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MODERN MEDIA HOLDINGS LIMITED

現代傳播控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 72)

DISCLOSEABLE TRANSACTION — DEEMED DISPOSAL OF EQUITY INTEREST IN MODERN DIGITAL HOLDINGS LIMITED

THE INVESTMENT AGREEMENT

On 10 March 2017 (after trading hours), Septwolves Invest, the Company and MDHL, entered into the Investment Agreement. Pursuant to the Investment Agreement, each of Septwolves Invest and the Company have agreed to subscribe for, and MDHL has agreed to allot and issue, a total of 428,571 Subscription Shares for an aggregate consideration of approximately RMB79,650,000 (or its equivalent) in cash. As at the date of this announcement, MDHL is a wholly owned subsidiary of the Company. Subject to and upon completion of the Investment Agreement, MDHL will become an indirectly non-wholly owned subsidiary of the Company, the issued shares of which will be held as to 70% by the Company (indirectly) and as to 30% by Septwolves Invest.

LISTING RULES IMPLICATIONS

Following the completion of the Subscription, the Group's interest in MDHL will be diluted from 100% to 70%, which gives rise to a deemed disposal pursuant to Rule 14.29 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Subscriptions are more than 5% but less than 25%, the Subscriptions constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 10 March 2017 (after trading hours), Septwolves Invest, the Company and MDHL, entered into the Investment Agreement. Pursuant to the Investment Agreement, each of Septwolves Invest and the Company have agreed to subscribe for, and MDHL has agreed to allot and issue, a total of 428,571 Subscription

Shares for an aggregate consideration of approximately RMB79,650,000 (or its equivalent) in cash. As at the date of this announcement, MDHL is a wholly owned subsidiary of the Company. Subject to and upon completion of the Investment Agreement, MDHL will become an indirectly non-wholly owned subsidiary of the Company, the issued shares of which will be held as to 70% by the Company (indirectly) and as to 30% by Septwolves Invest.

THE INVESTMENT AGREEMENT

The principal terms of the Investment Agreement are summarised as follows:

Date

10 March 2017 (after trading hours)

Parties

- (1) Septwolves Invest (as one of the subscribers);
- (2) the Company (as one of the subscribers); and
- (3) MDHL (as issuer).

Septwolves Invest is an indirectly wholly-owned subsidiary of the Fujian Septwolves. For the financial year ended 31 December 2016, the Fujian Septwolves (of which) placed advertisements with the Group's media business, which were entered into in the ordinary course of their respective businesses. The total transaction values so made between the Group and the Fujian Septwolves amounted to about RMB16.5 million.

To the best of the Directors' knowledge, information and belief of the Directors, after having made all reasonable enquiries, save for the above type of business transactions, Septwolves Invest and its ultimate beneficial owners are Independent Third Parties of the Company and its connected persons.

The Subscriptions

As at the date of the Investment Agreement, there were 1 million MDHL Shares in issue, all of which are owned by E-Starship (which in turn is a direct wholly-owned subsidiary of the Company).

Pursuant to the Investment Agreement, Septwolves Invest has agreed to subscribe for 428,570 Subscription Shares at a subscription price of RMB43,050,000 in cash, and the Company has agreed to, through E-Starship, subscribe for 1 Subscription Shares at a subscription price of RMB36,600,000 in cash.

The respective amounts of the subscription prices of the Subscriptions to be made by Septwolves Invest and the Company were arrived at after arm's length negotiations between the Company and Septwolves Invest and was determined with reference to, among other things, the net asset value of MDHL as at 31 December 2016.

The subscription price for the Septwolves Invest Subscription in the amount of RMB43,050,000 shall be paid by Septwolves Invest to the designated bank account of MDHL within 7 business days after the fulfillment of all Conditions Precedent (other than any of the Conditions Precedent waived pursuant to the Investment Agreement) as detailed in the paragraph headed “Conditions Precedent” of this announcement (or such other date as the parties thereto may agree in writing). The subscription price for the Company Subscription in the amount of RMB36,600,000 shall be paid by the Company to the same bank account on or before 31 July 2017, on the condition that the subscription price for the Septwolves Invest Subscription will have been fully paid by Septwolves Invest.

