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**LAI SUN GARMENT**

Lai Sun Garment (International) Limited  
(Incorporated in Hong Kong with limited liability)

**(Stock Code: 191)**



**LAI SUN DEVELOPMENT**

Lai Sun Development Company Limited  
(Incorporated in Hong Kong with limited liability)

**(Stock Code: 488)**



**eSun Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 571)**



**LAI FUNG HOLDINGS**

Lai Fung Holdings Limited  
(Incorporated in the Cayman Islands with limited liability)

**(Stock Code: 1125)**

**JOINT ANNOUNCEMENT  
CONTINUING CONNECTED TRANSACTIONS**

**TERMINATION OF THE GUANGZHOU MAY FLOWER CINEMA LEASE  
AND  
REVISION OF ANNUAL CAPS OF  
THE ZHONGSHAN MAY FLOWER CINEMA LEASE**

Reference is made to the joint announcement issued by LSG, LSD, eSun and Lai Fung dated 31 July 2020 (“**Announcement**”) in connection with:

- (i) the Guangzhou May Flower Cinema Lease entered into between Guangzhou Jieli, an indirect wholly-owned subsidiary of Lai Fung, and Guangdong Cinema City, an indirect wholly-owned subsidiary of eSun, for extension of the lease of certain premises in Guangzhou May Flower Plaza for operation of Guangzhou May Flower Cinema for a further term of 15 years from 1 November 2015 to 31 October 2030 (both days inclusive); and
- (ii) the Zhongshan May Flower Cinema Lease entered into between Zhongshan Baoli, an indirect wholly-owned subsidiary of Lai Fung, and Guangdong Cinema City, for extension of the lease of certain premises in Zhongshan Palm Spring for operation of Zhongshan May Flower Cinema for a further term of 15 years from 1 November 2015 to 31 October 2030 (both days inclusive).

Unless otherwise defined herein, capitalised terms used in this joint announcement shall have the same meanings as those defined in the Announcement.

## **TERMINATION OF THE GUANGZHOU MAY FLOWER CINEMA LEASE**

On 15 September 2022, Guangzhou Jieli and Guangdong Cinema City entered into a termination agreement (“**Termination Agreement**”) to terminate the Guangzhou May Flower Cinema Lease in advance with effect from 15 October 2022 (“**Termination Date**”).

Under the terms of the Termination Agreement, Guangdong Cinema City shall, inter alia, pay all arrears and return the premises to Guangzhou Jieli on the Termination Date. Guangzhou Jieli shall, inter alia, apply to the relevant government department(s) for the deregistration of the Guangzhou May Flower Cinema Lease.

Upon satisfaction of all obligations under the Termination Agreement by Guangdong Cinema City (as confirmed by Guangzhou Jieli in writing), Guangzhou Jieli shall refund the rent deposit and management fee deposit paid by Guangdong Cinema City to Guangzhou Jieli under the Guangzhou May Flower Cinema Lease without interest. Save for the above, neither Guangzhou Jieli nor Guangdong Cinema City is required to make any termination payment to each other.

In accordance with HKFRS 16, the eSun Group has recognised a right-of-use asset in respect of the Guangzhou May Flower Cinema Lease, which was measured at the present value of the total base rent payable in the remainder of the term of the Guangzhou May Flower Cinema Lease, discounted using an incremental borrowing rate and is depreciated over the remainder of the term less accumulated impairment loss. As at 31 July 2022, the carrying amount of right-of-use asset in respect of the Guangzhou May Flower Cinema Lease is nil. Thus, the entering into of the Termination Agreement will not result in any decrease in the carrying amount of right-of-use asset recognised by the eSun Group.

## **REVISED ANNUAL CAPS UNDER THE ZHONGSHAN MAY FLOWER CINEMA LEASE AFTER THE TERMINATION OF THE GUANGZHOU MAY FLOWER CINEMA LEASE**

As disclosed in the Announcement, (i) the amounts payable by the lessee other than the base rent (such as the property management fees and any additional turnover rent) under each May Flower Cinema Lease are subject to an annual cap of RMB6,000,000 (equivalent to approximately HK\$6,647,000) for each of LSG, LSD and eSun for each of the ten financial years ending 31 July 2030 and an annual cap of RMB1,500,000 (equivalent to approximately HK\$1,662,000) for the financial year ending 31 July 2031; and (ii) the rental and other amounts (including the property management fees and any additional turnover rent) payable to the lessors under the May Flower Cinema Leases are subject to an annual cap of RMB9,000,000 (equivalent to approximately HK\$9,970,000) for each of LSG and Lai Fung for each of the ten financial years ending 31 July 2030 and an annual cap of RMB3,000,000 (equivalent to approximately HK\$3,323,000) for the financial year ending 31 July 2031.

