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

**CONTINUING CONNECTED TRANSACTION
CINEMA LEASE WITH LSD**

BACKGROUND

On 26 November 2018, the Lessee, a member of the eSun Group, entered into the Cinema Lease with LSD, pursuant to which LSD leased the Premises to the Lessee for operation of a cinema under the name of “MCL Cinema”.

The Cinema Lease was entered into pursuant to the Memorandum of Agreement, the term of which expired on 31 July 2020. Notwithstanding the expiry of the term of the Memorandum of Agreement, the Cinema Lease will continue for the remainder of its term.

THE CINEMA LEASE

On 26 November 2018, the Lessee and LSD entered into the Cinema Lease for the Premises for a fixed term of four years from 26 November 2018 to 25 November 2022 (both days inclusive) (“**Fixed Term**”). The Lessee has the option to renew the Cinema Lease for a further term of three years from the expiration of the Fixed Term (“**First Renewal Term**”) and the option to renew the Cinema Lease for another further term of three years from the expiration of the First Renewal Term (“**Second Renewal Term**”). The maximum total lease term is therefore ten years.

The total base rent for the Fixed Term is approximately HK\$23,300,000 (exclusive of management fee and air-conditioning charges, government rates, government rent and additional turnover rent). The base rent for the First Renewal Term and the Second Renewal Term shall be determined by an independent surveyor to be appointed and agreed by both parties, and such base rent shall not be more than HK\$582,030 per month and HK\$727,540 per month for the First Renewal Term and the Second Renewal Term respectively (in each case exclusive of other fees and additional turnover rent). The base rent under the Cinema Lease for each calendar month is payable on the first day of that calendar month. The additional turnover rent (if any) for any calendar month is payable by the 30th day of the next calendar month.

The amounts payable by the Lessee under the Cinema Lease comprise base rent and other fees (including property management fees and any additional turnover rent). Such amounts were determined after arm's length negotiations between the Lessee and LSD, after taking into consideration the prevailing market rent according to the valuation by an independent professional property valuer at the time when the Cinema Lease was entered into.

RIGHT-OF-USE ASSET

Pursuant to HKFRS 16, which became effective for the eSun Group from 1 August 2019, the eSun Group has recognised a right-of-use asset in respect of the Cinema Lease, which is measured at the present value of the total base rent payable in the remainder of the term of the Cinema Lease, discounted using an incremental borrowing rate and is depreciated over the remainder of the term. The amount of such right-of-use asset as at 1 August 2020 is expected to be approximately HK\$48,300,000.

ANNUAL CAPS

The amounts payable by the Lessee other than the base rent (such as the property management fees and any additional turnover rent) under the Cinema Lease are recorded as expenses incurred by the eSun Group over the remainder of the term of the Cinema Lease. Such amounts are subject to an annual cap of HK\$3,000,000 for each of the eight financial years ending 31 July 2028 and an annual cap of HK\$1,000,000 for the financial year ending 31 July 2029. Such annual caps are determined by reference to the terms of the Cinema Lease, taking into account the expected box office performance of the MCL Cinema on the Premises in coming years.

LISTING RULES IMPLICATIONS

LSD is a holding company of eSun and hence a connected person of eSun under the Listing Rules. Accordingly, the Cinema Lease is a continuing connected transaction for eSun.

As the highest of (i) the applicable percentage ratios for eSun in respect of the above right-of-use asset value and (ii) those in respect of the above annual caps is more than 0.1% but less than 5%, the Cinema Lease and the above annual caps are subject to the reporting, announcement and annual review requirements but are exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules for eSun.

eSun will comply with the requirements under Chapter 14A of the Listing Rules if any of the above annual caps is exceeded, or when the Cinema Lease is renewed or when its terms are varied.

OPINION OF INDEPENDENT FINANCIAL ADVISER

Since the duration of the Cinema Lease exceeds three years, an independent financial adviser is required under Rule 14A.52 of the Listing Rules to be appointed to explain why the duration of the Cinema Lease requires a period longer than three years and to confirm that it is normal business practice for agreements of this type (being cinema leases and licences) to be of such duration. Opus Capital was appointed by eSun before the Lessee's entering into the Cinema Lease as the independent financial adviser to the Board of eSun for such purpose.

In assessing the reasons for the duration of the Cinema Lease to be longer than three years and to confirm that it was normal business practice for agreements of this type to be of such duration, Opus Capital has considered the following factors:

- (i) the lease tenure is in line with the eSun Group's own leasing practice;
- (ii) an option to have a long lease tenure will enable the eSun Group to further effectively manage the business operations with certainty and achieve operational efficiency and synergy by leveraging on the Lessee's existing cinema network and experience in operating cinemas in Hong Kong;
- (iii) lease tenure of market comparables of companies with cinema operations in Hong Kong in general have a duration of longer than three years and a median of ten years; and
- (iv) the lease tenure is in line with the normal business practice of long lease tenure for cinema operators to lease floor space in shopping malls or commercial properties of the housing estates for their cinema operations in Hong Kong.

