, measures will be implemented at the MAGHL Court Meeting and the MAGHL SGM (including any adjournments thereof) with a view to addressing the risk to attendees of infection, including the following:

- (a) all attendees will be required to wear surgical face masks throughout the MAGHL Court Meeting and the MAGHL SGM; and
- (b) no refreshments or beverages will be provided, and there will be no corporate gifts.

Any person who does not comply with the precautionary measure referred to above or any other additional precautionary measures as may be implemented in accordance with the prevailing requirements or guidelines of the Hong Kong government and/or regulatory authorities, or as considered appropriate in light of the COVID-19 situation, may be denied entry into, or be required to leave, the venue of the MAGHL Court Meeting and the MAGHL SGM. MAGHL Shareholders and/or their representatives who are denied entry to the venue of the MAGHL Court Meeting and/or the MAGHL SGM will be allowed to vote at the entrance of the venue by submitting a voting slip to the scrutineer (to the extent permitted under the requirements and guidelines of the government and/or regulatory authorities implemented for prevention and/or control of the COVID-19 epidemic from time to time).

MAGHL reminds MAGHL Shareholders that they should carefully consider the risks of attending the MAGHL Court Meeting and the MAGHL SGM, taking into account their own personal circumstances. **MAGHL WOULD LIKE TO REMIND MAGHL SHAREHOLDERS THAT PHYSICAL ATTENDANCE IN PERSON AT THE MAGHL COURT MEETING AND THE MAGHL SGM IS NOT NECESSARY FOR THE PURPOSE OF EXERCISING THEIR VOTING RIGHTS AND STRONGLY RECOMMENDS THAT MAGHL SHAREHOLDERS APPOINT THE CHAIRMAN OF THE MAGHL COURT MEETING AND THE MAGHL SGM AS THEIR PROXY AND SUBMIT THEIR FORMS OF PROXY AS EARLY AS POSSIBLE.**

MAGHL will keep the evolving COVID-19 situation and the associated legal restrictions on public gatherings under constant review and may implement additional measures, which will be announced closer to the date of the MAGHL Court Meeting and the MAGHL SGM.

18.4 Results of the MAGHL Court Meeting and the MAGHL SGM

An announcement will be made by MAGHL, eSun and the Offeror in relation to the results of the MAGHL Court Meeting and the MAGHL SGM no later than 7:00 p.m. on Monday, 13 February, 2023. Information on the number of votes cast in favour of and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be included in such announcement.

As at the Latest Practicable Date, neither the Offeror nor any party acting in concert with it had received any irrevocable commitment to vote for or against (i) the Scheme at the MAGHL Court Meeting; or (ii) any of the resolutions to be proposed at the MAGHL SGM.

If the resolution to be proposed at the MAGHL Court Meeting and all the resolutions to be proposed at the MAGHL SGM are passed in fulfilment of the Scheme Conditions set out in paragraphs (a) to (c) in the section headed “3. Conditions to the Proposal and the Scheme” in this Explanatory Statement, the expected latest time for trading in the MAGHL Shares on GEM is 4:10 p.m. on Wednesday, 22 February, 2023 (or such other date and time as MAGHL Shareholders may be notified by way of announcement), and trading in the MAGHL Shares on GEM will cease from then onwards, unless the Scheme is withdrawn or lapses in accordance with its terms and the Takeovers Code subsequently, in which event trading in the MAGHL Shares on GEM will resume after the date on which the Scheme is so withdrawn or lapses and further announcement(s) will be made to notify MAGHL Shareholders and investors of MAGHL of the exact date and time by which trading in the MAGHL Shares on GEM will resume.

If the resolution to be proposed at the MAGHL Court Meeting or if any of the resolutions to be proposed at the MAGHL SGM is not passed in accordance with the Scheme Conditions set out in paragraphs (a) to (c) in the section headed “3. Conditions to the Proposal and the Scheme” in this Explanatory Statement, the Scheme and the Proposal will lapse and trading in the MAGHL Shares on GEM will not cease from 4:10 p.m. on Wednesday, 22 February, 2023 onwards. Further announcement(s) will be made in this event.

19. ACTIONS TO BE TAKEN

19.1 Actions to be taken in respect of the MAGHL Court Meeting and/or the MAGHL SGM

Actions to be taken by MAGHL Shareholders

Scheme Shareholders who are entitled to attend and vote at the MAGHL Court Meeting and MAGHL Shareholders who are entitled to attend and vote at the MAGHL SGM are those whose names appear on the register of members of MAGHL on the Meeting Record Date, being Monday, 13 February, 2023. In order to qualify to attend and vote at the MAGHL Court Meeting and the MAGHL SGM, all transfers of share ownership of MAGHL Shares accompanied by the relevant share certificates must be lodged with the MAGHL Branch Share Registrar at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Tuesday, 7 February, 2023. A subsequent purchaser of MAGHL Shares will need to obtain a proxy form from the transferor if he/she/it wishes to attend and/or vote at the MAGHL Court Meeting and/or the MAGHL SGM.

A **pink** form of proxy for use at the MAGHL Court Meeting and a **white** form of proxy for use at the MAGHL SGM are enclosed with this Scheme Document.

Whether or not you are able to attend the MAGHL Court Meeting and/or the MAGHL SGM or any adjournment thereof, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the MAGHL Court Meeting, and the enclosed **white** form of proxy in respect of the MAGHL SGM, in accordance with the respective instructions printed thereon, and to lodge them at the office of the MAGHL Branch Share Registrar at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong. **In order to be valid, the pink form of proxy for use at the MAGHL Court Meeting should be lodged so as to reach the above address not later than 9:00 a.m. on Saturday, 11 February, 2023. The pink form of proxy may also be handed to the chairman of the MAGHL Court Meeting (who will be a disinterested independent non-executive director of MAGHL) at the MAGHL Court Meeting (who shall have absolute discretion whether or not to accept the proxy form) before the taking of poll. In order to be valid, the white form of proxy for use at the MAGHL SGM should be lodged so as to reach the above address not later than 9:15 a.m. on Saturday, 11 February, 2023.**

Completion and return of the relevant form of proxy for the MAGHL Court Meeting and/or the MAGHL SGM will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof should you so wish, and, in such event, the relevant form of proxy will be revoked by operation of law.

If you do not appoint a proxy and you do not attend and vote at the MAGHL Court Meeting and/or the MAGHL SGM, you will still be bound by the outcome of the MAGHL Court Meeting and/or the MAGHL SGM if, among other things, the resolutions are passed by the requisite majorities of the Scheme Shareholders or the MAGHL Shareholders (as the case may be). You are therefore strongly urged to attend and vote at the MAGHL Court Meeting and the MAGHL SGM either in person or by proxy.

MAGHL, eSun and the Offeror will make an announcement in relation to the results of the MAGHL Court Meeting and the MAGHL SGM no later than 7:00 p.m. on Monday, 13 February, 2023 and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the MAGHL Court Hearing and, if the Scheme is sanctioned, the Scheme Record Date, the Scheme Effective Date and the date of withdrawal of listing of MAGHL Shares from GEM in accordance with the requirements of the Takeovers Code and the GEM Listing Rules.

Actions to be taken by Beneficial Owners whose MAGHL Shares are held by a Registered Owner other than HKSCC Nominees

No person shall be recognised by MAGHL as holding any MAGHL Shares on trust.

A Beneficial Owner whose MAGHL Shares are registered in the name of a Registered Owner should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the MAGHL Shares beneficially owned by the Beneficial Owner should be voted at the MAGHL Court Meeting and/or the MAGHL SGM.

A Beneficial Owner who wishes to attend and vote at the MAGHL Court Meeting and/or the MAGHL SGM personally should:

- (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable the Beneficial Owner to attend and vote at the MAGHL Court Meeting and/or the MAGHL SGM and, for such purpose, the Registered Owner may appoint the Beneficial Owner as his/her/its proxy; or
- (b) arrange for some or all of the MAGHL Shares registered in the name of the Registered Owner to be transferred and registered in the name of the Beneficial Owner prior to the Meeting Record Date.

The appointment of a proxy by the Registered Owner at the relevant MAGHL Court Meeting and/or the MAGHL SGM shall be in accordance with all relevant provisions in the bye-laws of MAGHL. In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and before the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

Completion and return of the relevant form of proxy for the MAGHL Court Meeting and/or the MAGHL SGM will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof should he/she/it so wish, and, in such event, the relevant form of proxy will be revoked by operation of law.

Instructions to and/or arrangements with the Registered Owner should be given or made in advance of the relevant latest time for the lodgement of the forms of proxy in respect of the MAGHL Court Meeting and/or the MAGHL SGM in order to provide the Registered Owner with sufficient time to complete his/her/its forms of proxy accurately and to submit them by the deadline. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of the forms of proxy in respect of the MAGHL Court Meeting and/or the MAGHL SGM, such Beneficial Owner should comply with the requirements of such Registered Owner.

Actions to be taken by Beneficial Owners whose MAGHL Shares are deposited in CCASS

Any Beneficial Owner whose MAGHL Shares are deposited in CCASS and registered under the name of HKSCC Nominees must:

- (a) unless such Beneficial Owner is a person admitted to participate in CCASS as an Investor Participant, contact his/her/its broker, custodian, nominee or other relevant person who is, or has in turn deposited such MAGHL Shares with, the Other CCASS Participant regarding voting instructions to be given to such persons if he/she/it wishes to vote in respect of the Scheme; or
- (b) arrange for some or all of such MAGHL Shares to be withdrawn from CCASS and transferred and registered in the name of the Beneficial Owner prior to the Meeting Record Date, if the Beneficial Owner wishes to vote (either in person or by proxy) at the MAGHL Court Meeting and/or the MAGHL SGM.

The procedure for voting in respect of the Scheme by the Investor Participants and the Other CCASS Participants with respect to MAGHL Shares registered under the name of HKSCC Nominees shall be in accordance with the “Operating Guide For Investor Participants”, “General Rules of CCASS” and “CCASS Operational Procedures” in effect from time to time.

Only Scheme Shareholders whose MAGHL Shares are registered in their own names in the register of members of MAGHL on the Meeting Record Date and present and voting, either in person or by proxy, at the MAGHL Court Meeting will be counted as Scheme Shareholders for the purpose of calculating whether or not a majority in number of Scheme Shareholders have approved the Scheme at the MAGHL Court Meeting under Section 99 of the Companies Act. In accordance with the direction from the Court, HKSCC Nominees will be counted as one person or member of MAGHL for the purposes of ascertaining whether or not the requirement that a majority in number of the Scheme Shareholders approve the Scheme under Section 99(2) of the Companies Act has been satisfied. For such purpose, HKSCC Nominees may cast votes or be counted in favour of or against the Scheme as indicated by the majority of voting instructions received by it from CCASS Participants or any Investor Participants pursuant to the “Operating Guide For Investor Participants” and “CCASS Operational Procedures” in effect from time to time. **A Beneficial Owner who wishes to individually vote or be counted for such purposes should make arrangements to be registered as a Scheme Shareholder in his/her/its own name prior to the Meeting Record Date.**

19.3 Actions to be taken in respect of the election of the form of the Cancellation Consideration

Scheme Shareholders may elect **EITHER** the Share Alternative **OR** the Partial Cash Alternative (but not, for the avoidance of doubt, a combination of the two, except for HKSCC Nominees, who may make different elections in respect of the Scheme Shares held by it on behalf of the relevant Beneficial Owners) as the form of Cancellation Consideration in respect of their entire holdings of Scheme Shares held as at the Scheme Record Date. Scheme Shareholders (other than HKSCC Nominees) who elect both the Share Alternative and the Partial Cash Alternative in respect of their holdings of the Scheme Shares or elect the Partial Cash Alternative in respect of only part of their holdings of the Scheme Shares will, subject to the Scheme becoming effective, receive the Share Alternative in respect of their entire holdings of the Scheme Shares.

Scheme Shareholders (other than the Non-Qualifying Overseas Shareholders) who wish to elect the Partial Cash Alternative shall make such election by properly completing and executing the Election Form which is enclosed with this Scheme Document in accordance with the instructions printed thereon (and, in the case of joint holders, signed by all the joint holders to which it relates, and in the case of a holder or a joint holder which is a body corporate, signed on its behalf by one of its directors or a duly authorised signatory) in respect of their entire holdings of Scheme Shares (save for HKSCC Nominees, who may make different elections in respect of Scheme Shares held by it on behalf of the relevant Beneficial Owners) registered under their names at the Scheme Record Date, and **deliver the duly completed and executed Election Form to the MAGHL Branch Share Registrar, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as practicable but in any event so as to reach the above address by not later than 4:30 p.m. on Monday, 13 March, 2023 or such later date and time as may be notified through announcement(s).**

The Election Form will only be valid if, among others, the relevant Scheme Shareholder duly completing and delivering it in accordance with the instructions therein is a registered MAGHL Shareholder as at the Scheme Record Date.