As the above annual caps are shared between the May Flower Cinema Leases, such annual caps for (i) the amounts payable by the lessee other than the base rent (such as the property management fees and any additional turnover rent) under the Zhongshan May Flower Cinema Lease (“**Guangdong Cinema City Caps**”) and (ii) the rental and other amounts (including the property management fees and any additional turnover rent) payable to the lessors under the Zhongshan May Flower Cinema Lease (“**Zhongshan Baoli Caps**”) would be revised after the termination of the Guangzhou May Flower Cinema Lease and would only be applicable to the Zhongshan May Flower Cinema Lease.

### **Revised Guangdong Cinema City Caps**

After the termination of the Guangzhou May Flower Cinema Lease, the revised Guangdong Cinema City Caps under the Zhongshan May Flower Cinema Lease will be below HK\$3,000,000.

As all applicable percentage ratios in respect of the revised Guangdong Cinema City Caps will be less than 5% and the highest revised Guangdong Cinema City Caps will be less than HK\$3,000,000. Thus, the revised Guangdong Cinema City Caps will be fully exempt from independent shareholders’ approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules for LSG, LSD and eSun.

### **Revised Zhongshan Baoli Caps**

After the termination of the Guangzhou May Flower Cinema Lease, the revised Zhongshan Baoli Caps under the Zhongshan May Flower Cinema Lease will be as follows:

- RMB2,500,000 (equivalent to HK\$2,813,000) for the period from the Termination Date to the financial year ending 31 July 2023;
- RMB3,000,000 (equivalent to HK\$3,375,000) for each of the financial years from 1 August 2023 to 31 July 2030; and
- RMB1,000,000 (equivalent to HK\$1,125,000) for the financial year ending 31 July 2031.

Such revised annual caps are determined based on the terms of the Zhongshan May Flower Cinema Lease, taking into account the expected box office performances of Zhongshan May Flower Cinema in coming years.

## **LISTING RULES IMPLICATIONS**

The Listing Rules implications of the Termination Agreement and the transactions contemplated under it are summarised below.

The Yu Shareholders are substantial shareholders of LSG, and hence connected persons of LSG at the issuer level under Chapter 14A of the Listing Rules. On the basis of the Yu Shareholders' latest disclosures of interests in LSD, the Yu Shareholders are interested in 271,740,000 LSD shares (representing approximately 28.05% of the total issued shares of LSD) (other than through their interests in LSG). LSD is therefore a connected subsidiary and hence a connected person of LSG under Chapter 14A of the Listing Rules.

LSG is the holding company of LSD and hence a connected person of LSD under Chapter 14A of the Listing Rules.

On the basis of the Yu Shareholders' latest disclosures of interests in eSun, the Yu Shareholders are interested in 149,864,000 eSun shares (representing approximately 10.05% of the total issued shares of eSun) (other than through their interests in LSG and LSD). eSun is therefore a connected subsidiary and hence a connected person of each of LSG and LSD under Chapter 14A of the Listing Rules.

On the basis of the Yu Shareholders' latest disclosures of interests in Lai Fung, the Yu Shareholders are interested in 33,161,037 Lai Fung shares (representing approximately 10.02% of the total issued shares of Lai Fung) (other than through their interests in LSG and LSD). Lai Fung is therefore a connected subsidiary and hence a connected person of each of LSG and LSD under Chapter 14A of the Listing Rules.

LSG and LSD are holding companies of eSun and hence connected persons of eSun under Chapter 14A of the Listing Rules. Lai Fung is a subsidiary of LSD (a controlling shareholder of eSun), and hence a connected person of eSun under Chapter 14A of the Listing Rules.

LSG and LSD are holding companies of Lai Fung and hence connected persons of Lai Fung under Chapter 14A of the Listing Rules. eSun is a subsidiary of LSD (a controlling shareholder of Lai Fung), and hence a connected person of Lai Fung under Chapter 14A of the Listing Rules.

