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eSun Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 571)

CONNECTED TRANSACTION: THE FORMATION OF JOINT VENTURE COMPANY

AND

CONTINUING CONNECTED TRANSACTION: THE RECEIPT OF SERVICE FEE

The Board of the Company is pleased to announce that on 6 December 2017, Marvel Day (an indirect non-wholly-owned subsidiary of the Company) and Cosmic Dragon (an indirect non-wholly-owned subsidiary of LSD) entered into the Shareholders Agreement, pursuant to which the parties agreed to form Love Grubers, which is 50% held by Marvel Day and 50% held by Cosmic Dragon, to incorporate a wholly-owned subsidiary, GTL for the purpose of operating a cafe (“**Grubers Cafe**”) within the premises of MCL Telford Cinema located at Level 2 (Portion) and Level 3, Telford Gardens, No. 33 Wai Yip Street, Kowloon Bay, (New Kowloon Inland Lot No. 5744), Kowloon, Hong Kong (“**Telford Premises**”). The Shareholders Agreement contemplates Love Grubers entering into a Licence Arrangement concerning the space for Grubers Cafe, from MCL (an indirect non-wholly-owned subsidiary of the Company).

The formation of the joint venture company, Love Grubers, constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules as Cosmic Dragon is a connected person of the Company. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect to the Shareholders Agreement is/are more than 0.1% but less than 5%, the entering into of the Shareholders Agreement is subject to the reporting and announcement requirements but exempt from the shareholders’ approval requirement pursuant to Chapter 14A of the Listing Rules.

The Licence Arrangement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules as GTL is a connected person of MCL. As one or more of the relevant percentage ratios in respect of the Proposed Annual Cap set for the Licence Arrangement under the Shareholders Agreement is/are more than 0.1% but less than 5%, the continuing connected transaction contemplated under the Shareholders Agreement is subject to the reporting, announcement and annual review requirements but exempt from the requirement for approval by shareholders of the Company under Chapter 14A of the Listing Rules.

Furthermore, as the term of the Licence Arrangement exceeds three years, pursuant to Rule 14A.52 of the Listing Rules, the Company has engaged Opus Capital Limited as the Independent Financial Adviser to review the same and confirm that it is in the normal business practice for the arrangement of this type to be of such duration.

THE SHAREHOLDERS AGREEMENT

Date

6 December 2017

Parties

- (i) Marvel Day, an indirect non-wholly-owned subsidiary of the Company
- (ii) Cosmic Dragon, an indirect non-wholly-owned subsidiary of LSD
- (iii) Love Grubers

Capital Commitment

All working or investment funding or capital which in the opinion of the Board of Love Grubers, may be required for the business or operations of GTL, will be contributed by Cosmic Dragon and Marvel Day pro rata to their shareholdings and upon such terms as the Board of Love Grubers may determine, with (a) the initial share capital funding amount being US\$2; and (b) the total capital commitment of HK\$8,000,000 to be contributed by Marvel Day and Cosmic Dragon shall each contribute up to HK\$4,000,000 by way of interest-free shareholders' loan to a bank account designated by Love Grubers in Hong Kong no later than 31 July 2018.

The amount of capital contribution to Love Grubers was determined after arm's length negotiations between Marvel Day and Cosmic Dragon with reference to the estimated investment funding and working capital required for the business or operations of Grubers Cafe.

Board Composition

The Board of Love Grubers will comprise not more than six (6) directors. Both Marvel Day and Cosmic Dragon will have the right to appoint not more than three (3) directors.

Licence Arrangement with MCL

Love Grubers is an investment holding company which owns all the shares of GTL, and GTL will operate Grubers Cafe within the Telford Premises. Marvel Day has obtained consent from MCL, an affiliate of Marvel Day and an indirect non-wholly-owned subsidiary of the Company, to use a space of approximately 1,250 square feet exclusively for Grubers Cafe plus additional space to be shared with, and at the discretion of, MCL for a term commencing on 6 December 2017 and expiring on 30 September 2024 ("**Licence Arrangement**").