Scheme Shareholders who wish to elect the Share Alternative are not required to complete and deliver the Election Form.

No acknowledgement of receipt of any Election Form will be given. An Election Form which is completed and delivered shall be irrevocable and incapable of being amended, withdrawn or revoked unless MAGHL expressly consents to such amendment, withdrawal or revocation. MAGHL shall have the right to reject any or all of the Election Forms that it determines to be not duly completed or executed in accordance with the instructions therein, or containing inaccurate, incorrect, invalid or incomplete information or illegible writing, or otherwise not valid in accordance with the terms set out in this Scheme Document. In that case, the relevant Scheme Shareholder will receive the Share Alternative (but not the Partial Cash Alternative) in respect of his/her/its entire holding of Scheme Shares held as at the Scheme Record Date. None of the Offeror, MAGHL or the MAGHL Branch Share Registrar is obliged to return the Election Form to such MAGHL Shareholder or give notice to any MAGHL Shareholder of any such rejection and each of them hereby disclaims any and all liabilities arising from not giving such notification.

In addition, MAGHL shall also have the right to treat any Election Form that has not been duly completed in accordance with the instructions therein, or has otherwise been completed incorrectly, as being valid, provided that MAGHL in its absolute discretion considers the omissions or errors to be immaterial. None of the Offeror, MAGHL or the MAGHL Branch Share Registrar is obliged to give notice to any MAGHL Shareholder of any such defects or irregularities and each of them hereby disclaims any and all liabilities arising from not giving such notification or from MAGHL exercising or not exercising its discretion as aforementioned.

Any Scheme Shareholder who has not returned an Election Form as described above or who has returned an Election Form which is not duly completed or executed in accordance with the terms of the Scheme will receive the Share Alternative in respect of his/her/its entire holding of the Scheme Shares.

Save as provided in relation to HKSCC Nominees, any Scheme Shareholder who holds Scheme Shares as a nominee, trustee or registered owner in any other capacity will not be treated differently from any other Registered Owner. A Beneficial Owner whose MAGHL Shares are registered in the name of a Registered Owner should contact such Registered Owner to give instructions to and, or to make arrangements with such Registered Owner as to the election of the form of the Cancellation Consideration. A Beneficial Owner may consider whether he, she or it wishes to arrange for the registration of the relevant MAGHL Shares in his/her/its name prior to the Scheme Record Date.

For the avoidance of doubt, the Election Form is not for use (as a form of proxy or otherwise) at the MAGHL Court Meeting and the MAGHL SGM, which are for the purpose of considering and, if thought fit, approving, among other things, the Scheme. The Election Form is for holders of Scheme Shares, other than the Non-Qualifying Overseas Shareholders, to elect the Partial Cash Alternative should they wish to do so. This election may be made at any time up to the Election Time (or such later date and time as may be notified through announcement(s)). The election is subject to the Scheme being sanctioned and becoming effective.

If you have sold or transferred all or any of your MAGHL Shares, you should at once hand this Scheme Document and the accompanying forms of proxy and the Election Form to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee. Copies of the Election Form can also be obtained from the MAGHL Branch Share Registrar during usual business hours on any day (other than Saturdays, Sundays or statutory holidays in Hong Kong) until 4:30 p.m. on Monday, 13 March, 2023.

20. EXERCISE YOUR RIGHT TO VOTE

If you are a MAGHL Shareholder or a Beneficial Owner whose MAGHL Shares are held by a Registered Owner (including HKSCC Nominees), you are strongly encouraged to exercise your right to vote (in the case of a MAGHL Shareholder) or to give instructions to the relevant Registered Owner (in the case of a Beneficial Owner) to vote either in person or by proxy at the MAGHL Court Meeting and/or the MAGHL SGM. If you keep any MAGHL Shares in a share lending programme, you are encouraged to recall any outstanding MAGHL Shares on loan to avoid market participants using borrowed stock to vote.

If you are a Beneficial Owner whose MAGHL Shares are deposited in CCASS, you are strongly encouraged to withdraw at least some of your MAGHL Shares from CCASS and become a registered holder of such MAGHL Shares and exercise your right to vote, either in person or by proxy, at the MAGHL Court Meeting and/or the MAGHL SGM. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for lodging transfers of MAGHL Shares into your name so as to qualify to attend and vote at the MAGHL Court Meeting and/or the MAGHL SGM, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw your MAGHL Shares from CCASS and register them in your name.

In respect of any MAGHL Shares of which you are the Beneficial Owner and which will remain in CCASS, you are encouraged to contact your broker, custodian, nominee or other relevant person regarding voting instructions in relation to the manner in which those MAGHL Shares should be voted at the MAGHL Court Meeting and/or the MAGHL SGM without delay.

If you are a Registered Owner holding MAGHL Shares on behalf of Beneficial Owners, you should inform the relevant Beneficial Owners about the importance of exercising their right to vote. You should also remind the relevant Beneficial Owners that if they wish to be counted individually in the calculation of the “majority in number” requirement at the MAGHL Court Meeting, they should make arrangements to become a Registered Owner of some or all of their MAGHL Shares.

If you are in any doubt as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, stockbroker, bank manager, solicitor, professional accountant or other professional adviser and obtain independent professional advice.

21. MAGHL COURT HEARING TO SANCTION THE SCHEME

In accordance with the Companies Act, if the relevant resolutions are approved at the MAGHL Court Meeting and the MAGHL SGM, MAGHL must make an application to the Court to sanction the Scheme.

The MAGHL Court Hearing is expected to take place on Friday, 3 March, 2023 (Bermuda time). In determining whether to exercise its discretion to sanction the Scheme, the Court will determine, among other things, whether the Scheme is fair to the Scheme Shareholders. At the MAGHL Court Hearing, the Court may impose such conditions as it deems appropriate in relation to the Scheme, but may not impose any material changes without the joint consent of the Offeror and MAGHL. MAGHL may consent on behalf of the Scheme Shareholders to any modification of the Scheme which the Court may think fit to approve or impose.

If the Court sanctions the Scheme and if all the other Scheme Conditions are fulfilled or waived (as applicable), MAGHL intends to file the Court order sanctioning the Scheme with the Registrar of Companies on Thursday, 16 March, 2023 (Bermuda time). This will cause the Scheme to become effective.

Scheme Shareholders (including any Beneficial Owners of such MAGHL Shares that give voting instructions to a Registered Owner that subsequently votes at the MAGHL Court Meeting) should note that they will be entitled, but are not required, to appear at the MAGHL Court Hearing expected to take place on Friday, 3 March, 2023 (Bermuda time).

22. RECOMMENDATION

Your attention is drawn to the following:

- (a) the section headed “M. Recommendations” in the “Letter from the MAGHL Board” set out in Part IV of this Scheme Document;
- (b) the “Letter from the MAGHL Independent Board Committee” set out in Part V of this Scheme Document; and

- (c) the “Letter from the Independent Financial Adviser” set out in Part VI of this Scheme Document.

23. FURTHER INFORMATION

Further information is set out in the appendices to, and elsewhere in, this Scheme Document, all of which form part of this Explanatory Statement.

MAGHL Shareholders and Scheme Shareholders should rely only on the information contained in this Scheme Document. None of eSun, the Offeror, MAGHL, Anglo Chinese, Red Sun Capital and the MAGHL Branch Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal have authorised anyone to provide you with information that is different from what is contained in this Scheme Document.

24. PRECAUTIONARY LANGUAGE REGARDING FORWARD-LOOKING STATEMENTS

This document includes certain “forward-looking statements”. These statements are based on the current expectations of the management of eSun, the Offeror and/or MAGHL (as the case may be) and are naturally subject to uncertainty and changes in circumstances. The forward-looking statements contained in this Scheme Document include statements about the expected effects of the Proposal on MAGHL, the expected timing and scope of the Proposal, and all other statements in this Scheme Document other than historical facts.

Forward-looking statements include, without limitation, statements typically containing words such as “intends”, “expects” and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, the satisfaction of the conditions to the Proposal, as well as additional factors, such as general, social, economic and political conditions in the countries in which the eSun Group and/or the MAGHL Group operate(s) or other countries which have an impact on the eSun Group and/or the MAGHL Group’s business activities or investments, interest rates, the monetary and interest rate policies of the countries in which the eSun Group and/or the MAGHL Group operate(s), inflation or deflation, foreign exchange rates, the performance of the financial markets in the countries in which the eSun Group and/or the MAGHL Group operate(s) and globally, changes in domestic and foreign laws, regulations and taxes, changes in competition and the pricing environments in the countries in which the eSun Group and/or the MAGHL Group operate(s) and regional or general changes in asset valuations and disruptions or reductions in travel and operations due to natural or man-made disasters, pandemics, epidemics or outbreak of infections or contagious diseases such as novel coronavirus. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements.

All written and oral forward-looking statements attributable to eSun, the Offeror, MAGHL or persons acting on behalf of any of them are expressly qualified in their entirety by the cautionary statements above. The forward-looking statements included herein are made only as of the Latest Practicable Date. Any forward-looking statement contained in this Scheme Document based on past or current trends and/or activities of the eSun Group and/or the MAGHL Group should not be taken as a representation that such trends or activities will continue in the future. No statement in this Scheme Document is intended to be a profit forecast or to imply that the earnings of the eSun Group and/or the MAGHL Group for the current year or future years will necessarily match or exceed their respective historical or published earnings. Each forward-looking statement speaks only as at the date of the particular statement. Subject to the requirements of the Takeovers Code and other applicable laws and regulations, each of eSun, the Offeror and MAGHL expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in their expectations with regard thereto or any change in events, conditions of circumstances on which any such statement is based.

25. GENERAL

In case of any inconsistency, the English language text of this Scheme Document and the accompanying forms of proxy and the Election Form shall prevail over the Chinese language text.

In case of any inconsistency between this Explanatory Statement and the Scheme set out in Appendix V to this Scheme Document, the Scheme shall prevail.

I. FINANCIAL SUMMARY

The following is a summary of the audited financial results of the MAGHL Group for each of the three financial years ended 31 July, 2020, 2021 and 2022 and the unaudited financial results of the MAGHL Group for the three months ended 31 October, 2022, which is extracted from the audited consolidated financial statements of the MAGHL Group as set forth in the annual reports of the MAGHL Group for the three years ended 31 July, 2020, 2021 and 2022, and the unaudited condensed consolidated financial statement of the MAGHL Group as set forth in the first quarterly report of the MAGHL Group for the three months ended 31 October, 2022.

No qualified or modified opinion was given by the then auditor of the MAGHL Group, Ernst & Young, in respect of the MAGHL Group's audited consolidated financial statements for each of the three years ended 31 July, 2020, 2021 and 2022. The auditor's reports issued by the auditor of the MAGHL Group in respect of the audited consolidated financial statement of the MAGHL Group for each of the three years ended 31 July, 2020, 2021 and 2022 also did not contain any emphasis of matter or material uncertainty related to going concern.

Summary of Consolidated Income Statement of the MAGHL Group

	For the financial year ended 31 July,			For the three months ended
	2020	2021	2022	31 October, 2022
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
	(Audited)	(Audited)	(Audited)	(Unaudited)
Turnover	364,773	354,986	222,466	71,434
Cost of sales	(320,887)	(385,439)	(179,499)	(44,740)
Gross profit/(loss)	43,886	(30,453)	42,967	26,694
Other income	9,542	10,323	6,086	2,092
Marketing expenses	(24,047)	(19,180)	(18,531)	(14,331)
Administrative expenses	(138,419)	(114,627)	(116,094)	(28,844)
Other operating gains	1,833	39,236	12,111	87
Other operating expenses	(62,421)	(50,044)	(30,845)	(12,438)
Loss from operating activities	(169,626)	(164,745)	(104,306)	(26,740)
Finance costs	(17,756)	(6,652)	(2,266)	(1,910)
Share of profits and losses of joint ventures	50	420	(1,390)	(295)
Loss before tax	(187,332)	(170,977)	(107,962)	(28,945)
Income tax credit/(expenses)	61	(504)	(1,522)	(14)
Loss for the year/period	(187,271)	(171,481)	(109,484)	(28,959)

APPENDIX I**FINANCIAL INFORMATION OF
THE MAGHL GROUP**

	For the financial year ended 31 July,			For the
	2020	2021	2022	three months
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	ended
	(Audited)	(Audited)	(Audited)	31 October,
				2022
				<i>HK\$ '000</i>
				(Unaudited)
Attributable to:				
Owners of MAGHL	(178,169)	(171,425)	(107,368)	(27,291)
Non-controlling interests	(9,102)	(56)	(2,116)	(1,668)
	<u>(187,271)</u>	<u>(171,481)</u>	<u>(109,484)</u>	<u>(28,959)</u>
Loss per share attributable to owners of MAGHL				
	(Restated)			
Basic and diluted (HK cents)	<u>(83.41)</u>	<u>(10.35)</u>	<u>(3.60)</u>	<u>(0.91)</u>

Summary of Consolidated Statement of Comprehensive Income of the MAGHL Group

	For the financial year ended 31 July,			For the three months ended
	2020	2021	2022	31 October, 2022
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
	(Audited)	(Audited)	(Audited)	(Unaudited)
Loss for the year/period	(187,271)	(171,481)	(109,484)	(28,959)
Other comprehensive loss that may be reclassified to the income statement in subsequent periods				
Exchange differences on translation of foreign operations	(305)	(10,673)	(1,260)	(472)
Release of foreign currency translation reserve upon dissolution of a subsidiary/deregistration of subsidiaries	–	(183)	(176)	–
Other comprehensive loss for the year/period, net of tax	(305)	(10,856)	(1,436)	(472)
Total comprehensive loss for the year/period	(187,576)	(182,337)	(110,920)	(29,431)
Attributable to:				
Owners of MAGHL	(178,553)	(182,538)	(109,197)	(27,999)
Non-controlling interests	(9,023)	201	(1,723)	(1,432)
	(187,576)	(182,337)	(110,920)	(29,431)
Total dividends declared/paid	–	–	–	–
Total dividends per share	–	–	–	–

Save as disclosed above, there was no item of any income or expense which was material in respect of the financial information of the MAGHL Group for each of the three years ended 31 July, 2020, 2021 and 2022, and the three months ended 31 October, 2022.