As at the date of this announcement, MDHL is a wholly-owned subsidiary of E-Starship and an indirect wholly-owned subsidiary of the Company.

Upon completion of the Subscriptions, the total number of issued shares of MDHL will be enlarged from 1,000,000 shares to 1,428,571 shares, and MDHL will be held as to approximately 30% and 70% by Septwolves Invest and E-Starship, respectively. MDHL will remain as a subsidiary of the Company upon completion of the Subscriptions.

Conditions Precedent

Completion of the Investment Agreement is conditional upon, among others, the following:

- (i) the articles of association of MDHL having been amended to reflect the terms as agreed and specified under the Investment Agreement; and
- (ii) all relevant approvals and consents (including internal approvals, approvals from relevant authorities and any Independent Third Parties (if applicable)) having been obtained by each of Septwolves Invest, the Company and MDHL in connection with their respective performance under the Investment Agreement.

The relevant obligee for a Condition Precedent is entitled to waive that Condition Precedent in favour of to the corresponding obligor.

Use of Proceeds

The total proceeds of the Subscriptions will be approximately RMB79,650,000, which is intended to be used for investment in, mergers and/or acquisitions of and expansion of new business projects in the digital media industry. The proceeds of the Subscription shall, in principle, not be used for MDHL or the MDHL Group’s general working capital.

Management of MDHL

Pursuant to the Investment Agreement, Septwolves Invest may nominate a director to the board of directors of MDHL (“**MDHL Board**”), who shall assume the role as vice chairman of the MDHL Board. The nominee director of Septwolves Invest shall have such experience and qualifications to comply with the applicable listing rules requirements. Upon resignation or termination of appointment of the said director, Septwolves Invest may nominate a replacement candidate to the MDHL Board, which the Company and MDHL shall vote for such appointment in the relevant shareholders’ meeting.

Under the Investment Agreement, save for nominating a director to and attending meetings of the MDHL Board, Septwolves Invest has agreed not to participate in the daily operations of MDHL. However, the following decisions and/or proposals which are material to the businesses of MDHL shall be subject to Septwolves Invest's review and prior consent in writing (who consent shall not be unreasonably refused or withheld): (i) medium to long term strategic development plan, yearly operational plan (excluding plans for daily operations) and budget of MDHL; (ii) alteration of MDHL's share capital; (iii) loans or guarantees of MDHL to or from external parties if it may affect MDHL's credit risks; (iv) investment, merger or acquisition in projects which are beyond the existing business of the MDHL Group; and (v) alteration of the articles of association of MDHL.

Following completion of the Septwolves Invest Subscription, Septwolves Invest enjoys information rights concerning the businesses and financial positions of the MDHL Group.

Expected Annual Performance of MDHL

Pursuant to the Investment Agreement, the Company undertakes to Septwolves Invest that the expected revenue after tax of the MDHL Group for each of the first, second and third year immediately following the Subscriptions (i.e. the three financial years ending 31 December 2017, 2018 and 2019) will be no less than HK\$140 million, HK\$162 million, and HK\$186 million, respectively.

Undertakings by Septwolves Invest

Reference is made to the various announcements of the Company published from 9 March 2015 to 27 June 2016, in relation to, among others, the proposed spin-off (the “**Proposed Spin-off**”) of the digital and television businesses. Though the Proposed Spin-off has been temporary postponed, the Company is actively investigating and exploring the possibility of recommencing the Proposed Spin-off within this year.