As the transactions contemplated under the Guangzhou May Flower Cinema Lease constituted continuing connected transactions of each of LSG, LSD, eSun and Lai Fung under Chapter 14A of the Listing Rules, the termination of the Guangzhou May Flower Cinema Lease is subject to the announcement requirement under Rule 14A.35 of the Listing Rules.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE TERMINATION AGREEMENT**

Guangzhou May Flower Plaza is a prime property situated at Zhongshanwu Road, Yuexiu District directly above the Gongyuanqian Metro Station in Guangzhou, the interchange station of Guangzhou Subway Lines No. 1 and 2. This 13-storey complex comprises of retail spaces, restaurants, office units and car-parking spaces.

In view of the challenging market condition and economic uncertainty in Mainland China, the eSun Group has decided to discontinue its business and cinema operation in Guangzhou May Flower Plaza. The Lai Fung Group will take this opportunity to refine the tenant mix of its major rental property in Guangzhou to ensure stability of rental income. Therefore, Guangdong Cinema City and Guangzhou Jieli have agreed to enter into the Termination Agreement to early terminate the Guangzhou May Flower Cinema Lease.

The directors (including the independent non-executive directors) of each of LSG, LSD, eSun and Lai Fung believe that the Termination Agreement is (i) in the ordinary and usual course of business of its group; (ii) on normal commercial terms; and (iii) on terms that are fair and reasonable and in the interests of his/her company and its shareholders as a whole.

None of the directors of LSG, LSD, eSun or Lai Fung had any material interest in the Termination Agreement.

## **GENERAL**

LSG 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 LSG 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. LSG owns approximately 53.19% of the total issued shares of LSD as at the date of this joint announcement. LSG's ultimate controlling shareholder is Dr. Peter Lam.

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 and 55.08% of the total issued shares of Lai Fung as at the date of this joint announcement. LSD's 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.

Lai Fung is 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. The principal activities of the Lai Fung Group include property development for sale, property investment, and development and operation of and investment in cultural, leisure, entertainment and related facilities in the PRC.

\* *All the English translation of certain Chinese names or words in this joint announcement are included for information purpose only and should not be regarded as an official English translation of such Chinese names or words.*

By order of the Board  
**Lai Sun Garment (International) Limited**  
**Chew Fook Aun**  
*Executive Director and Deputy Chairman*

By order of the Board  
**Lai Sun Development Company Limited**  
**Chew Fook Aun**  
*Executive Director and Deputy Chairman*

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

By order of the Board  
**Lai Fung Holdings Limited**  
**Chew Fook Aun**  
*Chairman*

Hong Kong, 15 September 2022

*As at the date of this joint announcement,*

- (a) *the Board of LSG comprises five executive directors, namely Dr. Lam Kin Ngok, Peter (Chairman), Mr. Chew Fook Aun (Deputy Chairman), Madam U Po Chu, Mr. Lam Kin Hong, Matthew and Mr. Lam Hau Yin, Lester (also alternate to Madam U Po Chu); and three independent non-executive directors, namely Messrs. Leung Shu Yin, William, Lam Bing Kwan and Chow Bing Chiu;*
- (b) *the Board of LSD comprises five executive directors, namely Dr. Lam Kin Ngok, Peter (Chairman) and Messrs. Chew Fook Aun (Deputy Chairman), Lau Shu Yan, Julius (Chief Executive Officer), Lam Hau Yin, Lester (also alternate to Madam U Po Chu) and Lee Tze Yan, Ernest; one non-executive director, namely Madam U Po Chu; and three independent non-executive directors, namely Messrs. Lam Bing Kwan, Leung Shu Yin, William and Ip Shu Kwan, Stephen;*
- (c) *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; and*
- (d) *the Board of Lai Fung comprises six executive directors, namely Mr. Chew Fook Aun (Chairman), Mr. Lam Kin Hong, Matthew (Executive Deputy Chairman), Mr. Lam Hau Yin, Lester (Chief Executive Officer) (also alternate to Madam U Po Chu), Madam U Po Chu, Mr. Cheng Shin How and Mr. Lee Tze Yan, Ernest; and five independent non-executive directors, namely Messrs. Lam Bing Kwan, Ku Moon Lun, Law Kin Ho, Mak Wing Sum, Alvin and Shek Lai Him, Abraham.*

*For the purpose of illustration only, the conversion of RMB into HK\$ in this joint announcement is based on the approximate exchange rate of RMB1.00 to HK\$1.125.*