II. CONSOLIDATED FINANCIAL STATEMENTS

MAGHL is required to set out or refer to in this Scheme Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in (i) the audited consolidated financial statements of the MAGHL Group for the year ended 31 July, 2022 (the “**MAGHL 2022 Financial Statements**”), (ii) the audited consolidated financial statements of the MAGHL Group for the year ended 31 July, 2021 (the “**MAGHL 2021 Financial Statements**”), (iii) the audited consolidated financial statements of the MAGHL Group for the year ended 31 July, 2020 (the “**MAGHL 2020 Financial Statements**”), and (iv) the unaudited condensed consolidated financial statements of the MAGHL Group for the three months ended 31 October, 2022 (the “**MAGHL 2023 Q1 Financial Statements**”), together with the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The MAGHL 2022 Financial Statements are set out on pages 69 to 156 in the annual report of the MAGHL Group for the year ended 31 July, 2022 (the “**MAGHL 2022 Annual Report**”), which was published on 28 October, 2022. The MAGHL 2022 Annual Report was posted on the respective websites of HKEX (www.hkexnews.hk) and MAGHL (www.mediaasia.com), and please also see below a direct link of the MAGHL 2022 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/gem/2022/1028/2022102800573.pdf>
https://www.mediaasia.com/Upload/announcement/998/Document/E8075_22090047AR-E-MEDIA%20ASIA-0455-HKEx.pdf

The MAGHL 2021 Financial Statements are set out on pages 61 to 152 in the annual report of the MAGHL Group for the year ended 31 July, 2021 (the “**MAGHL 2021 Annual Report**”), which was published on 28 October, 2021. The MAGHL 2021 Annual Report was posted on the respective websites of HKEX (www.hkexnews.hk) and MAGHL (www.mediaasia.com), and please also see below a direct link of the MAGHL 2021 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/gem/2021/1028/2021102800782.pdf>
https://www.mediaasia.com/Upload/announcement/957/Document/E8075_21090059AR-E-MEDIA-ASIA-0127-HKEx.pdf

The MAGHL 2020 Financial Statements are set out on pages 53 to 140 in the annual report of the MAGHL Group for the year ended 31 July, 2020 (the “**MAGHL 2020 Annual Report**”), which was published on 29 October, 2020. The MAGHL 2020 Annual Report was posted on the respective websites of HKEX (www.hkexnews.hk) and MAGHL (www.mediaasia.com), and please also see below a direct link of the MAGHL 2020 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/gem/2020/1029/2020102900450.pdf>
<https://www.mediaasia.com/Upload/announcement/317/Document/E08075-29oct2020.pdf>

The MAGHL 2023 Q1 Financial Statements are set out on pages 2 to 7 in the first quarterly report of the MAGHL Group for the three months ended 31 October, 2022 (the “**MAGHL 2023 First Quarterly Report**”), which was published on 15 December, 2022. The MAGHL 2023 First Quarterly Report was posted on the respective websites of HKEX (www.hkexnews.hk) and MAGHL (www.mediaasia.com), and please also see below a direct link of the MAGHL 2023 First Quarterly Report:

<https://www1.hkexnews.hk/listedco/listconews/gem/2022/1215/2022121500491.pdf>
<https://mediaasia.com/Upload/announcement/1010/Document/E08075-20221215.pdf>

The MAGHL 2022 Financial Statements, the MAGHL 2021 Financial Statements, the MAGHL 2020 Financial Statements and the MAGHL 2023 Q1 Financial Statements (but not any other part of the MAGHL 2022 Annual Report, the MAGHL 2021 Annual Report, the MAGHL 2020 Annual Report and the MAGHL 2023 First Quarterly Report) are incorporated by reference into this Scheme Document and form part of this Scheme Document.

III. INDEBTEDNESS

As at the close of business on 31 October, 2022, being the latest practicable date for ascertaining relating to this indebtedness statement, the carrying amount of the MAGHL Group’s outstanding consolidated total borrowings was approximately HK\$137 million, representing loan from eSun.

As at 31 October, 2022, the MAGHL Group, as lessees, had lease liabilities of approximately HK\$17 million.

Save as aforesaid and apart from intra-group liabilities, the MAGHL Group did not, as at 31 October, 2022, have any material outstanding (i) debt securities, whether issued and outstanding, authorised or otherwise created but unissued, or term loans, whether guaranteed, unguaranteed, secured (whether the security is provided by the MAGHL Group or by third parties) or unsecured; (ii) other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured or unsecured; (iii) mortgage or charges; or (iv) guarantees or other contingent liabilities.

IV. MATERIAL CHANGES

The MAGHL Directors confirm that, there had been no material change in the financial or trading position or outlook of the MAGHL Group since 31 July, 2022 (being the date to which the latest published audited consolidated financial statements of the MAGHL Group were made up), and up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

This Scheme Document includes particulars given in compliance with the Takeovers Code for the purposes of giving information with regard to the Proposal, the Scheme, the eSun Group (including the Offeror) and the MAGHL Group.

The MAGHL Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document relating to the MAGHL Group and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the eSun Board or the Offeror Board) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document the omission of which would make any statement in this Scheme Document misleading.

2. SHARE CAPITAL OF MAGHL

As at the Latest Practicable Date:

- (a) the authorised share capital of MAGHL was HK\$1,000,000,000 divided into 10,000,000,000 MAGHL Shares;
- (b) the issued and paid-up share capital of MAGHL was HK\$298,631,401.50 comprising 2,986,314,015 MAGHL Shares;
- (c) all MAGHL Shares in issue rank *pari passu* in all respects including as to rights to return of capital, dividends and voting;
- (d) there has been no change to the issued share capital of MAGHL since 31 July, 2022 (being the date to which the latest published audited consolidated financial statements of the MAGHL Group were made up); and
- (e) MAGHL did not have any outstanding options, warrants or conversion rights affecting the MAGHL Shares.

3. INTERESTS IN THE SECURITIES OF MAGHL AND ESUN

3.1 Interests of MAGHL Directors in the securities of MAGHL and eSun

As at the Latest Practicable Date, save as disclosed below, none of the MAGHL Directors were interested within the meaning of Part XV of the SFO in any MAGHL Shares, any eSun Shares or any convertible securities, warrants, options or derivatives in respect of MAGHL Shares or eSun Shares:

Interests in the securities of MAGHL

Name of director	Long positions in MAGHL Shares			Approximate percentage of the total issued MAGHL Shares (Note 1)
	Number of MAGHL Shares		Total	
	Corporate interests	Personal interests		
Dr. Peter Lam (Note 2)	2,021,848,647 (Note 3)	—	2,021,848,647	67.70%

Interests in the securities of eSun

Name of director	Long positions in eSun Shares			Approximate percentage of the total issued eSun Shares (Note 4)	
	Number of eSun Shares		Number of underlying eSun Shares		
	Corporate interests	Personal interests			Personal interests
Dr. Peter Lam	1,113,260,072 (Note 5)	2,794,443	—	1,116,054,515	74.81%

Notes:

1. The total number of issued MAGHL Shares as at the Latest Practicable Date (that is, 2,986,314,015 MAGHL Shares) was used for the calculation of the approximate percentage.
2. Dr. Peter Lam is the chairman and an executive director of MAGHL, LSD and LSG, and a director of the Offeror.
3. These MAGHL Shares were owned by the Offeror, a direct wholly-owned subsidiary of eSun. As at the Latest Practicable Date, (i) eSun was indirectly owned as to approximately 74.62% by LSD; (ii) LSD was approximately 53.19% directly and indirectly owned by LSG; and (iii) LSG was approximately 12.70% (excluding share options) owned by Dr. Peter Lam and approximately 29.23% owned by Wisdoman Limited (“**Wisdoman**”), which was in turn 100% beneficially owned by Dr. Peter Lam. Therefore, Dr. Peter Lam was deemed to be interested in these 2,021,848,647 MAGHL Shares owned by the Offeror pursuant to Part XV of the SFO.

4. *The total number of issued eSun Shares as at the Latest Practicable Date (that is, 1,491,854,598 eSun Shares) was used for the calculation of the approximate percentage.*
5. *These eSun Shares were indirectly owned by Transtrend Holdings Limited, an indirect wholly-owned subsidiary of LSD. As at the Latest Practicable Date, (i) LSD was approximately 53.19% directly and indirectly owned by LSG; and (ii) LSG was approximately 12.70% (excluding share options) owned by Dr. Peter Lam and approximately 29.23% owned by Wisdoman, which was in turn 100% beneficially owned by Dr. Peter Lam. Therefore, Dr. Peter Lam was deemed to be interested in these 1,113,260,072 eSun Shares indirectly owned by LSD pursuant to Part XV of the SFO.*

3.2 Other interests in the securities of MAGHL, the Offeror and eSun

As at the Latest Practicable Date, save as disclosed in the sub-section headed “3. Interests in the securities of MAGHL and eSun – 3.1 Interests of MAGHL Directors in the securities of MAGHL and eSun” in this Appendix II and the section headed “9. Effect of the Proposal on the shareholding structures of MAGHL and eSun” in the Explanatory Statement set out in Part VII of this Scheme Document:

- (a) MAGHL did not own any eSun Shares or shares in the Offeror or any convertible securities, warrants, options, or derivatives in respect of eSun Shares or the shares in the Offeror;
- (b) none of MAGHL and the MAGHL Directors owned or had control or direction over any MAGHL Shares, any eSun Shares or shares in the Offeror or any convertible securities, warrants, options or derivatives in respect of the MAGHL Shares or eSun Shares or shares in the Offeror;
- (c) none of the subsidiaries of MAGHL, any pension fund of the MAGHL Group or any person who is presumed to be acting in concert with MAGHL by virtue of class (5) of the definition of “acting in concert” or who is an associate of MAGHL by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding any exempt principal traders and exempt fund managers) owned or controlled any MAGHL Shares or eSun Shares or shares in the Offeror, or any convertible securities, warrants, options or derivatives in respect of the MAGHL Shares or eSun Shares or shares in the Offeror;
- (d) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between MAGHL, or any person who is presumed to be acting in concert with MAGHL by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of MAGHL by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and any other person;

- (e) no fund manager (other than exempt fund managers) connected with MAGHL who managed any MAGHL Shares, any eSun Shares, or any convertible securities, warrants, options or derivatives in respect of MAGHL Shares or eSun Shares, on a discretionary basis; and
- (f) none of MAGHL and any MAGHL Directors had borrowed or lent any MAGHL Shares, any eSun Shares, any shares in the Offeror, or any convertible securities, warrants, options or derivatives in respect of MAGHL Shares or eSun Shares or shares in the Offeror, save for any borrowed shares which had been either on-lent or sold.