Pursuant to the Investment Agreement, Septwolves Invest undertakes to the Company and MDHL that upon completion of the Subscriptions and up until the end of the twelve-month period after the completion of the subscription (the “**Lockup Period**”), Septwolves Invest will not transfer or dispose of, or enter into any agreements to transfer or dispose of or otherwise create any encumbrances (including the creation or entry into of any agreement to create any pledge or charge) in respect of any of the Subscription Shares, and the immediate holding company of Septwolves Invest will not transfer or dispose of, or enter into any agreements to transfer or dispose of or otherwise create any encumbrances (including the creation or entry into of any agreement to create any pledge or charge) in respect of any of its equity interest in Septwolves Invest. The parties further agree that if, within the original Lockup Period, the Proposed Spin-off is recommenced, the original Lockup Period will be extended up to the end of the six-month period after the successful separate listing (“**MDHL Listing**”) of MDHL on the Growth Enterprise Market of the Stock Exchange (or any other stock exchanges, as the case may be) as contemplated under the Proposed Spin-off, unless: (a) if the Proposed Spin-off is refused or rejected by the relevant approving authorities, the original Lockup Period will be extended up to the date on which the Company or MDHL will be notified of such refusal or rejection (in the case where the Company or MDHL has the right review or appeal the decision to refuse or reject the Proposed Spin-off, if (i) the Company or MDHL proceeds with such review or appeal, the original Lockup Period will be extended up to the date of the completion of such review or appeal procedures which

ultimately reaffirm such refusal or rejection; or (ii) the Company or MDHL does not proceed with such review or appeal, the original Lockup Period will be extended up to the date following the expiry of the prescribed deadline for initiating such review or appeal). The parties agree that, whether or not the proposed spin-off is recommenced, the original Lockup Period, including any extension, will be subject to a maximum of eighteen months after the completion of the subscription. At the expiry of the eighteen-month period, if MDHL is successfully listed before Septwolves Invest has disposed of its shares in MDHL, Septwolves Invest agrees to co-operate and negotiate for a further extension of the Lockup Period.

Put option given by the Company in favour of Septwolves Invest

In case of the occurrence of any of the following events, and if at the material time Septwolves Invest holds no less than 5% of the total issued shares of MDHL, Septwolves Invest shall be entitled, on or before 30 April 2020, to require the Company to acquire all MDHL Shares then held by Septwolves Invest:

- (i) MDHL fails to achieve the expected annual performance as stated above for any of the respective years;
- (ii) the MDHL Group failing to hold any necessary licence or permit for it to carry on its digital media business, or the contractual arrangements applicable to the relevant subsidiaries of MDHL becoming non-compliant with the applicable laws and regulations or becoming ineffective;
- (iii) the occurrence of material integrity issues on the part of Mr. Shao Zhong, the chairman and an executive director of the Board and the controlling shareholder of the Company, such as misappropriation of any corporate assets; or
- (iv) misconduct and any other financial malpractices (including tax evasion and failure in keeping proper accounting records of MDHL's transactions) of MDHL.

If Septwolves Invest exercises such put option, the Company is required to complete the above purchase within three months from the date of Septwolves Invest's service of the option notice. In such connection, the purchase price shall be equivalent to (a) the aggregate of the total investment amount of Septwolves Invest and (b) a compensation amount to be agreed between the parties.

Right of First Refusal

During the period upon completion of the Investment Agreement but prior to the successful listing of MDHL on the Growth Enterprise Market of the Stock Exchange (or any other stock exchanges, as the case may be) as contemplated under the Proposed Spin-off, if the Company intends to sell or dispose any of its equity interests (through E-Starship) in MDHL, Septwolves Invest enjoys first right of refusal as to (i) the acquisition of the subject sale shares; or (ii) selling or disposing its shares in MDHL (together with any MDHL Shares held attributable to the Company) on a pro rata basis.

INFORMATION ON THE GROUP, MDHL GROUP AND SEPTWOLVES INVEST

The principal activity of the Company is investment holding. The Group is principally engaged in two business segments, namely print media and art, and (through the MDHL Group) digital media with television programme production. The Group is a leading integrated media enterprise with a multi-media platform comprising of established printed magazine portfolios, art exhibition and education, digital media, and TV programme production.

MDHL is an indirect wholly-owned subsidiary of the Company, which principal activity is investment holding. Subsidiaries of MDHL are principally engaged in digital media, and TV programme production. E-Starship is the immediate holding company of MDHL as at the date of this announcement.

The principal activity of Septwolves Invest is investment holding, and it is an indirect wholly-owned subsidiary of Fujian Septwolves, whose issued shares are listed on the Small and Medium Enterprise Board (the SME Board) of the Shenzhen Stock Exchange (stock code: 002029).

