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Media Asia Group Holdings Limited

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

(Stock Code: 8075)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE MUSIC CATALOGUE DISTRIBUTION AGREEMENT

On 13 December 2017, the Company entered into the Music Catalogue Distribution Agreement with CAL, EAM and FSL, pursuant to which the Company is appointed as the distributor of and licensed with the rights to distribute the Works and the Karaoke Music Videos in the PRC for a period of three years from 1 April 2018 to 31 March 2021.

As at the date of this announcement, eSun is the controlling shareholder of the Company indirectly holding approximately 67.56% of the issued share capital of the Company and therefore a connected person of the Company. Each of CAL, EAM and FSL is a wholly-owned subsidiary of eSun and therefore is a connected person of the Company under the GEM Listing Rules. Accordingly, the transactions contemplated under the Music Catalogue Distribution Agreement constitute continuing connected transactions of the Company under the GEM Listing Rules.

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

THE MUSIC CATALOGUE DISTRIBUTION AGREEMENT

On 13 December 2017, the Company (as licensee) entered into the Music Catalogue Distribution Agreement with CAL, EAM and FSL (as licensor), pursuant to which the Company is appointed as the distributor of and licensed with the rights to distribute the Works and the Karaoke Music Videos in the PRC for a period of three years. The principal terms of the Music Catalogue Distribution Agreement are summarised as follows:

Term: three years from 1 April 2018 to 31 March 2021

Territory: the PRC

Distribution service: in respect of the rights licensed by the Licensor, the Company shall provide:

- (a) distribution service of the Works and the Karaoke Music Videos in physical configurations and electronic transmission medium;
- (b) marketing support service; and
- (c) any additional service at charge in addition to the Distribution Fee upon agreement with the Licensor in writing.

Licensed rights: to do all acts which the Licensor is entitled to do pursuant to the copyright laws in the PRC in relation to the Works and the Karaoke Music Videos, including:

- (a) sole and exclusive rights to distribute, make available, sell, advertise, market and exploit the Works and the Karaoke Music Videos;
- (b) right to issue, rent, lend and show copies to the public;
- (c) right to copy onto a secure computer server of the Company in the PRC and the right to exploit via transmission, distribution, dissemination or making available by any means;
- (d) right to use all materials and information related to the Works and the Karaoke Music Videos provided by or on behalf of the Licensor in connection with the distribution of the Works and the Karaoke Music Videos; and
- (e) right to grant a sublicense to any person or corporation provided that the Company will remain responsible to the Licensor for all the acts, omissions and neglects of the sublicensee. The Company may permit the sublicensee to grant a further sublicense to one or more subsublicensee(s) provided that the Company shall procure that the sublicensee remains responsible to the Company for all the acts, omissions and neglects of such subsublicensee(s).

Distribution Fee: in consideration of the Company providing the services to the Licensor in accordance with the terms contained in the Music Catalogue Distribution Agreement, the Company will be entitled to retain 15% of the Gross Revenue as the Distribution Fee.

Payment: the Company shall provide quarterly statements to the Licensor setting out, among others, the proceeds for the relevant calendar quarter, which is determined by deducting from the Gross Revenue:

- (a) all taxes, costs and expenses incurred by the Company or its dealers, which have been prior agreed between the Company and the Licensor or as permitted under the Music Catalogue Distribution Agreement;
- (b) the Distribution Fee; and
- (c) any other deductions (if applicable).

The Company shall remit the proceeds actually received to the Licensor within 30 days after receiving the Licensor's confirmation on the statement.