4. DEALINGS IN THE MAGHL SHARES

(a) During the Relevant Period:

- (i) none of MAGHL or any MAGHL Director had dealt for value in any MAGHL Shares, eSun Shares or shares in the Offeror or any convertible securities, warrants, options or derivatives in respect of the MAGHL Shares, eSun Shares or shares in the Offeror;

(b) During the Offer Period and up to the Latest Practicable Date:

- (i) no subsidiary of MAGHL, no pension fund of MAGHL or of a subsidiary of MAGHL and no person who is presumed to be acting in concert with MAGHL by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of MAGHL by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding any exempt principal traders and exempt fund managers) had dealt for value in any MAGHL Shares, eSun Shares or shares in the Offeror or any convertible securities, warrants, options or derivatives in respect of any MAGHL Shares, eSun Shares or shares in the Offeror;
- (ii) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with MAGHL, or any person who is presumed to be acting in concert with MAGHL by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of MAGHL by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code had dealt for value in any MAGHL Shares, eSun Shares or shares in the Offeror or any convertible securities, warrants, options or derivatives in respect of any MAGHL Shares, eSun Shares or shares in the Offeror; and

- (iii) no fund manager (other than exempt fund managers) connected with MAGHL who managed any MAGHL Shares, eSun Shares or shares in the Offeror or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis had dealt for value in any MAGHL Shares, eSun Shares or shares in the Offeror or any convertible securities, warrants, options or derivatives in respect of any MAGHL Shares, eSun Shares or shares in the Offeror.

5. MARKET PRICES

The table below sets out the closing prices of the MAGHL Shares on the Stock Exchange on (i) the last trading day of each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

	Closing price per MAGHL Share (HK\$)
31 May, 2022	0.65
30 June, 2022	0.57
29 July, 2022	0.62
31 August, 2022	0.56
30 September, 2022	0.415
31 October, 2022	0.30
10 November, 2022 (being the Last Trading Day)	0.335
30 November, 2022	0.33
30 December, 2022	0.30
Latest Practicable Date	0.30

The lowest and highest closing prices per MAGHL Share as quoted on the Stock Exchange during the Relevant Period were HK\$0.30 on 31 October, 2022 to 4 November, 2022, and 6 December, 2022 to 9 January, 2023 and HK\$0.74 on 20 June, 2022, respectively.

6. ARRANGEMENTS IN CONNECTION WITH THE DIRECTORS

As at the Latest Practicable Date:

- (a) no arrangement was in place for any benefit (other than statutory compensation required under appropriate laws) would be given to any MAGHL Director as compensation for loss of office or otherwise in connection with the Proposal;
- (b) there was no agreement or arrangement between any MAGHL Director and any other person which is conditional on or dependent upon the outcome of the Proposal or otherwise connected with the Proposal; and
- (c) there were no material contracts entered into by the Offeror in which any MAGHL Director has a material personal interest.

7. DIRECTORS' SERVICE CONTRACTS

Mr. Au Hoi Fung's service contract with respect to his appointment as an independent non-executive director of MAGHL was renewed with effect from 9 July, 2022 for a term of two years ending on 8 July, 2024. The remuneration payable pursuant to the service contract is HK\$180,000 per annum. There is no variable remuneration payable under the service contract.

Mr. Poon Kwok Hing, Albert's service contract with respect to his appointment as an independent non-executive director of MAGHL was renewed with effect from 24 April, 2022 for a term of two years ending on 23 April, 2024. The remuneration payable pursuant to the service contract is HK\$180,000 per annum. There is no variable remuneration payable under the service contract.

Save as disclosed above, as at the Latest Practicable Date, none of the MAGHL Directors had entered into any service contract with MAGHL or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) had been entered into or amended within the Relevant Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed-term contracts with more than 12 months to run irrespective of the notice period.

8. LITIGATION

As at the Latest Practicable Date, neither MAGHL nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance, and so far as the MAGHL Directors were aware, no litigation or claim of material importance was pending or threatened by or against MAGHL or any of its subsidiaries.

9. MATERIAL CONTRACT

Save as disclosed below, there was no material contract entered into by MAGHL or any of its subsidiaries after the date which was two years before commencement of the Offer Period up to and including the Latest Practicable Date, other than contracts entered into in the ordinary course of business carried on or intended to be carried on by MAGHL or any of its subsidiaries:

- the share subscription agreement dated 4 June, 2021 entered into between MAGHL and THL G Limited in relation to the subscription by THL G Limited of an aggregate of 83,333,333 new MAGHL Shares at a consideration of HK\$1.20 per MAGHL Share

10. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given advice which is contained in this Scheme Document:

Names	Qualifications
Anglo Chinese	a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Red Sun Capital	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Each of Anglo Chinese and the Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion of its letter or report and the reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Anglo Chinese was interested in 1,875,000 MAGHL Shares. Save as disclosed herein, as at the Latest Practicable Date, none of Anglo Chinese and the Independent Financial Adviser had any shareholding, directly or indirectly, in any member of the MAGHL Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the MAGHL Group.

11. MISCELLANEOUS

- (a) As at the Latest Practicable Date, the MAGHL Board comprised four executive directors, namely Dr. Peter Lam, 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.
- (b) The MAGHL Directors comprising the MAGHL Independent Board Committee are Mr. Au Hoi Fung, Mr. Ng Chi Ho, Dennis and Mr. Poon Kwok Hing, Albert, being all the independent non-executive directors of MAGHL.
- (c) The principal place of business of Red Sun Capital is Room 310, 3/F, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong.

12. DOCUMENTS ON DISPLAY

Copies of the following documents are available for inspection from the date of this Scheme Document until the Scheme Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is the earlier: (1) at MAGHL's principal place of business in Hong Kong, 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong during normal business hours (i.e. from 9:30 a.m. to 12:30 p.m., and from 2:30 p.m. to 5:30 p.m.) on any weekday (except Saturdays, Sundays and public holidays in Hong Kong) (Hong Kong time) unless (i) a tropical cyclone warning signal no. 8 or above is hoisted; or (ii) a black rainstorm warning signal is issued; (2) on the website of MAGHL at www.mediaasia.com; and (3) on the website of the SFC at www.sfc.hk:

- (a) the memorandum and articles of association of the Offeror;
- (b) the memorandum of association and new bye-laws of eSun;
- (c) the memorandum of continuance and new bye-laws of MAGHL;
- (d) the MAGHL 2020 Annual Report, the MAGHL 2021 Annual Report, the MAGHL 2022 Annual Report and the MAGHL 2023 First Quarterly Report;
- (e) the annual reports of eSun for each of the years ended 31 July, 2020, 31 July, 2021 and 31 July, 2022;
- (f) the letter from the MAGHL Board, the text of which is set out on pages 24 to 43 of this Scheme Document;
- (g) the letter from the MAGHL Independent Board Committee, the text of which is set out on pages 44 and 45 of this Scheme Document;
- (h) the letter from the Independent Financial Adviser, the text of which is set out on pages 46 to 98 of this Scheme Document;
- (i) the written consents referred to in the section headed "Experts and Consents" in this Appendix;
- (j) the material contract referred to in the section headed "Material Contract" in this Appendix;
- (k) the service contracts referred to in the section headed "Directors' Service Contracts" in this Appendix;
- (l) this Scheme Document; and
- (m) the undertakings of Anglo Chinese and Mr. Cheung not to vote their MAGHL Shares at the MAGHL Court Meeting.

I. FINANCIAL SUMMARY

The following is a summary of the audited consolidated income statement and consolidated statement of comprehensive income of the eSun Group for each of the years ended 31 July, 2020, 2021 and 2022, which is extracted from the annual reports of the eSun Group for each of the years ended 31 July, 2020, 2021 and 2022.

No qualified or modified opinion was given by the then auditor of the eSun Group, Ernst & Young, in respect of the eSun Group's audited consolidated financial statements for each of the years ended 31 July, 2020, 2021 and 2022. The auditor's reports issued by the auditor of the eSun Group in respect of the audited consolidated financial statements of the eSun Group for each of the years ended 31 July, 2020, 2021 and 2022 also did not contain any emphasis of matter or material uncertainty related to going concern.

Summary of Consolidated Income Statement of the eSun Group

	For the year ended 31 July,		
	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000
Continuing operations			
Turnover	929,156	835,303	830,237
Cost of sales	(627,262)	(651,209)	(481,366)
Gross profit	301,894	184,094	348,871
Other revenue	94,987	133,511	91,649
Selling and marketing expenses	(31,686)	(24,525)	(22,108)
Administrative expenses	(328,689)	(282,837)	(279,014)
Other operating expenses, net	(877,234)	(349,521)	(474,036)
Loss from operating activities from continuing operations	(840,728)	(339,278)	(334,638)
Finance costs	(79,984)	(60,987)	(54,379)
Share of profits and losses of joint ventures	(2,237)	420	(17,852)
Loss before tax from continuing operations	(922,949)	(399,845)	(406,869)
Tax	(79,262)	(8,398)	37,023
Loss for the year from continuing operations	(1,002,211)	(408,243)	(369,846)
Discontinued operations			
Loss for the year from discontinued operations	(8,150,401)	–	–
Loss for the year	<u>(9,152,612)</u>	<u>(408,243)</u>	<u>(369,846)</u>
Attributable to:			
Owners of eSun	(8,585,404)	(351,126)	(328,732)
Non-controlling interests	(567,208)	(57,117)	(41,114)
	<u>(9,152,612)</u>	<u>(408,243)</u>	<u>(369,846)</u>
Loss per share attributable to owners of eSun			
Basic and diluted (HK\$)	<u>(5.755)</u>	<u>(0.235)</u>	<u>(0.220)</u>
Basic and diluted for loss for the year from continuing operations (HK\$)	<u>(0.621)</u>	<u>(0.235)</u>	<u>(0.220)</u>

Summary of Consolidated Statement of Comprehensive Income of the eSun Group

	For the year ended 31 July,		
	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000
Loss for the year	(9,152,612)	(408,243)	(369,846)
Other comprehensive income/(loss), net of tax that may be reclassified to the income statement in subsequent periods			
Exchange realignment on translation of foreign operations	(764,209)	(9,789)	400
Share of other comprehensive income/(loss) of joint ventures	(41)	235	(153)
Share of other comprehensive loss of associates	(13)	–	–
Release of exchange reserve upon dissolution, deregistration and disposal of subsidiaries	1,150,216	(265)	335
Other comprehensive income/(loss) for the year, net of tax	385,953	(9,819)	582
Total comprehensive loss for the year	<u>(8,766,659)</u>	<u>(418,062)</u>	<u>(369,264)</u>
Attributable to:			
Owners of eSun	(7,832,163)	(357,790)	(327,838)
Non-controlling interests	(934,496)	(60,272)	(41,426)
	<u>(8,766,659)</u>	<u>(418,062)</u>	<u>(369,264)</u>
Total dividends declared/paid	<u>–</u>	<u>–</u>	<u>–</u>
Total dividends per share	<u>–</u>	<u>–</u>	<u>–</u>

Save as disclosed above, there was no item of any income or expense which was material in respect of the consolidated income statement and consolidated statement of comprehensive income of the eSun Group for each of the years ended 31 July, 2020, 2021 and 2022.

II. CONSOLIDATED FINANCIAL STATEMENTS

eSun is required to set out or refer to in this Scheme Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in (i) the audited consolidated financial statements and the independent auditor's report of the eSun Group for the year ended 31 July, 2022 (the “**eSun 2022 Financial Statements**”), (ii) the audited consolidated financial statements and the independent auditor's report of the eSun Group for the year ended 31 July, 2021 (the “**eSun 2021 Financial Statements**”), (iii) the audited consolidated financial statements and the independent auditor's report of the eSun Group for the year ended 31 July, 2020 (the “**eSun 2020 Financial Statements**”), together with the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The eSun 2022 Financial Statements are set out on pages 81 to 184 in the annual report of the eSun Group for the year ended 31 July, 2022 (the “**eSun 2022 Annual Report**”), which was published on 16 November, 2022. The eSun 2022 Annual Report was posted on the respective websites of HKEX (www.hkexnews.hk) and eSun (www.esun.com), and please also see below a direct link to the eSun 2022 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1116/2022111600401.pdf>

The eSun 2021 Financial Statements are set out on pages 73 to 184 in the annual report of the eSun Group for the year ended 31 July, 2021 (the “**eSun 2021 Annual Report**”), which was published on 17 November, 2021. The eSun 2021 Annual Report was posted on the respective websites of HKEX (www.hkexnews.hk) and eSun (www.esun.com), and please also see below a direct link to the eSun 2021 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/1117/2021111700445.pdf>

The eSun 2020 Financial Statements are set out on pages 69 to 200 in the annual report of the eSun Group for the year ended 31 July, 2020 (the “**eSun 2020 Annual Report**”), which was published on 18 November, 2020. The eSun 2020 Annual Report was posted on the respective websites of HKEX (<http://www.hkexnews.hk>) and eSun (www.esun.com), and please also see below a direct link to the eSun 2020 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1118/2020111800626.pdf>

The eSun 2022 Financial Statements, the eSun 2021 Financial Statements and the eSun 2020 Financial Statements (but not any other part of the eSun 2022 Annual Report, the eSun 2021 Annual Report and the eSun 2020 Annual Report) are incorporated by reference into this Scheme Document and form part of this Scheme Document.

