

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**eSun Holdings Limited**  
(Incorporated in Bermuda with limited liability)  
(Stock Code: 571)

## **CONNECTED TRANSACTIONS DISTRIBUTION AGREEMENTS**

Reference is made to the announcement of eSun dated 14 April 2008, in relation to, amongst other things, the Co-Production Agreement entered into between Media Asia Films, China Film Group and Xing Mei in relation to the Film. Pursuant to the Co-Production Agreement, the terms of the distribution of the Film would be subject to separate agreements. The eSun Directors announce that on 20 October 2009, Media Asia Films entered into two Distribution Agreements, the Media Asia Distribution Agreement with China Film Group, Xing Mei and Media Asia Distribution relating to the distribution of the Film throughout various territories in Asia, including Hong Kong and Macau; and the China Film Distribution Agreement with China Film Group, Xing Mei, CFG Distribution and CFG Marketing relating to the distribution of the Film in the PRC (excluding Hong Kong, Macau and Taiwan).

Media Asia Films is an indirect wholly-owned subsidiary of eSun. China Film Audio Video Publishing House, a member of the China Film Group, is the substantial shareholder of an indirect subsidiary and a connected person of eSun. As such, China Film Group is understood by the eSun Directors to be an associate of a connected person to eSun and therefore the Distribution Agreements are a connected transaction for eSun under Chapter 14A of the Listing Rules.

Reference is made to the announcement of eSun dated 14 April 2008, in relation to, amongst other things, the Co-Production Agreement entered into between Media Asia Films, China Film Group and Xing Mei. Pursuant to the terms of the Co-Production Agreement, the investment contribution ratio in the Film for China Film Group and Xing Mei (collectively) is 90% of the estimated production budget and for Media Asia Films, 10% of the estimated production budget (the “Investment Contribution Ratio”).

## **THE DISTRIBUTION AGREEMENTS**

### **1. The Media Asia Distribution Agreement**

The eSun Directors announce that on 20 October 2009, Media Asia Films entered into the Media Asia Distribution Agreement with China Film Group, Xing Mei and Media Asia Distribution pursuant to which Media Asia Distribution would be given the sole and exclusive right to distribute the Film throughout various territories in Asia, including Hong Kong and Macau.

Under the Media Asia Distribution Agreement, Media Asia Distribution would be entitled to a commission of 15% of the gross revenue from distributing the Film in the territories specified in the agreement (“Media Asia Territories”). In addition, Media Asia Distribution would provide a guarantee to the Co-Production Parties that the net income from the Film in the Media Asia Territories after the 90<sup>th</sup> day of the first screening of the Film in the Media Asia Territories will not be less than RMB6,500,000 (the “Media Asia Guarantee Amount”). The amount guaranteed to the Co-Production Parties by Media Asia Distribution pursuant to the above guarantee will be guaranteed to those parties in the ratio of the Investment Contribution Ratio. Consequently, the maximum amount to be guaranteed by the Media Asia Group to China Film Group and Xing Mei will be RMB5,850,000 (i.e. 90% of the Media Asia Guarantee Amount of RMB6,500,000).

### **2. The China Film Distribution Agreement**

The eSun Directors also announce that on 20 October 2009, Media Asia Films entered into the China Film Distribution Agreement with China Film Group, Xing Mei, CFG Distribution and CFG Marketing pursuant to which CFG Distribution, CFG Marketing and Xing Mei (the “China Distributors”) would be given the sole and exclusive right to distribute the Film throughout the PRC (excluding Hong Kong, Macau and Taiwan).

Under the China Film Distribution Agreement, the China Distributors would be entitled to a commission of 15% of the gross revenue from distributing the Film throughout the PRC. In addition, the China Distributors would provide a guarantee to the Co-Production Parties that the net income from the Film in the PRC after the 60<sup>th</sup> day of the first screening of the Film in the PRC will not be less than RMB45,000,000 (the “China Distributors Guarantee Amount”). The amount guaranteed to the Co-Production Parties by the China Distributors pursuant to the above guarantee will be guaranteed to those parties in the ratio of the Investment Contribution Ratio. Consequently, the maximum amount to be guaranteed by the China Distributors to the Media Asia Group will be RMB4,500,000 (i.e., 10% of the China Distributors Guarantee Amount of RMB45,000,000).

## **REASONS FOR THE TRANSACTIONS**

The Media Asia Group is engaged in film production and the distribution of copyright and film rights and has a reputation as a leading distributor of Chinese language films worldwide. China Film Group, understood to be one of the most comprehensive and extensive state-owned film enterprises in the PRC, with the largest facilities for film production and distribution. By sharing the costs of production and distribution, the parties are able to produce and distribute the Film on the basis of a larger budget than either of them might have been willing to fund had they chosen to proceed alone. In addition, by fostering connections with China Film Group, the eSun Directors believe that Media Asia will benefit not just from cost sharing, but also from the ability to access and recruit production and acting talent and film supporting services for the subject and possibly future films, as well as possibly future distribution in the PRC market due to China Film Group's vast network and relationships in the PRC.

The terms of the Distribution Agreements, including but not limited to the guarantees and the distribution fees, were negotiated on an arm's length basis and are based on industry practice in Hong Kong and the PRC.