Fujian Septwolves is principally engaged in the design, production and distribution of garments/apparels, in particular, male garments/apparels.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTIONS

The capital contribution to be made by Septwolves Invest under the Investment Agreement will be utilised by MDHL for the development of its business expansion and potential merger and acquisition in enhancing the Group's market share in the digital media business. Apart from providing an immediate funding and increasing the liquidity of the Group, introducing Septwolves Invest, whose ultimate controlling shareholders has the expertise, rich resources and networking, as a strategic shareholder of MDHL would optimize sales network of MDHL Group. The Company believes that the Subscriptions, by introducing new funding and Septwolves Invest as a strategic shareholder of MDHL, would assist MDHL in developing and strengthening its long-term business development by leveraging on the financial strengths and extensive business networks of Septwolves Invest (and its associated corporations).

In light of the aforesaid, the Directors consider that the terms of the Investment Agreement are on normal commercial terms and are fair and reasonable, and entering into the Investment Agreement is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Following the completion of the Subscription, the Group's interest in MDHL will be diluted from 100% to 70%, which gives rise to a deemed disposal pursuant to Rule 14.29 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Subscriptions are more than 5% but less than 25%, the Subscriptions constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Company”	Modern Media Holdings Limited 現代傳播控股有限公司, a company incorporated under the laws of the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 72)
“Company Subscription”	the subscription of one (1) MDHL Share by the Company pursuant to the Investment Agreement
“Conditions Precedent”	the conditions precedent to be fulfilled for the completion of the Contributions pursuant to the Investment Agreement
“Director(s)”	the director(s) of the Company
“E-Starship”	E-Starship Limited, a company incorporated in the British Virgin Islands with limited liability, being a direct wholly-owned subsidiary of the Company
“Fujian Septwolves”	福建七匹狼實業股份有限公司 (Fujian Septwolves Industry Co., Ltd.), a limited company incorporated in the PRC whose issued shares are listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange (stock code: 002029)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	person(s) or company(ies) which is/are not connected person(s) (as defined in the Listing Rules) of the Company

“Investment Agreement”	the investment agreement dated 10 March 2017 entered into between MDHL (as issuer), the Company and Septwolves Invest (each as a subscriber) concerning the Subscriptions
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MDHL”	Modern Digital Holdings Limited 現代數碼控股有限公司, a company incorporated in the Cayman Islands as an exempted company with limited liability and a direct wholly-owned subsidiary of E-Starship and an indirect wholly-owned subsidiary of the Company
“MDHL Group”	MDHL and its subsidiaries, which include certain companies the results of which are consolidated and accounted for as subsidiaries of the Company by virtue of contractual arrangements (vis-à-vis equity ownership)
“MDHL Shares”	share(s) having a par value of HK\$0.01 each in the share capital in MDHL
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Septwolves Invest”	Hong Kong Septwolves Invest-Holding Limited 香港七匹狼投資控股有限公司, a limited company incorporated under the laws of Hong Kong and which is an indirect wholly-owned subsidiary of Fujian Septwolves
“Septwolves Invest Subscription”	the subscription of 428,570 new MDHL Shares by Septwolves Invest pursuant to the Investment Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriptions”	collectively, the Company Subscription and the Septwolves Invest Subscription

“Subscription Shares” MDHL Shares to be issued pursuant to the Subscriptions
“%” per cent.

By the order of the Board
Modern Media Holdings Limited
Shao Zhong
Chairman

Hong Kong, 10 March 2017

As at the date of this announcement, the Board comprises the following members: (a) as executive directors, Mr. SHAO Zhong, Mr. WONG Shing Fat, Mr. MOK Chun Ho, Neil, Ms. YANG Ying, Mr. LI Jian and Mr. DEROCHE Alain; (b) as non-executive director, Dr. Cheng Chi Kong; (c) as independent non-executive directors, Mr. JIANG Nanchun, Mr. WANG Shi and Mr. AU-YEUNG Kwong Wah and Dr. GAO Hao.