III. FINANCIAL AND TRADING PROSPECTS OF THE ESUN GROUP

The eSun Group

The COVID-19 pandemic has had a drastic impact on every facet of the global economy, including the entertainment industry. With the epidemic situation gradually stabilising in Hong Kong, social and economic activities have seen some revival but consumer sentiment might be dampened by the worse-than-expected economic outlook in Hong Kong and the deterioration of global economic prospects.

Due to the relaxation of social distancing measures and the release of a number of local and international blockbuster movies, the cinema operation of the eSun Group recovered gradually from the worst of the COVID-19 pandemic. During the year ended 31 July, 2022, the eSun Group's cinemas in Hong Kong were allowed to operate at 85% capacity for all screens before the hit of the fifth-wave of COVID-19 in January, 2022 resulting in the cinemas being requested to close from 7 January, 2022 to 20 April, 2022 as part of the government's ramped up measures to contain the spread of COVID-19. When the cinemas reopened on 21 April, 2022 under the first phase of recent relaxation of social distancing measures in Hong Kong, the maximum number of customers allowed in cinemas was limited to 50% of their normal capacity, which has been relaxed to 85% since 19 May, 2022. Cinemas in Mainland China have capped their attendance at 75% of capacity in low-risk areas and operations got suspended when their neighborhoods or districts were categorised as medium or high-risk areas. The box office in Mainland China has also shown a recovery since 2021 driven by the success of patriotic blockbusters. The performance of cinema operations in Hong Kong and Mainland China are still suffering from the social distancing measures as well as the challenging operating environment amid the economic uncertainty, the eSun Group remains cautiously optimistic about the fundamental demand for entertainment in the long run and continues to evaluate opportunities to maintain and enhance its market positioning as a leading multiplex cinema operator in Hong Kong.

In February, 2022, the eSun Group extended the tenancy agreement of the Festival Grand Cinema in Festival Walk for 3 years commencing on 1 February, 2024. Festival Walk is one of the most popular shopping and leisure destinations in Hong Kong with direct connection to the Kowloon Tong MTR Station and the eSun Group has been operating the cinema since June, 2016. Given its strategic location, the eSun Group considers that the continued use of the premise after the expiry of the existing tenancy will be beneficial to the cinema operation of the eSun Group and will further enhance its market position as a leading multiplex cinema operator in Hong Kong. MCL Cinemas Plus+ Plaza Hollywood, the new cinema at Plaza Hollywood in Diamond Hill, Kowloon through a joint venture company with Emperor Cinemas Group opened in July, 2022. Another new cinema of the eSun Group in Kai Tak, Kowloon, is expected to commence business in the second quarter of 2023. The eSun Group also secured the cinema site at The ONE in Tsim Sha Tsui, Kowloon and the operation is expected to commence in the third quarter of 2023. In view of the challenging market condition and economic uncertainty in Mainland China, the Guangzhou Mayflower Cinema City was closed in October, 2022. The eSun Group is closely monitoring the market conditions and will continue to improve its overall operating efficiency and take a prudent approach in evaluating opportunities for further expansion of its footprint.

The COVID-19 pandemic has changed the consumption behavior of the general public. To rise to this challenge, the eSun Group will continue to produce high quality and commercially viable products, and has also been directing its resources towards development of online content for streaming platforms and e-commerce to capture the related market opportunities.

The eSun Group continues to invest in original productions of quality films with Chinese themes. The current production pipeline includes “Twilight of the Warriors: Walled In”, an action film directed by Cheng Poi-Shui, featuring Louis Koo, Sammo Hung, Richie Jen and Raymond Lam and “Tales from The Occult: Body and Soul” and “Tales From The Occult: Ultimate Malevolence”, both are psychological thrillers each made up of three short stories produced by John Chong and Mathew Tang, and directed by Frank Hui, Daniel Chan and Doris Wong (Tales from The Occult: Body and Soul), and Li Chi Ngai, Peter Lee and Pater Wong (Tales from The Occult: Ultimate Malevolence).

“Dead Ringer”, a 24-episode modern-day TV drama series featuring Bosco Wong and Chrissie Chau, is in post-production stage. Projects under development include “Heir to the Throne”, a 30-episode modern-drama series tailor-made for Alibaba’s Youku Platforms. The eSun Group is in discussion with various Chinese portals and video websites for new project development in TV drama production.

The distribution licence of music products with Tencent Music Entertainment (Shenzhen) Co., Ltd and Warner Music continue to provide stable income to the eSun Group. The eSun Group will keep looking for new talent in Greater China and further cooperation with Asian artistes with an aim to build up a strong artiste roster for the eSun Group.

The recent “Re: Grasshopper In Concert 2022”, “Super Junior World Tour – Super Show 9: Road in Hong Kong” and “Here & Now Ekin In Concert 2022” have earned good reputation and public praises. The eSun Group will continue to work with prominent local and Asian artistes for concert promotion and events scheduled for next year include concerts of Joyce Cheng, Jay Fung, Yoga Lin and Tsai Chin.

It is believed that the eSun Group’s integrated media platform comprising movies, TV programs, music, new media, artiste management and live entertainment put it in a strong position to capture the opportunities of the entertainment market by a balanced and synergistic approach. The eSun Group is monitoring market conditions closely and will take a prudent approach to explore cooperation and investment opportunities to enrich its portfolio and broaden its income stream.

The clawback offer (“**Clawback Offer**”) and the placing (“**Placing**”) in relation to the loan capitalisation proposal jointly announced by eSun together with MAGHL, LSD and LSG on 6 November, 2020 were completed on 18 January, 2021. The net proceeds received by eSun from the Clawback Offer and the Placing are approximately HK\$126.3 million after deducting the direct transaction costs incurred in the Clawback Offer and the Placing, and the eSun Group placed the net proceeds together with the net proceeds of HK\$1,515.9 million from the disposal of all shares of Lai Fung Holdings Limited owned by eSun as disclosed in the circular of eSun dated 24 April, 2020. Up to 31 July 2022, approximately HK\$1,075.8 million have been used, including approximately HK\$499.4 million used for the development and enhancement of cinema operation; HK\$250.0 million used for repayment of shareholder’s loans; approximately HK\$217.0 million used for film and TV production, distribution and media and entertainment businesses; and the remaining HK\$109.4 million for general corporate uses.

Financial impact of the Proposal

If the Scheme becomes effective, the eSun Group’s shareholding in MAGHL will increase from approximately 67.70% as at the Latest Practicable Date to 100%. MAGHL will become an indirect wholly-owned subsidiary of the eSun Group. The profit and loss and the assets and liabilities of the MAGHL Group will continue to be consolidated into the consolidated financial statements of the eSun Group. The increase in shareholdings in MAGHL will be treated as an equity transaction, resulting in an adjustment between the reserves and the non-controlling interest, and no gain or loss will be recognised in the consolidated income statement of the eSun Group.

- (i) assuming that all the Scheme Shareholders elect the Share Alternative (or fail to validly elect the Partial Cash Alternative), had the Scheme become effective, the total assets, total liabilities, and the net asset value of the Enlarged eSun Group would remain unchanged, and the net asset value attributable to the shareholders of the Enlarged eSun Group would increase; and
- (ii) assuming that all the Scheme Shareholders elect the Partial Cash Alternative, had the Scheme become effective, the total liabilities of the Enlarged eSun Group would remain unchanged, and the total assets, net asset value, and net asset value attributable to the shareholders of the Enlarged eSun Group would decrease.

Management Discussion and Analysis of the eSun Group

Set out below is the management discussion and analysis of the eSun Group for each of the financial years ended 31 July, 2020, 2021 and 2022 (the “**Relevant Periods**”).

Turnover

The following table shows the breakdown of the eSun Group's turnover from continuing operations during the Relevant Periods:

	Financial year ended 31 July,		
	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Entertainment event income	68,922	72,429	36,963
Distribution commission income, licence income from and sales of film and TV program products and film rights	368,548	297,562	181,394
Album sales, licence income and distribution commission income from music publishing and licensing	89,197	79,171	80,713
Box-office takings, concessionary income and related income from cinemas	229,274	213,003	385,023
Artiste management fee income	11,965	11,929	11,052
Advertising income	1,667	1,330	4,400
Sale of game products	156,520	157,597	128,043
Sale of merchandising products	3,063	2,282	2,649
	<u>929,156</u>	<u>835,303</u>	<u>830,237</u>

The eSun Group's turnover decreased by approximately HK\$5.1 million from approximately HK\$835.3 million for the year ended 31 July, 2021 to approximately HK\$830.2 million for the year ended 31 July, 2022, representing a slight decrease of approximately 0.6%. The slight decrease was mainly attributable to decrease in turnover generated from (i) entertainment event income; (ii) distribution commission income, licence income from and sales of film and TV program products and film rights; and (iii) sale of game products, which was partially offset by the increase in turnover generated from box-office takings, concessionary income and related income from cinemas.

The eSun Group's turnover decreased by approximately HK\$93.9 million from approximately HK\$929.2 million for the year ended 31 July, 2020 to approximately HK\$835.3 million for the year ended 31 July, 2021, representing a decrease of approximately 10.1%. The decrease was mainly attributable to decrease in turnover generated from (i) distribution commission income, licence income from and sales of film and TV program products and film rights; (ii) album sales, licence income and distribution commission income from music publishing and licensing; and (iii) box-office takings, concessionary income and related income from cinemas.

Net Loss Attributable to Owners of eSun

The eSun Group's net loss attributable to owners of eSun decreased slightly by approximately HK\$22.4 million from a net loss of approximately HK\$351.1 million for the year ended 31 July, 2021 to a net loss of approximately HK\$328.7 million for the year ended 31 July, 2022, representing a slight decrease of approximately 6.4%. The slight decrease was mainly attributable to a mix of (i) improved gross profit of film and TV program and cinema businesses of the eSun Group; (ii) a reduction in government grants and rent concessions related to COVID-19; (iii) the non-recurrence of a gain on disposal of asset classified as held for sale; (iv) increase in fair value losses on financial assets at fair value through profit or loss; and (v) reversal in tax provision made in prior years during the year ended 31 July, 2022.

The eSun Group's net loss attributable to owners of eSun decreased significantly by approximately HK\$575.3 million from a net loss of approximately HK\$926.4 million (excluding losses attributable to the disposal of Lai Fung Holdings Limited and its subsidiaries) for the year ended 31 July, 2020 to a net loss of approximately HK\$351.1 million for the year ended 31 July, 2021, representing a significant decrease of approximately 62.1%. The significant decrease was mainly attributable to (i) the reduction in the impairment of right-of-use assets and property, plant and equipment; and (ii) the absence of impairment of goodwill during the year ended 31 July, 2021 as compared to the year ended 31 July, 2020.

Segment Overview

Cinema Operation

The eSun Group's turnover generated from cinema operation increased by approximately HK\$172.0 million from approximately HK\$213.0 million for the year ended 31 July, 2021 to approximately HK\$385.0 million for the year ended 31 July, 2022, representing a significant increase of approximately 80.8%. The segment results of a loss reduced by approximately HK\$22.4 million from a loss of approximately HK\$151.0 million for the year ended 31 July, 2021 to a loss of approximately HK\$128.6 million for the year ended 31 July, 2022. The improvement in cinema operation is mainly attributable to the significant growth in the box office of the eSun Group's cinemas in Hong Kong, especially during the holiday season prior to the surge of fifth-wave COVID-19 cases in January, 2022 and after their reopening from 21 April, 2022 under the recent relaxation of social distancing measures in Hong Kong.

The eSun Group's turnover generated from cinema operation decreased by approximately HK\$16.3 million from approximately HK\$229.3 million for the year ended 31 July, 2020 to approximately HK\$213.0 million for the year ended 31 July, 2021, representing a decrease of approximately 7.1%. Despite the decrease in turnover, the segment results of a loss reduced significantly by approximately HK\$384.0 million from a loss of approximately HK\$535.0 million for the year ended 31 July, 2020 to a loss of approximately HK\$151.0 million for the year ended 31 July, 2021. The significant reduction in loss was mainly attributable to the decrease in the impairment of the right-of-use assets and property, plant and equipment during the year ended 31 July, 2021.

Media and Entertainment Segment

The eSun Group's turnover generated from media and entertainment segment decreased by approximately HK\$64.3 million from approximately HK\$321.1 million for the year ended 31 July, 2021 to approximately HK\$256.8 million for the year ended 31 July, 2022, representing a decrease of approximately 20.0%. The segment results of a loss reduced by approximately HK\$9.7 million from a loss of approximately HK\$17.4 million for the year ended 31 July, 2021 to a loss of approximately HK\$7.7 million for the year ended 31 July, 2022.