The eSun Directors (including the independent non-executive directors of eSun) consider that the Distribution Agreements are on normal commercial terms, are fair and reasonable, in the interests of eSun and its shareholders as a whole and a normal business practice for the Media Asia Group to enter into the Distribution Agreements.

## **LISTING RULES IMPLICATIONS**

Media Asia Films is an indirect wholly-owned subsidiary of eSun. China Film Audio Video Publishing House, a member of the China Film Group, is the substantial shareholder of an indirect subsidiary and a connected person of eSun. As such, China Film Group is understood by the eSun Directors to be an associate of a connected person to eSun. Additionally, CFG Distribution and CFG Marketing are understood to be fully funded subsidiaries of China Film Group. Therefore the Distribution Agreements are a connected transaction for eSun under Chapter 14A of the Listing Rules.

To the best of the eSun Directors' knowledge, information and belief having made all reasonable enquiries, Xing Mei and its respective ultimate beneficial owners are third parties independent of eSun and China Film Group.

The aggregate amount payable under the Media Asia Distribution Agreement represents more than 0.1 per cent. but less than 2.5 per cent. of one or more applicable percentage ratios (as defined in the Listing Rules). Accordingly, whilst the Media Asia Distribution Agreement is subject to reporting and announcement requirements under Rule 14A.32 of the Listing Rules, no approval of independent shareholders of the Company will be required.

The aggregate amount payable under the China Distribution Agreement represents more than 0.1 per cent. but less than 2.5 per cent. of one or more applicable percentage ratios (as defined in the Listing Rules). Accordingly, whilst the China Distribution Agreement is subject to reporting and announcement requirements under Rule 14A.32 of the Listing Rules, no approval of independent shareholders of the Company will be required.

## INFORMATION ON THE PARTIES

The principal activities of the eSun Group comprise the development and operation of and investment in media and entertainment, production and distribution of music, production, investment in and distribution of films and video format products, the provision of advertising agency services, and development of a site in Cotai, Macau into a multi-use complex.

The principal activity of China Film Group is understood to be the production and distribution of films in the PRC. The principal activities of Xing Mei are understood to include investments in film production.

## DEFINITIONS

In this announcement, the following terms and expressions (unless the context otherwise requires) shall have the following meanings:

“CFG Distribution”	China Film Group Film Distribution and Exhibition Corporation (中國電影集團公司電影發行放映分公司), a company incorporated in the PRC;
“CFG Marketing”	China Film Group Marketing Corporation (中國電影集團公司電影營銷策劃分公司), a company incorporated in the PRC;
“China Film Distribution Agreement”	the distribution agreement dated 20 October 2009 and entered into between Media Asia Films, China Film Group, Xing Mei, CFG Distribution and CFG Marketing relating to the distribution of the Film in the PRC (excluding Hong Kong, Macau and Taiwan);
“China Film Group”	China Film Group Corporation (中國電影集團公司), a company incorporated in the PRC;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Co-Production Agreement”	the co-production agreement entered into on 3 December 2007 between the Co-Production Parties;
“Co-Production Parties”	Media Asia Films, China Film Group and Xing Mei;
“Distribution Agreements”	the Media Asia Distribution Agreement and the China Film Distribution Agreement;
“eSun”	eSun Holdings Limited, a company incorporated in Bermuda whose shares are listed on the Stock Exchange;
“eSun Directors”	the directors of eSun;
“eSun Group”	eSun and its subsidiaries;

“Film”	the film 《City of Life and Death》 produced pursuant to the terms of the Co-Production Agreement;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Macau”	Macau Special Administrative Region of the PRC;
“Media Asia”	Media Asia Entertainment Group Limited;
“Media Asia Distribution Agreement”	the distribution agreement dated 20 October 2009 entered into between Media Asia Films, China Film Group, Xing Mei and Media Asia Distribution pursuant to which Media Asia Distribution would be given the sole and exclusive right to distribute the Film throughout various territories in Asia, including Hong Kong and Macau;
“Media Asia Distribution”	Media Asia Distribution Ltd;
“Media Asia Films”	Media Asia Films Limited;
“Media Asia Group”	Media Asia and its subsidiaries, including Media Asia Distribution and Media Asia Films;
“PRC”	People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Xing Mei”	Xing Mei (Beijing) Film Co., Ltd. (星美(北京)影業有限公司), a company incorporated in the PRC; and
“%” or “ per cent.”	percentage.

*For illustration purposes only, amounts denominated in RMB have been converted into HK\$ at a rate of HK\$1.00 = RMB0.88.*

By Order of the Board  
**eSun Holdings Limited**  
**Yeung Kam Hoi**  
*Company Secretary*

Hong Kong, 20 October 2009

*As at the date of this announcement, the executive directors of eSun are Mr. Lam Kin Ngok, Peter, Miss Leung Churk Yin, Jeanny, Mr. Cheung Wing Sum, Ambrose and Mr. Low Kit Leong; the non-executive directors are Mr. Lien Jown Jing, Vincent, Madam U Po Chu and Mr. Lo Kwok Kwei, David; and the independent non-executive directors are Mr. Tong Ka Wing, Carl, Mr. Alfred Donald Yap, Mr. Low Chee Keong and Dr. Ng Lai Man, Carmen.*