Taking into account the above factors, Opus Capital was of the view that the duration of the Cinema Lease, which was longer than three years, was required and it was normal business practice for the Cinema Lease to be of such duration.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CINEMA LEASE

In the ordinary and usual course of its business, the eSun Group considers various properties from time to time for its cinema operation based on various factors such as the location, rent and traffic. The Premises which are in the Lai Sun Commercial Centre in Kowloon, Hong Kong located within walking distance of Cheung Sha Wan MTR station and Lai Chi Kok MTR station are considered to be suitable for the eSun Group's cinema operation. The entering into of the Cinema Lease, which is on normal commercial terms, enables the eSun Group to secure a sizable space in a suitable location in West Kowloon District for a reasonably long period of time for the expansion of its cinema operation in Hong Kong.

None of the directors of eSun has any material interest in the Cinema Lease.

The directors (including the independent non-executive directors) of eSun believe that the Cinema Lease is (i) in the ordinary and usual course of business of the eSun Group; (ii) on normal commercial terms; and (iii) on terms that are fair and reasonable and in the interests of eSun and its shareholders as a whole.

GENERAL

LSD is a company incorporated in Hong Kong with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange. The principal activities of the LSD Group include property investment, property development, investment in and operation of hotels and restaurants, media and entertainment, music production and distribution, films, video format products and television programmes production and distribution, cinema operation, cultural, leisure, entertainment and related facilities and investment holding. LSD owns approximately 74.62% of the total issued shares of eSun as at the date of this announcement. LSD's controlling shareholder is LSG, whose ultimate controlling shareholder is Dr. Peter Lam.

eSun is an exempted company incorporated in Bermuda with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange. 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 programmes, films and video format products and cinema operation.

DEFINITIONS

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

“Board”	the board of directors;
“Cinema Lease”	the lease entered into on 26 November 2018 between the Lessee and LSD in relation to the letting of the Premises by LSD to the Lessee for operation of a cinema under the name of “MCL Cinema”;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Dr. Peter Lam”	Dr. Lam Kin Ngok, Peter, the ultimate controlling shareholder of LSG and LSD, a deputy chairman and an executive director of LSG, the chairman and an executive director of LSD, and the chairman and an executive director of MAGHL;
“eSun”	eSun Holdings Limited (豐德麗控股有限公司), an exempted company incorporated in Bermuda with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 571);
“eSun Group”	eSun and its subsidiaries;
“HKFRS 16”	Hong Kong Financial Reporting Standard 16 “Leases” issued by the Hong Kong Institute of Certified Public Accountants;

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Lai Fung”	Lai Fung Holdings Limited (麗豐控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 1125);
“Lai Sun Group”	LSG, LSD, eSun, Lai Fung and MAGHL and their respective subsidiaries;
“Lai Sun Listcos”	LSG, LSD, eSun, Lai Fung and MAGHL, being the listed members of the Lai Sun Group;
“Lessee”	Multiplex Cinema Limited (洲立影藝有限公司), a company incorporated in Hong Kong with limited liability, which is an indirect 95%-owned subsidiary of eSun;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“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 of the Stock Exchange (Stock Code: 488);
“LSD Group”	LSD and its subsidiaries;
“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 of the Stock Exchange (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 the GEM of the Stock Exchange (Stock Code: 8075);
“Memorandum of Agreement”	the memorandum of agreement dated 24 May 2013 entered into between the Lai Sun Listcos for the letting and/or licensing of premises (as renewed and amended);

“Opus Capital”	Opus Capital Limited (創富融資有限公司), a corporation licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities and appointed as the independent financial adviser to the Board of eSun;
“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan;
“Premises”	Units G56, G58, G59, G/F., and Portion of 1/F., Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules; and
“%”	per cent.

By order of the Board
eSun Holdings Limited
Lui Siu Tsuen, Richard
Executive Director and
Chief Executive Officer

Hong Kong, 31 July 2020

As at the date of this announcement, the Board of eSun comprises four executive directors, namely Messrs. Lui Siu Tsuen, Richard (Chief Executive Officer), Chew Fook Aun, Lam Hau Yin, Lester (also alternate 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 (Chairman), Lo Kwok Kwei, David and Alfred Donald Yap and Dr. Ng Lai Man, Carmen.