The eSun Group's turnover generated from media and entertainment segment decreased by approximately HK\$5.5 million from approximately HK\$326.6 million for the year ended 31 July, 2020 to approximately HK\$321.1 million for the year ended 31 July, 2021, representing a slight decrease of approximately 1.7%. The segment results of a loss increased by approximately HK\$11.6 million from a loss of approximately HK\$5.8 million for the year ended 31 July, 2020 to a loss of approximately HK\$17.4 million for the year ended 31 July, 2021.

Events Management

During the year ended 31 July, 2022, the eSun Group organised and invested in 18 shows by popular local, Asian and internationally renowned artists, representing an increase of 4 shows as compared to the shows organised and invested by the eSun Group for the year ended 31 July, 2021. Despite the slight improvement, the number of shows organised and invested by the eSun Group were still relatively low as compared to the 39 shows organised and invested by the eSun Group during the year ended 31 July, 2020.

Music Production, Distribution and Publishing

During the year ended 31 July, 2022, the eSun Group released 18 albums, whereas 19 albums were released during the year ended 31 July, 2021, and representing an increase as compared to the 15 albums released during the year ended 31 July, 2020. The eSun Group is expected to continue to increase its music licensing revenue from the exploitation of the music library through new media distribution.

Artiste Management

The eSun Group has a strong artiste management team and with a sizeable number of talents and will continue to expand the profile and in tandem with the eSun Group's growing television drama production and film production business.

Film and TV Program Production and Distribution

The eSun Group's turnover generated from film and TV program production and distribution segment decreased by approximately HK\$113.1 million from approximately HK\$298.9 million for the year ended 31 July, 2021 to approximately HK\$185.8 million for the year ended 31 July, 2022, representing a decrease of approximately 37.8%. The segment results of a loss reduced by approximately HK\$42.1 million from a loss of approximately HK\$94.9 million for the year ended 31 July, 2021 to a loss of approximately HK\$52.8 million for the year ended 31 July, 2022.

The eSun Group's turnover generated from film and TV program production and distribution segment decreased by approximately HK\$71.3 million from approximately HK\$370.2 million for the year ended 31 July, 2020 to approximately HK\$298.9 million for the year ended 31 July, 2021, representing a decrease of approximately 19.3%. The segment results of a loss increased by approximately HK\$14.8 million from a loss of approximately HK\$80.1 million for the year ended 31 July, 2020 to a loss of approximately HK\$94.9 million for the year ended 31 July, 2021.

Liquidity and Financial Resources***Net Current Assets***

As at 31 July, 2020, 2021 and 2022, the eSun Group had net current assets of approximately HK\$1,554.3 million, HK\$1,251.3 million and HK\$846.1 million respectively. The net current assets primarily include films and TV programs under production and film investments, financial assets at fair value through profit or loss, debtors, deposits, prepayments, other receivables and other assets, pledged and restricted time deposits and cash and cash equivalents. The decrease in net current assets as at 31 July, 2022 against 31 July, 2021 was mainly attributable to the decrease in cash and cash equivalents.

Cash and Bank Balances

Cash and bank balances of the eSun Group were primarily denominated in Hong Kong dollars. As at 31 July, 2020, 2021 and 2022, the eSun Group had cash and bank balances of approximately HK\$1,819.1 million, HK\$1,640.9 million and HK\$1,202.9 million respectively. By excluding the cash and bank balances held by the MAGHL Group, the eSun Group had approximately HK\$1,501.4 million, HK\$1,345.4 million and HK\$1,028.3 million as at 31 July, 2020, 2021 and 2022 respectively.

Borrowings

As at 31 July, 2020, 2021 and 2022, the eSun Group had outstanding consolidated total borrowings (after intra-group elimination) of approximately HK\$395.2 million, HK\$383.0 million and HK\$370.8 million respectively.

Charge on Assets and Gearing

As at 31 July, 2020, 2021 and 2022, the eSun Group had pledged time deposits of approximately HK\$0.1 million, HK\$164.1 million and HK\$146.3 million, respectively, to secure banking facilities of the eSun Group.

As at 31 July, 2020, 2021 and 2022, the gearing ratio of the eSun Group, being the total borrowings to net assets attributable to the owners of eSun, were approximately 24.7%, 30.3% and 38.4% respectively.

Dividend

No dividend was declared for the years ended 31 July, 2020, 2021 and 2022.

Purchase, Sale or Redemption of the eSun Listed Securities

During the year ended 31 July, 2020, 2021 and 2022, neither eSun nor any of its subsidiaries had purchased, sold or redeemed the eSun's listed securities.

Employee Information

As at 31 July, 2020, 2021 and 2022, the eSun Group had around 540, 580 and 560 employees respectively.

IV. STATEMENT OF INDEBTEDNESS

As at 31 October, 2022, being the latest practicable date for ascertaining certain information relating to this indebtedness statement, the eSun Group had outstanding consolidated total borrowings (after intra-group elimination) of approximately HK\$372 million, comprising unsecured and unguaranteed other borrowings, including the accrued interest on borrowings from a former shareholder of eSun, of approximately HK\$228 million and secured bank loans of HK\$144 million.

As at 31 October, 2022, the eSun Group, as lessees, had lease liabilities of approximately HK\$1,105 million.

As at 31 October, 2022, a time deposit was pledged to a bank to secure banking facilities (other than bank loans) of the eSun Group which were utilised to the extent of approximately HK\$2 million.

Save as aforesaid and apart from intra-group liabilities, the eSun Group did not, as at 31 October, 2022, have any material outstanding (i) debt securities, whether issued and outstanding, authorised or otherwise created but unissued, or term loans, whether guaranteed, unguaranteed, secured (whether the security is provided by the eSun Group or by third parties) or unsecured; (ii) other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured or unsecured; (iii) mortgage or charges; or (iv) guarantees or other contingent liabilities.

V. MATERIAL CHANGES

The eSun Directors confirm that, there had been no material change in the financial or trading position or outlook of the eSun Group since 31 July, 2022 (being the date to which the latest published audited consolidated financial statements of the eSun Group were made up), and up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

This Scheme Document includes particulars given in compliance with the Takeovers Code for the purposes of giving information with regard to the Proposal, the Scheme, the eSun Group (including the Offeror) and the MAGHL Group.

The Offeror Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the eSun Group (excluding the Offeror) or the MAGHL Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the eSun Board or the MAGHL Board) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document the omission of which would make any statement in this Scheme Document misleading.

The eSun Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the MAGHL Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the MAGHL Board) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document the omission of which would make any statement in this Scheme Document misleading.

2. SHARE CAPITAL

(a) Authorised and issued share capital

- (i) The authorised and issued share capital of eSun as at the Latest Practicable Date were as follows:

HK\$

Authorised:

2,500,000,000 ordinary shares of HK\$0.50 each	1,250,000,000
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Issued as fully paid or credited as fully paid:

1,491,854,598 ordinary shares of HK\$0.50 each	745,927,299
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- (ii) All issued eSun Shares rank *pari passu* with each other in all respects, including the rights as to dividends, voting and on return of capital.

- (iii) There had been no change to the issued share capital of eSun, and no eSun Share had been issued or bought back, since 31 July, 2022, being the end of the last financial year of eSun, up to the Latest Practicable Date.
- (iv) As at the Latest Practicable Date, save for (i) outstanding share options comprising a total of 1,500,000 underlying eSun Shares granted under the share option scheme of eSun adopted on 11 December, 2015 (as detailed in “(b) Share options” below); and (ii) the issued share capital of eSun comprising 1,491,854,598 eSun Shares, eSun had no outstanding options, warrants, derivatives, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code), and there was no options, warrants and conversion rights affecting eSun Shares.
- (v) During the two financial years preceding the Announcement Date, no re-organisation of capital of eSun had taken place.
- (vi) Under the Proposal, the maximum number of new eSun Shares required to be issued is 803,721,140 (assuming all Scheme Shareholders elect the Share Alternative (or fail to validly elect the Partial Cash Alternative)). To accommodate the implementation of the Proposal and provide eSun with additional flexibility for future development, the eSun Board had proposed to increase eSun’s authorised share capital from HK\$1,250,000,000 divided into 2,500,000,000 eSun Shares to HK\$2,000,000,000 divided into 4,000,000,000 eSun Shares by an additional 1,500,000,000 eSun Shares. For details, please see the section headed “C. Terms of the Proposed Merger – 4. Rights attaching to eSun Shares, Specific Mandate, and proposed Increase in Authorised Share Capital” in the Announcement.

The new eSun Shares to be allotted and issued pursuant to the Proposal will rank *pari passu* in all respects with each other and with the existing issued eSun Shares as at the date of allotment and issuance of such new eSun Shares, including the rights as to dividends, voting and on return of capital.

(b) Share options

Details of the share options in respect of eSun Shares which remained valid and outstanding as at the Latest Practicable Date are as follows:

Number of underlying eSun Shares comprised in share options	Exercise price per eSun Share (HK\$) <i>(Note 1)</i>	Date of grant <i>(Note 2)</i>	Exercise Period <i>(dd/mm/yyyy)</i>
1,500,000	0.50	21/01/2022	21/01/2022 - 20/01/2032

Notes:

1. *The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other specific changes in eSun's share capital.*
2. *The above share options were vested on the date of grant.*

3. MARKET PRICES

The table below sets out the closing prices of the eSun Shares on the Stock Exchange on (i) the last trading day of each of the calendar months during the Relevant Period, (ii) the Last eSun Trading Day; and (iii) the Latest Practicable Date:

	Closing price per eSun Share (HK\$)
31 May, 2022 (which is also the Last eSun Trading Day)	0.43
30 June, 2022	N/A <i>(Note)</i>
29 July, 2022	N/A <i>(Note)</i>
31 August, 2022	N/A <i>(Note)</i>
30 September, 2022	N/A <i>(Note)</i>
31 October, 2022	N/A <i>(Note)</i>
30 November, 2022	0.29
30 December, 2022	0.26
Latest Practicable Date	0.247

Note: Trading of eSun Shares on the Stock Exchange had been suspended from 1 June, 2022 to 10 November, 2022 (both days inclusive), and had resumed with effect from 9:00 a.m. on 11 November, 2022. For details, please see the announcements of eSun dated 31 May, 2022, 31 August, 2022 and 10 November, 2022 and the section headed "P. Possible Restoration of Public Float of eSun" in the Announcement.

The lowest and highest closing prices per eSun Share as quoted on the Stock Exchange during the Relevant Period were HK\$0.247 on 9 January, 2023 and HK\$0.48 on 30 May, 2022, respectively.

4. INTERESTS IN THE SECURITIES OF MAGHL AND ESUN

4.1 Interests of eSun Directors and Offeror Directors in the securities of MAGHL and eSun

As at the Latest Practicable Date, save as disclosed below, none of the eSun Directors and the Offeror Directors were interested within the meaning of Part XV of the SFO in any MAGHL Shares, any eSun Shares or any convertible securities, warrants, options or derivatives in respect of MAGHL Shares or eSun Shares:

Interests in securities of MAGHL

Name of director	Long positions in MAGHL Shares			Approximate percentage of the total issued MAGHL Shares (Note 1)
	Number of MAGHL Shares		Total	
	Corporate interests	Personal interests		
Dr. Peter Lam (Note 2)	2,021,848,647 (Note 3)	–	2,021,848,647	67.70%

Interests in securities of eSun

Name of director	Long positions in eSun Shares			Approximate percentage of the total issued eSun Shares (Note 4)
	Number of eSun Shares		Total	
	Corporate interests	Personal interests		
Dr. Peter Lam	1,113,260,072 (Note 5)	2,794,443	1,116,054,515	74.81%
Mr. Lester Lam (Note 6)	–	2,794,443	2,794,443	0.19%

Notes:

1. *The total number of issued MAGHL Shares as at the Latest Practicable Date (that is, 2,986,314,015 MAGHL Shares) was used for the calculation of the approximate percentage.*
2. *Dr. Peter Lam is a director of the Offeror and the chairman and an executive director of MAGHL.*
3. *These MAGHL Shares were owned by the Offeror, a direct wholly-owned subsidiary of eSun. As at the Latest Practicable Date, (i) eSun was indirectly owned as to approximately 74.62% by LSD; (ii) LSD was approximately 53.19% directly and indirectly owned by LSG; and (iii) LSG was approximately 12.70% (excluding share options) owned by Dr. Peter Lam and approximately 29.23% owned by Wisdoman Limited (“**Wisdoman**”), which was in turn 100% beneficially owned by Dr. Peter Lam. Therefore, Dr. Peter Lam was deemed to be interested in these 2,021,848,647 MAGHL Shares owned by the Offeror pursuant to Part XV of the SFO.*
4. *The total number of issued eSun Shares as at the Latest Practicable Date (that is, 1,491,854,598 eSun Shares) was used for the calculation of the approximate percentages.*
5. *These eSun Shares were indirectly owned by Transtrend Holdings Limited, an indirect wholly-owned subsidiary of LSD. As at the Latest Practicable Date, (i) LSD was approximately 53.19% directly and indirectly owned by LSG; and (ii) LSG was approximately 12.70% (excluding share options) owned by Dr. Peter Lam and approximately 29.23% owned by Wisdoman, which was in turn 100% beneficially owned by Dr. Peter Lam. Therefore, Dr. Peter Lam was deemed to be interested in these 1,113,260,072 eSun Shares indirectly owned by LSD pursuant to Part XV of the SFO.*
6. *Mr. Lester Lam is an executive director of eSun (also the alternate director to Madam U Po Chu in her capacity as a non-executive director of eSun).*

4.2 Other interests in the securities of MAGHL and eSun

As at the Latest Practicable Date, save as disclosed in the sub-section headed “4. Interests in the securities of MAGHL and eSun – 4.1 Interests of eSun Directors and Offeror Directors in the securities of MAGHL and eSun” in this Appendix IV and the section headed “9. Effect of the Proposal on the shareholding structures of MAGHL and eSun” in the Explanatory Statement set out in Part VII of this Scheme Document:

- (a) none of the Offeror and the Offeror Concert Parties (including eSun, the eSun Directors and the Offeror Directors) owned or had control or direction over any MAGHL Shares, any eSun Shares or any convertible securities, warrants, options or derivatives in respect of MAGHL Shares or eSun Shares;
- (b) none of the Offeror and the Offeror Concert Parties had borrowed or lent any MAGHL Shares, any eSun Shares, or any convertible securities, warrants, options or derivatives in respect of MAGHL Shares or eSun Shares, save for any borrowed shares which had been either on-lent or sold; and
- (c) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between the Offeror or any of the Offeror Concert Parties, and any person.