ANNUAL CAPS

The annual caps for the Continuing Connected Transactions in each of the three financial years ending 31 July 2018, 2019 and 2020 and the eight months ending 31 March 2021 are as follows:

	For the year ending 31 July			For the eight
	2018	2019	2020	months ending
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	31 March 2021
Annual caps	2,600,000	7,900,000	8,700,000	<i>HK\$</i> 6,200,000

The above annual caps are determined with reference to:

- (a) the projected revenue stream that could be generated by the Group in the distribution of the Works and the Karaoke Music Videos licensed under the Music Catalogue Distribution Agreement; and
- (b) the rate of Distribution Fee stipulated in the Music Catalogue Distribution Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MUSIC CATALOGUE DISTRIBUTION AGREEMENT

The Directors believe that the Group has the appropriate platform to fully exploit and capture the potential financial benefits of the underlying assets in the Music Catalogue Distribution Agreement. Furthermore, as the Group has been building up its own music library over time, it is more efficient and financially more lucrative to license and/or sublicense the rights of its own music works to the potential customers together with the music works in the Music Catalogue Distribution Agreement. The bundling of music works of the Group and the Licensor in a transaction enables the Group to capture a wider customer base as well as to charge a better fee for the transaction being contemplated.

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

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

INFORMATION OF THE GROUP AND THE CONNECTED PERSONS

The Company is an exempted company incorporated in the Cayman Islands and continued in Bermuda with limited liability. The principal activity of the Company is investment holding. The principal activities of the Group include film production and distribution; organisation, management and production of concerts and live performances; artiste management; production and distribution of television programs; music production and publishing; licensing of media contents; provision of consultancy services in planning and management of culture, entertainment and live performance projects.

The principal activities of CAL include the licensing of its music library and the production and sales of music records, discs and videos. The principal activities of EAM include music production and distribution, and provision of artiste management services. The principal activities of FSL include music production and distribution. All of CAL, EAM and FSL are wholly-owned subsidiaries of eSun.

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

GEM LISTING RULES IMPLICATIONS

As at the date of this announcement, eSun is the controlling shareholder of the Company indirectly holding approximately 67.56% of the issued share capital of the Company and therefore a connected person of the Company. Each of CAL, EAM and FSL is a wholly-owned subsidiary of eSun and therefore is a connected person of the Company under the GEM Listing Rules. Accordingly, the transactions contemplated under the Music Catalogue Distribution Agreement constitute continuing connected transactions of the Company under the GEM Listing Rules.

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

DEFINITIONS

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

“Board”	the board of Directors
“CAL”	Capital Artists Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of eSun
“Company”	Media Asia Group Holdings Limited, an exempted company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the shares of which are listed and traded on the GEM (Stock Code: 8075)
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Continuing Connected Transactions”	the continuing connected transactions contemplated under the Music Catalogue Distribution Agreement
“controlling shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company

“Distribution Fee”	15% of the Gross Revenue
“EAM”	East Asia Music (Holdings) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of eSun
“eSun”	eSun Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 571) and the controlling shareholder of the Company
“FSL”	Fortunate Sound Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of eSun
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Gross Revenue”	the total incomes, revenues and/or payments actually received by the Company with respect to distribution, transmission and communication of the Works and the Karaoke Music Videos
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Karaoke Music Videos”	the music audio-visual recordings listed in a schedule of the Music Catalogue Distribution Agreement, of which the Licensor is the sole and beneficial owner and has the right to license or appoint distributor
“Licensor”	CAL, EAM and FSL
“Macau”	the Macau Special Administrative Region of the PRC
“Music Catalogue Distribution Agreement”	the distribution agreement dated 13 December 2017 entered into among CAL, EAM, FSL and the Company in respect of grant of licence by the Licensor to the Company to distribute the Works and the Karaoke Music Videos in the PRC
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan for the purpose of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“Works”	the sound recordings listed in a schedule of the Music Catalogue Distribution Agreement, of which the Licensor is the sole and beneficial owner and has the right to license or appoint distributor

“0%”

per cent.

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

Hong Kong, 13 December 2017

As at the date of this announcement, the Board comprises four executive Directors, namely Dr. Lam Kin Ngok, Peter (Chairman), Mr. Chan Chi Kwong, Mr. Lui Siu Tsuen, Richard and Mr. Yip Chai Tuck; and three independent non-executive Directors, namely Mr. Chan Chi Yuen, Mr. Ng Chi Ho, Dennis and Mr. Zhang Xi.

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

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