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## **Media Asia Group Holdings Limited**

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

**(Stock Code: 8075)**

### **REVISION OF ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the Announcement and the Circular in respect of, among other things, the Film Library Licence Agreements and the relevant Original Annual Caps.

On 23 December 2011, the Company (as licensee) entered into the Media Asia Distribution (BVI) Film Library Licence Agreement and the Media Asia Distribution (HK) Film Library Licence Agreement with Media Asia Distribution (BVI) and Media Asia Distribution (HK) (both as Film Licensors), and eSun (as the designated representative of the Film Licensors) respectively in relation to the grant of licences by the Film Licensors to the Company to enable the Company to exploit the rights in the films owned or acquired by, or licensed to, the Film Licensors in the territories of the PRC and Macau.

Due to the delay of the release of certain film which was originally to be released in early 2012 but subsequent postponed to mid-2012, the expected corresponding Film Gross Receipts were not generated during the year ended 31 July 2012 and as a result, the annual cap for the year ended 31 July 2012 was unused. It is expected the corresponding Film Gross Receipts from the said film will be generated during the year ending 31 July 2013. Accordingly, the aggregate amount of Royalties payable by the Company to eSun under the Film Library Licence Agreements for the year ending 31 July 2013 is expected to exceed the Original Annual Cap. In the circumstances, the Board has resolved to revise the annual cap for the year ending 31 July 2013.

Pursuant to the GEM Listing Rules, if the Company revises the Original Annual Cap, the Company is required to re-comply with the relevant provisions under Chapter 20 of the GEM Listing Rules. As eSun is a controlling shareholder of the Company indirectly holding approximately 51.09% of the existing issued share capital of the Company through one of its wholly-owned subsidiaries (i.e. Perfect Sky), eSun and its associates are connected persons of the Company under the GEM Listing Rules. Since each of Media Asia Distribution (BVI) and Media Asia Distribution (HK) is a subsidiary of eSun, each of Media Asia Distribution (BVI) and Media Asia Distribution (HK) is a connected person of the Company under the GEM Listing Rules. Therefore, the transactions contemplated under each of the Film Library Licence Agreements and the Revision of Annual Cap constitute continuing connected transactions of the Company under the GEM Listing Rules.

As all the relevant Percentage Ratios applicable to the Revised Annual Cap are less than 25% and the Revised Annual Cap is less than HK\$10,000,000, the Revision of Annual Cap is only subject to reporting, announcement and annual review requirements and exempt from Independent Shareholders' approval requirement under Rule 20.34 of the GEM Listing Rules.

## **INTRODUCTION**

Reference is made to the Announcement and the Circular in respect of, among other things, the Film Library Licence Agreements and the relevant Original Annual Caps.

## **FILM LIBRARY LICENCE AGREEMENTS**

On 23 December 2011, the Company (as licensee) entered into the Media Asia Distribution (BVI) Film Library Licence Agreement and the Media Asia Distribution (HK) Film Library Licence Agreement with Media Asia Distribution (BVI) and Media Asia Distribution (HK) (both as Film Licensors), and eSun (as the designated representative of the Film Licensors) respectively in relation to the grant of licences by the Film Licensors to the Company to enable the Company to exploit the rights in the films owned or acquired by, or licensed to, the Film Licensors in the territories of the PRC and Macau.

Pursuant to the Film Library Licence Agreements, the respective Film Licensors have conditionally agreed that, subject to any third party rights in certain withheld films which are subject to existing licenses, the Company will be the exclusive licensee in the PRC (for some films) and Macau (for the other films) of any rights owned by, acquired by or exclusively licensed to Media Asia Distribution (BVI) and Media Asia Distribution (HK) after such date and the Company shall have the exclusive right to exploit such rights in the PRC (for some films) and Macau (for the other films). The term of the Film Library Licence Agreements commenced on the date of the Film Library Licence Agreements and, unless earlier terminated in accordance with the provision thereof, shall continue until 31 July 2014.

The Company shall pay to eSun as the designated representative of the Film Licensors eighty-five (85)% of all Film Net Receipts earned by the Company in respect of any exploitation of the rights by the Company of any or all of the rights granted to it under the licence as Royalties. Unless the Royalties collectively paid to eSun during the term of the Film Library Licence Agreements are at the end thereof, in the aggregate, equal to or greater than the minimum guarantee of HK\$9 million, which was determined based on an arm's length negotiation between the Company and eSun with reference to the historical contribution of the underlying films of the licences to the Film Licensors from independent third parties, then eSun shall (i) determine the difference between the amounts actually paid to it and the minimum guarantee, and (ii) determine the percentage of such shortfall amounts to be attributable and to be payable to each Film Licensor by the Company, and (iii) inform the Company to pay such shortfall amounts.

## **REVISION OF ANNUAL CAP**

The Original Annual Caps under the Film Library Licence Agreements for each of the three years ending 31 July 2014 are HK\$34,544,000, HK\$4,487,000 and HK\$1,955,000 respectively.