5. DEALINGS IN THE SECURITIES OF MAGHL AND ESUN

During the Relevant Period, save that Mr. Cheung acquired 100,000,000 MAGHL Shares (representing approximately 3.35% of MAGHL's issued share capital as at the Latest Practicable Date) from Ms. Lam Ho Yi, the daughter of Dr. Peter Lam, at a consideration of HK\$0.30 per MAGHL Share on 27 June, 2022, none of the Offeror and the Offeror Concert Parties (including eSun, the eSun Directors and the Offeror Directors) had dealt for value in any MAGHL Shares, any eSun Shares, or any convertible securities, warrants, options or derivatives in respect of MAGHL Shares or eSun Shares.

6. ARRANGEMENTS IN CONNECTION WITH THE PROPOSAL

As at the Latest Practicable Date:

- (a) there was no agreement, arrangement or understanding between the Offeror or eSun and any other person in relation to the transfer, charge or pledge of the MAGHL Shares to be acquired pursuant to the Proposal, and the Offeror and eSun had no intention to transfer, charge or pledge any MAGHL Shares acquired pursuant to the Proposal to any other person;
- (b) save for the respective undertakings of Anglo Chinese and Mr. Cheung not to vote their MAGHL Shares at the MAGHL Court Meeting (as detailed in the section headed "18. MAGHL Court Meeting and MAGHL SGM – 18.1 MAGHL Court Meeting" in the Explanatory Statement set out in Part VII of this Scheme Document), there was no agreement or arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror, eSun Shares or the MAGHL Shares which might be material to the Proposal;
- (c) no benefit was to be given by the Offeror or any of the Offeror Concert Parties to any MAGHL Director as compensation for loss of office or otherwise in connection with the Proposal;

- (d) save for the Proposal, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any of the Offeror Concert Parties and any of the MAGHL Directors, recent MAGHL Directors, MAGHL Shareholders or recent MAGHL Shareholders having any connection with or dependence upon the Proposal;
- (e) there was no agreement or arrangement to which the Offeror or any of the Offeror Concert Parties was a party which relates to circumstances in which the Offeror may or may not invoke or seek to invoke a Scheme Condition;
- (f) none of the Offeror and the Offeror Concert Parties had received an irrevocable commitment to vote for or against (i) the Scheme at the MAGHL Court Meeting; or (ii) any of the resolutions to be proposed at the MAGHL SGM;
- (g) other than the Cancellation Consideration, the Offeror or the Offeror Concert Parties have not paid and will not pay any other consideration, compensation or benefit in whatever form to the Scheme Shareholders or persons acting in concert with them in relation to the Scheme Shares;
- (h) save for the respective undertakings of Anglo Chinese and Mr. Cheung not to vote their MAGHL Shares at the MAGHL Court Meeting (as detailed in the section headed “18. MAGHL Court Meeting and MAGHL SGM – 18.1 MAGHL Court Meeting” in the Explanatory Statement set out in Part VII of this Scheme Document), there was no understanding, arrangement or agreement between (i) any MAGHL Shareholder; and (ii)(a) the Offeror and the Offeror Concert Parties; or (b) MAGHL, its subsidiaries or associated companies; and
- (i) there was no special deal (as defined in Rule 25 of the Takeovers Code) between (i) any MAGHL Shareholder; and (ii)(a) the Offeror and the Offeror Concert Parties, or (b) MAGHL, its subsidiaries or associated companies.

7. MATERIAL CONTRACTS

Save as disclosed in “Appendix II – General Information on the MAGHL Group – 9. Material Contracts”, no material contracts (other than contracts entered into in the ordinary course of business carried on or intended to be carried on by eSun or any of its subsidiaries (including the Offeror and its subsidiaries)) had been entered into by eSun or any of its subsidiaries (including the Offeror) after the date which was two years before the commencement of the Offer Period and up to and including the Latest Practicable Date.

8. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the eSun Group (including the Offeror) was engaged in any litigation, arbitration or claim of material importance and, so far as the eSun Directors were aware, no litigation or claim of material importance was pending or threatened by or against any member of the eSun Group (including the Offeror).

9. MISCELLANEOUS

- (a) eSun was incorporated in Bermuda on 1 October, 1996. Its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal office is at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong. As at the Latest Practicable Date, the eSun Board comprised four executive directors, namely Messrs. Lui Siu Tsuen, Richard, Chew Fook Aun, Lester Lam (also the alternate director to Madam U Po Chu) and Yip Chai Tuck; one non-executive director, namely Madam U Po Chu; and four independent non-executive directors, namely Messrs. Low Chee Keong, Lo Kwok Kwei, David and Alfred Donald Yap and Dr. Ng Lai Man, Carmen.
- (b) The Offeror was incorporated in the British Virgin Islands on 9 March, 2011. Its registered office is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands and its correspondence address in Hong Kong is at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong. As at the Latest Practicable Date, the Offeror Board comprised three directors, namely Dr. Peter Lam, Mr. Chew Fook Aun and Mr. Lui Siu Tsuen, Richard.
- (c) The registered office of Anglo Chinese, the financial adviser to eSun and the Offeror in relation to the Proposal, is at 40/F., Two Exchange Square, 8 Connaught Place, Central, Hong Kong.
- (d) The principal party acting in concert with the Offeror is eSun.
- (e) As at the Latest Practicable Date, (i) the Offeror was a direct wholly-owned subsidiary of eSun; (ii) eSun was indirectly owned as to approximately 74.62% by LSD; (iii) LSD was approximately 53.19% directly and indirectly owned by LSG; and (iv) LSG was approximately 12.70% (excluding share options) owned by Dr. Peter Lam and approximately 29.23% owned by Wisdoman, which was in turn 100% beneficially owned by Dr. Peter Lam. As at the Latest Practicable Date, (i) the board of directors of LSG comprised five executive directors, namely Dr. Peter Lam, Mr. Chew Fook Aun, Madam U Po Chu, Mr. Lam Kin Hong, Matthew and Mr. Lester Lam (also the alternate director to Madam U Po Chu); and three independent non-executive directors, namely Messrs. Leung Shu Yin, William, Lam Bing Kwan and Chow Bing Chiu; and (ii) the board of directors of LSD comprised five executive directors, namely Dr. Peter Lam and Messrs. Chew Fook Aun, Lau Shu Yan, Julius, Lester Lam (also the alternate director to Madam U Po Chu) and Lee Tze Yan, Ernest; one non-executive director, namely Madam U Po Chu; and three independent non-executive directors, namely Messrs. Lam Bing Kwan, Leung Shu Yin, William and Ip Shu Kwan, Stephen.

- (f) The share registrar and transfer office in Bermuda of eSun is MUFG Fund Services (Bermuda) Limited, 4th Floor, North Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda.
- (g) The branch share registrar and transfer office of eSun in Hong Kong is Tricor Tengis Limited, 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (h) The emoluments of the eSun Directors and the Offeror Directors will not be affected by the Proposal or any other associated transaction.

IN THE SUPREME COURT OF BERMUDA**CIVIL JURISDICTION****COMMERCIAL COURT****2022: No. 361****IN THE MATTER OF
MEDIA ASIA GROUP HOLDINGS LIMITED
AND
SECTION 99 OF THE COMPANIES ACT 1981****SCHEME OF ARRANGEMENT****BETWEEN
MEDIA ASIA GROUP HOLDINGS LIMITED
AND
THE SCHEME SHAREHOLDERS****PRELIMINARY**

- (A) In this Scheme of Arrangement, unless inconsistent with the subject or context, the following expressions shall have the meanings respectively set opposite them:

“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“Cancellation Consideration”	the consideration for the cancellation and extinguishment of the Scheme Shares pursuant to the Scheme, being (i) under the Share Alternative, for every 6 Scheme Shares held as at the Scheme Record Date, 5 new eSun Shares will be issued; or (ii) under the Partial Cash Alternative, for every 6 Scheme Shares held as at the Scheme Record Date, one new eSun Share will be issued and HK\$0.24 will be paid in cash for every Scheme Share held as at the Scheme Record Date
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Participant(s)”	a person admitted to participate in CCASS as a participant, including an Investor Participant
“Companies Act”	the Companies Act 1981 (as amended) of Bermuda

“Company”	Media Asia Group Holdings Limited (寰亞傳媒集團有限公司), an exempted company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the issued shares of which are listed and traded on GEM (Stock Code: 8075)
“Condition(s)”	the condition(s) to the Proposal and the Scheme as set out in the section headed “3. Conditions to the Proposal and the Scheme” in the Explanatory Statement
“Court”	the Supreme Court of Bermuda
“Court Meeting”	a meeting of the Scheme Shareholders convened at the direction of the Court at which the Scheme will be voted upon, or any adjournment thereof
“eSun”	eSun Holdings Limited (豐德麗控股有限公司), an exempted company incorporated in Bermuda with limited liability and the issued shares of which are listed and traded on the main board of the Stock Exchange
“eSun Share(s)”	ordinary share(s) of HK\$0.50 each in the share capital of eSun
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate for the time being of the Executive Director
“Explanatory Statement”	the explanatory statement set out in Part VII of the Scheme Document and issued in compliance with Section 100 of the Companies Act
“GEM”	GEM operated by the Stock Exchange
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Investor Participant”	a person admitted to participate in CCASS as an investor participant
“Latest Practicable Date”	9 January, 2023, being the latest practicable date prior to the date of the Scheme Document for the purpose of ascertaining certain information contained in the Scheme Document

“Long Stop Date”	10 April, 2023 (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Court may direct, and in all cases, as permitted by the Executive)
“Offeror”	Perfect Sky Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, being a direct wholly-owned subsidiary of eSun
“Partial Cash Alternative”	one new eSun Share which will be issued (credited as fully paid and ranking <i>pari passu</i> with other eSun Shares then in issue) for every 6 Scheme Shares held as at the Scheme Record Date, and HK\$0.24 in cash for every Scheme Share held as at the Scheme Record Date
“Proposal”	the proposed merger of the Company by eSun and the Offeror by way of the privatisation of the Company through the Scheme and the withdrawal of the listing of the Shares of the Company on GEM
“Registrar of Companies”	the Registrar of Companies in Bermuda
“Scheme”	the scheme of arrangement under Section 99 of the Companies Act for the implementation of the Proposal with or subject to any modification, addition or condition which may be approved or imposed by the Court
“Scheme Document”	the composite scheme document issued by the Offeror, eSun and the Company to the Shareholders in relation to the Scheme, including each of the letters, statements, appendices and notices therein
“Scheme Effective Date”	the date upon which the Scheme becomes effective in accordance with its terms
“Scheme Record Date”	1 March, 2023 (Hong Kong time), or such other date as shall have been announced by the Company, being the record date for the purpose of determining the entitlements of the Scheme Shareholders under the Scheme
“Scheme Shareholder(s)”	duly registered holder(s) of the Scheme Shares
“Scheme Share(s)”	the Share(s) other than those held by the Offeror

“SGM”	a special general meeting of the Company convened for the purposes of passing all necessary resolutions for, amongst other things, the implementation of the Scheme
“Share Alternative”	5 new eSun Shares which will be issued (credited as fully paid and ranking <i>pari passu</i> with other eSun Shares then in issue) for every 6 Scheme Shares held as at the Scheme Record Date
“Share(s)”	ordinary share(s) with a par value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the duly registered holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

- (B) The Company is an exempted company incorporated in the Cayman Islands on 29 February, 2000 and continued in Bermuda with limited liability on 3 December, 2009. As at the Latest Practicable Date, the Company had an authorised share capital of HK\$1,000,000,000 divided into 10,000,000,000 Shares of which 2,986,314,015 Shares had been issued fully paid or credited as fully paid.
- (C) The Offeror has agreed to appear by Conyers Dill & Pearman Limited at the hearing of the petition to sanction this Scheme and has undertaken to the Court to be bound by this Scheme and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable by the Offeror for the purpose of giving effect to this Scheme.
- (D) The primary purpose of this Scheme is to cancel all Scheme Shares and to issue new Shares to the Offeror equal to the number of the Scheme Shares cancelled on the Scheme Effective Date so that the Company becomes wholly-owned by the Offeror.