The Original Annual Caps of the Film Library Licence Agreements for the three years ending 31 July 2014 were determined in accordance with the projected revenue stream that could be generated by the Group in the exploitation of the relevant films and the withheld films licensed thereunder and the rate of Royalties stipulated in the Film Library Licence Agreements.

A typical film would generate its highest distribution income in the first year of its release and thereafter decrease over time. Given the relevant film library include the new films to be released in 2012 but not include any new films to be released in 2013 and 2014, when the Company entered into the Film Library Licence Agreements, the Company expected a substantial distribution income to be generated for the financial year ended 2012 and a significant decrease in the annual caps for the financial years ending 31 July 2013 and 2014 due to the significant decrease in the expected revenue to be generated from the films released in 2012. This is in line with industry and market norm in that revenue stream generated by films decrease gradually after release.

However, due to the delay of the release of certain film which was originally to be released in early 2012 but subsequent postponed to mid-2012, the expected corresponding Film Gross Receipts were not generated during the year ended 31 July 2012. Therefore, the Original Annual Cap for the year ended 31 July 2012 was unused. It is expected that the corresponding Film Gross Receipts from the said film will be generated during the year ending 31 July 2013. Accordingly, the aggregate amount of Royalties payable by the Company to eSun under the Film Library Licence Agreements for the year ending 31 July 2013 is expected to exceed the Original Annual Cap. In the circumstances, the Board therefore has resolved to revise the Original Annual Cap for the year ending 31 July 2013.

The Original Annual Cap and the Revised Annual Cap under the Film Library Licence Agreements for the year ending 31 July 2013 are as follows:

	<b>Original Annual Cap for year ending 31 July 2013 HK\$</b>	<b>Revised Annual Cap for year ending 31 July 2013 HK\$</b>
<b>Film Library Licence Agreements</b>	4,487,000	9,800,000

The Revised Annual Cap are determined with reference to (i) the revenue generated by the Group from 1 August 2012 and up to 31 January 2013 and (ii) the projected revenue that could be generated by the Group up to 31 July 2013, in the exploitation of the relevant films and the rate of Royalties stipulated in the Film Library Licence Agreements taking into the account the reason set out above. Save for the Revision of Annual Cap, all terms and conditions of the Film Library Licence Agreements and annual cap for the year ending 31 July 2014 remain unchanged. The Directors confirm that the Royalties paid by the Company to eSun under the Film Library Licence Agreements up to the date of this announcement comply with the relevant Original Annual Cap.

The Directors (excluding (i) Dr. Lam Kin Ngok, Peter and Mr. Lui Siu Tsuen, Richard who are also directors of eSun and abstained from voting on the relevant resolutions considered and approved by the Board and (ii) Mr. Chan Chi Kwong who is also a director of certain associates of eSun and abstained from voting on the relevant resolutions considered and approved by the Board) are of the view that the continuing connected transactions contemplated under the Film Library Licence Agreements are on normal commercial terms, and the terms of the Film Library Licence Agreements and the Revised Annual Cap are fair and reasonable and in the interest of the Shareholders as a whole.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, there are no other transactions (other than those carried out pursuant to the Film Library Licence Agreements) entered into between the Group and eSun Associated Group within a twelve (12) months period from the date of this announcement or otherwise related, which would, together with transactions under the Film Library Licence Agreement, be regarded as a series of transactions and treated as if they were one transaction under Rule 20.25 of the GEM Listing Rules.

## **GEM LISTING RULES IMPLICATIONS**

Pursuant to the GEM Listing Rules, if the Company revises the Original Annual Cap, the Company is required to re-comply with the relevant provisions under Chapter 20 of the GEM Listing Rules.

As eSun is a controlling shareholder of the Company indirectly holding approximately 51.09% of the existing issued share capital of the Company through one of its wholly-owned subsidiaries (i.e. Perfect Sky), eSun and its associates are connected persons of the Company under the GEM Listing Rules. Since each of Media Asia Distribution (BVI) and Media Asia Distribution (HK) is a subsidiary of eSun, each of Media Asia Distribution (BVI) and Media Asia Distribution (HK) is a connected person of the Company under the GEM Listing Rules. Therefore, the transactions contemplated under each of the Film Library Licence Agreements and the Revision of Annual Cap constitute continuing connected transactions of the Company under the GEM Listing Rules.

As all the relevant Percentage Ratios applicable to the Revised Annual Cap are less than 25% and the Revised Annual Cap is less than HK\$10,000,000, the Revision of Annual Cap is only subject to reporting, announcement and annual review requirements and exempt from Independent Shareholders' approval requirement under Rule 20.34 of the GEM Listing Rules.

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

The principal activity of the Company is investment holding. The Group's principal activities include film production and distribution; organisation, management and production of concerts and live performances; artiste management; production and distribution of television drama series; music production and publishing; cinema investment and operation; provision of consultancy services in planning and management of cultural, entertainment and live performance projects; provision of contents to new media; and operation of new media and related business primarily in the PRC and Macau.