THE SCHEME

PART I

CANCELLATION OF THE SCHEME SHARES

1. On the Scheme Effective Date:
 - (a) all Scheme Shares shall be cancelled; and
 - (b) the Company shall issue new Shares to the Offeror equal to the number of the Scheme Shares cancelled and the Company shall apply the credit arising in its books of account as a result of the cancellation of the Scheme Shares in paying up in full at par such new Shares.

PART II

CONSIDERATION FOR CANCELLATION OF THE SCHEME SHARES

2. In consideration of the cancellation of all Scheme Shares, each Scheme Shareholder shall be entitled to receive the Cancellation Consideration.

PART III

GENERAL

3. Share certificates in respect of the eSun Shares and cheques in respect of the cash element of the Partial Cash Alternative shall be sent to the Scheme Shareholders validly electing the same whose names appear in the register of members of the Company at the Scheme Record Date as soon as possible but in any event within seven Business Days of the Scheme Effective Date.

4. Any share certificates of new eSun Shares posted to the Scheme Shareholders pursuant to the Scheme which have been returned or undelivered will be cancelled. The branch share registrar and transfer office of eSun in Hong Kong may thereafter issue new share certificates in respect of such eSun Shares to persons who satisfy the Offeror that they are respectively entitled thereto, and transfer to them all accrued entitlements from the date of allotment and issue of the relevant eSun Shares, subject to the payment of any expenses incurred. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant eSun Shares.
5. On or after the day being six calendar months after the date of posting the cheques for the cash element of the Partial Cash Alternative, the Offeror shall have the right to cancel or countermand payment of any cheque which has not been cashed or which has been returned uncashed and shall place all monies represented thereby in a deposit account in the name of the Offeror with a licensed bank in Hong Kong selected by the Offeror.
6. The Offeror shall hold monies represented by uncashed cheques until the expiry of six years from the Scheme Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to the Scheme to persons who satisfy the Offeror that they are respectively entitled thereto and the cheques of which they are payees have not been cashed. Any payments made by the Offeror shall include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme calculated at the annual rate prevailing from time to time at the licensed bank in which the monies are deposited, subject, if applicable, to the deduction of interest, tax or any withholding tax or any other deduction required by law. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.
7. Share certificates relating to the Scheme Shares shall cease to be valid for any purpose on the Scheme Effective Date.
8. The Scheme shall become effective as soon as a copy of the order of the Court sanctioning the Scheme under Section 99 of the Companies Act has been delivered to the Registrar of Companies for registration.
9. The Company and the Offeror may jointly consent for and on behalf of all Scheme Shareholders to any modification(s) of or addition(s) to the Scheme or to any condition(s) which the Court may see fit to approve or impose.
10. Unless the Scheme becomes effective on or before the Long Stop Date, the Scheme shall lapse.
11. Subject to the requirements of the Takeovers Code the parties shall bear their own costs, charges and expenses of and incidental to the Scheme.



Media Asia Group Holdings Limited

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

(Stock Code: 8075)

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order (the “**Order**”) dated 5 January, 2023 made in the above matter, the Supreme Court of Bermuda (the “**Court**”) has directed a meeting (the “**Court Meeting**”) of the Scheme Shareholders (as defined in the Scheme hereinafter mentioned) to be convened and held for the purpose of considering and, if thought fit, approving (with or without modifications) a scheme of arrangement (the “**Scheme**”) proposed to be made between Media Asia Group Holdings Limited (the “**Company**”) and the Scheme Shareholders (as defined in the Scheme) and that the Court Meeting will be held at Grand Ballrooms 1 and 2, Level B, Hong Kong Ocean Park Marriott Hotel, 180 Wong Chuk Hang Road, Aberdeen, Hong Kong on Monday, 13 February, 2023 at 9:00 a.m. (Hong Kong time) at which place and time all the Scheme Shareholders (as defined in the Scheme) are invited to attend.

A copy of the Scheme and a copy of the explanatory statement explaining the Scheme pursuant to Section 100 of the Companies Act 1981 (as amended) of Bermuda are incorporated in the composite scheme document of which this notice forms part. A copy of the composite scheme document can also be obtained by the Scheme Shareholders from the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong.

Scheme Shareholders may vote in person at the Court Meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend and vote in their stead. A **pink** form of proxy for use at the Court Meeting is enclosed with the composite scheme document.

In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

It is requested that **pink** forms of proxy appointing proxies be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 9:00 a.m. on Saturday, 11 February, 2023, but if the **pink** forms of proxy are not so lodged they may be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion whether or not to accept the proxy form) before the taking of poll.

By the Order, the Court has appointed any independent non-executive director of the Company to act as the chairman of the Court Meeting and has directed the chairman of the Court Meeting to report the results of the Court Meeting to the Court.

The Scheme will be subject to the subsequent approval of the Court.

Dated this 12th day of January, 2023.

By order of the Court

Conyers Dill & Pearman Limited

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Attorneys for the Company



Media Asia Group Holdings Limited

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

(Stock Code: 8075)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of the members (the “**Members**”) of Media Asia Group Holdings Limited (the “**Company**”) will be held at 9:15 a.m. on Monday, 13 February, 2023 at Grand Ballrooms 1 and 2, Level B, Hong Kong Ocean Park Marriott Hotel, 180 Wong Chuk Hang Road, Aberdeen, Hong Kong (or immediately after the conclusion or adjournment of the MAGHL Court Meeting convened at the direction of the Court for the same day and place, if later), for the purposes of considering and, if thought fit, passing the following resolutions (with or without modifications) as a special resolution and an ordinary resolution of the Company, respectively.

Unless otherwise defined, capitalised terms defined in the composite scheme document dated 12 January, 2023 (the “**Scheme Document**”) of which this notice forms part shall have the same meanings when used herein.

SPECIAL RESOLUTION

1. “**THAT**, for the purpose of giving effect to the Scheme (with any modifications thereof or additions thereto or subject to any conditions approved or imposed by the Court) between the Company and the Scheme Shareholders as set out in the Scheme Document and subject to the approval of the Scheme by the Scheme Shareholders at the MAGHL Court Meeting, on the Scheme Effective Date, any reduction of the issued share capital of the Company associated with or effected by the cancellation of the Scheme Shares be and is hereby approved.”

ORDINARY RESOLUTION

2. “**THAT**:
 - (a) subject to and immediately following the cancellation of the Scheme Shares, the issued share capital of the Company shall be increased to the amount immediately prior to the cancellation of the Scheme Shares by issuing to the Offeror such number of new MAGHL Shares as is equal to the number of Scheme Shares cancelled, credited as fully paid, by the application of the credit arising in the books of account of the Company as a result of the cancellation of the Scheme Shares in paying up in full at par such new MAGHL Shares and the directors of the Company be and are hereby authorised to allot and issue the new MAGHL Shares accordingly; and

- (b) any one MAGHL Director be and is hereby unconditionally authorised to do all acts and things and/or sign such documents as considered by him to be necessary or desirable for or in connection with the implementation and completion of the Proposal and the Scheme, including (without limitation) (i) the making of an application to the Stock Exchange for the withdrawal of the listing of the MAGHL Shares on the GEM of the Stock Exchange, subject to the Scheme taking effect; (ii) any reduction of issued share capital of the Company; (iii) the allotment and issue of the new MAGHL Shares referred to above; and (iv) the giving, on behalf of the Company, of consent to any modification of, or addition to, the Scheme, which the Court may see fit to impose and to do all other acts and things and/or sign such documents considered by them to be necessary for or desirable in connection with the implementation of the Proposal and the Scheme and in relation to the proposed privatisation of the Company by the Offeror by way of the Scheme as a whole.”

By order of the board of directors
Media Asia Group Holdings Limited
Wong Lai Chun
Company Secretary

Hong Kong, 12 January, 2023

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head Office and Principal Place
of Business:*
11th Floor
Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon
Hong Kong

Notes:

1. *A Member entitled to attend and vote at the SGM convened by the above notice (the “Notice”) or its adjourned meeting (as the case may be) is entitled to appoint one (or, if he/she/it holds two or more MAGHL Shares, more than one) proxy to attend the SGM and vote on his/her/its behalf in accordance with the Company’s bye-laws (the “Bye-laws”). A proxy need not be a Member. A white form of proxy for use at the SGM or its adjournment (as the case may be) is enclosed with the Scheme Document and is also available on the respective websites of Hong Kong Exchanges and Clearing Limited (“HKEX”) and the Company.*
2. *To be valid, a white form of proxy, duly signed and completed, together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof), must be lodged with the branch share registrar and transfer office of the Company in Hong Kong (the “Registrar”), Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time appointed for holding the SGM or its adjourned meeting (as the case may be) and in default, the proxy will not be treated as valid. Completion and return of the white form of proxy shall not preclude Members from attending and voting in person at the SGM or at its adjourned meeting (as the case may be) should they so wish. In that event, their white form of proxy will be deemed to have been revoked. The contact phone number of the Registrar is (852) 2980 1333.*

3. *To ascertain the entitlements to attend and vote at the SGM, Members must lodge the relevant transfer document(s) and share certificate(s) at the Registrar's office at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Tuesday, 7 February, 2023 for registration.*
4. *Where there are joint registered holders of any MAGHL Share, any one of such joint holders may attend and vote at the SGM or its adjourned meeting (as the case may be), either in person or by proxy, in respect of such MAGHL Shares as if he/she/it were solely entitled thereto; but if more than one of such joint holders are present at the SGM or its adjourned meeting (as the case may be), the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Hong Kong branch register of Members in respect of the joint holding.*
5. *In compliance with Rule 17.47(4) of the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") and the Bye-laws, voting on all resolutions in respect of the above matters set out in the Notice and any other resolutions properly put to the vote of the SGM will be decided by way of poll.*
6. *If a tropical cyclone warning signal No. 8 or above is expected to be hoisted or a black rainstorm warning signal is expected to be in force at any time after 7:00 a.m. on the date of the SGM, then the SGM will be proposed to be adjourned. Members will be informed of the date, time and venue of the adjourned SGM by a supplementary notice posted on the respective websites of HKEX and the Company.*

If a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is cancelled at or before 7:00 a.m. on the date of the SGM, the SGM will be held as scheduled. The SGM will be held as scheduled when an amber or red rainstorm warning signal is in force.

Members should decide on their own whether they would attend the SGM under a bad weather condition bearing in mind their own situations and if they do so, they are advised to exercise care and caution.
7. *Members are advised to read the Scheme Document which contains information concerning the resolutions to be proposed in the SGM.*
8. *In light of the epidemic situation of COVID-19, certain measures will be implemented at the SGM or its adjourned meeting (as the case may be) with a view to addressing the risk to attendees of infection, including the following:*
 - (i) *all attendees will be required to wear surgical face masks throughout the SGM; and*
 - (ii) *no refreshments or beverages will be provided, and there will be no corporate gifts.*

Any person who does not comply with the precautionary measure referred to above or any other additional precautionary measures as may be implemented in accordance with the prevailing requirements or guidelines of the Hong Kong government and/or regulatory authorities, or as considered appropriate in light of the COVID-19 situation, may be denied entry into, or be required to leave, the venue of the SGM.
9. *The Company reminds Members that they should carefully consider the risks of attending the SGM, taking into account their own personal circumstances. The Company would like to remind Members that physical attendance in person at the SGM is not necessary for the purpose of exercising their voting rights.*
10. *The Company will keep the evolving COVID-19 situation under constant review and may implement additional measures, which will be announced closer to the date of the SGM.*

As at the date of this Notice, the board of directors of the Company comprises four Executive Directors, namely Dr. Lam Kin Ngok, Peter (Chairman), Messrs. Chan Chi Kwong, Lui Siu Tsuen, Richard and Yip Chai Tuck; and three Independent Non-executive Directors, namely Messrs. Au Hoi Fung, Ng Chi Ho, Dennis and Poon Kwok Hing, Albert.