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

The principal activities of Media Asia Distribution (BVI) include film distribution, licensing of film rights and film investment.

The principal activities of Media Asia Distribution (HK) include film distribution and film library management.

## DEFINITIONS

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

“Announcement”	the announcement of the Company dated 23 December 2011 relating to, among other things, the continuing connected transactions contemplated under the Film Library Licence Agreements for the three financial years of the Company ending 31 July 2014;
“associates”	has the meaning ascribed to it under the GEM Listing Rules;
“Board”	the board of Directors;
“BVI”	the British Virgin Islands
“Circular”	the circular of the Company dated 17 February 2012 relating to, among other things, the continuing connected transactions contemplated under the Film Library Licence Agreements for the three financial years of the Company ending 31 July 2014;
“Company”	Media Asia Group Holdings Limited, a company incorporated in the Cayman Islands and continued in Bermuda as an exempted company with limited liability, the shares of which are listed and traded on GEM (Stock Code: 8075);
“connected person(s)”	has the meaning ascribed to it in Rule 1.01 of the GEM Listing Rules and as extended by Rule 20.11 of the GEM Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the GEM Listing Rules;
“Directors”	the directors of the Company;
“eSun”	eSun Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 571);
“eSun Associated Group”	eSun and/or any of its associates (excluding any member of the Group) from time to time;
“Film Gross Receipts”	the sums actually received by the Company from the exploitation of any or all of the rights granted to it under the licence under the relevant Film Library Licence Agreement, provided that any amount which cannot be remitted to the Company as part of the Film Gross Receipts for any reason will only be included when actually collected by the Company (less any costs, discounts or expenses incurred in obtaining a remittance);

“Film Library Licence Agreements”	(i) the Media Asia Distribution (BVI) Film Library Licence Agreement and (ii) the Media Asia Distribution (HK) Film Library Licence Agreement; each a “Film Library Licence Agreement”;
“Film Licensors”	licensors under the Film Library Licence Agreements, namely Media Asia Distribution (BVI) and Media Asia Distribution (HK), and each the “Film Licensor”;
“Film Net Receipts”	the Film Gross Receipts less: <ul style="list-style-type: none"> <li>(i) the costs and disbursements actually incurred by the Company from the exploitation of any or all of the rights granted to it under the licence under the relevant Film Library Licence Agreement. For the avoidance of doubt, such deductible costs shall not include any costs of taking any proceedings or taking any action pursuant to the relevant Film Library Licence Agreement to enforce the rights in the films; and</li> <li>(ii) all taxes, costs and expenses incurred by the Company in connection with the Film Gross Receipts or for the transmission of payments to the Company in the PRC and Macau which are attributable to the relevant film licence;</li> </ul>
“GEM”	the Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“Group”	the Company and/or its subsidiaries from time to time;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Shareholders”	all Shareholders other than Perfect Sky;
“Macau”	the Macau Special Administrative Region of the PRC;
“Media Asia Distribution (BVI)”	Media Asia Distribution Ltd., a company established under the laws of the BVI and a wholly-owned subsidiary of eSun;
“Media Asia Distribution (BVI) Film Library Licence Agreement”	the Film Library Licence Agreement dated 23 December 2011 and entered into between Media Asia Distribution (BVI), the Company and eSun in respect of the grant of licence by Media Asia Distribution (BVI) to the Company to certain films;
“Media Asia Distribution (HK)”	Media Asia Distribution (HK) Limited, a company established under the laws of Hong Kong and a wholly-owned subsidiary of eSun;

“Media Asia Distribution (HK) Film Library Licence Agreement”	the Film Library Licence Agreement dated 23 December 2011 and entered into between Media Asia Distribution (HK), the Company and eSun in respect of the grant of licence by Media Asia Distribution (HK) to the Company to certain films;
“Original Annual Caps”	the annual cap amounts in respect of the Royalties for the three years ending 31 July 2014, respectively, as set out in the Circular;
“Percentage Ratio(s) “	the percentage ratio(s) as set out in Rule 19.07 of the GEM Listing Rules to be applied for determining the classification of a transaction;
“Perfect Sky”	Perfect Sky Holdings Limited, a company established under the laws of the BVI and a wholly-owned subsidiary of eSun, directly holding approximately 51.09% of the existing issued share capital of the Company;
“PRC”	the People’s Republic of China excluding Hong Kong, Macau and Taiwan for the purpose of this announcement;
“Revised Annual Cap”	the revised annual cap amount in respect of the Royalties for the year ending 31 July 2013 as set out in this announcement;
“Revision of Annual Cap”	the proposed revision of annual cap amount in respect of the Royalties for the year ending 31 July 2013 as set out in this announcement;
“Royalties”	the royalties payable by the Company to eSun as designated representative of the Film Licensors under the Film Library Licence Agreements, being eighty-five (85)% of all Film Net Receipts earned by the Company in respect of any exploitation of the rights by the Company of any or all of the rights granted to it under the licence;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company;
“Shareholders”	holders of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules;
“%”	per cent.

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

Hong Kong, 26 March 2013

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

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

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