Pursuant to the Shareholders Agreement, GTL shall pay to MCL a monthly service fee of the higher of (i) HK\$138,000 per month or (ii) 10% of Grubers Cafe's monthly gross revenue from 6 December 2017 to 30 September 2019 and 12% of Grubers Cafe's monthly gross revenue from 1 October 2019 to 30 September 2024 ("Service Fee"), but the Service Fee from 6 December 2017 to 31 December 2017 will be waived.

Management of Grubers Cafe

Outside the scope of the Shareholders Agreement, but rather pursuant to a sub-contracting arrangement between GTL and Lai Sun Dining, Lai Sun Dining will, for a fee of 4% of Grubers Cafe's monthly gross revenue, manage Grubers Cafe. Lai Sun Dining is an affiliate of Cosmic Dragon and an experienced management company of restaurants in Hong Kong. Although Lai Sun Dining is a connected person of the Company, GTL, with whom Lai Sun Dining has the management agreement, is not a subsidiary of the Company. The sub-contracting arrangement is therefore not a connected transaction for the Company under the Listing Rules.

REASONS FOR AND BENEFITS OF THE SHAREHOLDERS AGREEMENT

As at the date of this announcement, the Group, through MCL, operates a total of 12 cinemas in Hong Kong and Mainland China as well as having a 30% joint venture interest in The Grand Cinema at the Elements, MTR Kowloon Station.

Grubers Cafe along with MCL Telford Cinema will offer guests the latest film releases along with a great dining option. Guests can enjoy food and/or drinks before or after the movie, or just stop by to meet friends for lunch, dinner or an afternoon snack. The Board of the Company is of the view that the Group would be able to leverage expertise of Lai Sun Dining in operating and managing a portfolio of restaurants in Hong Kong and Mainland China, in particular award-winning restaurants recognised by Micheline Guide to increase footfall to MCL Telford Cinema.

The Directors (including all independent non-executive Directors) consider that the terms of the Shareholders Agreement are fair and reasonable and on normal commercial terms and that the Licence Arrangement is in the interests of the Company and its shareholders as a whole.

OPINION FROM THE INDEPENDENT FINANCIAL ADVISER

The Company has engaged Opus Capital Limited as the Independent Financial Adviser to provide independent advice in respect of the Licence Arrangement contemplated under the Shareholders Agreement pursuant to Rule 14A.52 of the Listing Rules to explain why a period exceeding three years is required and to confirm that it is normal business practice for the arrangement of this type to be of a duration longer than three years.

The Independent Financial Adviser has taken into account the following factors when formulating its opinion pursuant to Rule 14A.52 of the Listing Rules:

- (a) Kowloon East will be transformed and developed into a new central business district as mentioned in the 2014 Policy Address. Kowloon Bay is one of the main focuses of Kowloon East and Telford Plaza is one of the major shopping malls strategically located in Kowloon Bay. A long lease tenure in Telford Plaza enables the Company to maximise the operational efficiency and synergy in its operation of MCL Telford Cinema and Grubers Cafe in the Telford Premises;
- (b) the Licence Arrangement is strategically important to the business of MCL whilst the operation of Grubers Cafe next to MCL Telford Cinema will indirectly help to increase the traffic flow in the Telford Premises. It also strengthens MCL's presence in Kowloon in view of Telford Plaza being a major shopping mall in the prime location in Kowloon East, which is located right above Kowloon Bay MTR station and is next to a sizable private housing estate, Telford Gardens;
- (c) Lai Sun Dining is currently operating food and beverage business with leasing tenure ranges from three to seven years. Accordingly, the Licence Arrangement is in line with the on-going practice of Lai Sun Dining to enter into licence agreements for food and beverage business for a duration of more than three years; and
- (d) in considering whether it is a normal business practice for the Licence Arrangement to have a duration longer than three years, it has also conducted various researches, on a best effort basis, on other food and beverage operators in Hong Kong (the "**Comparables**"). In the course of its review, it is noted that the tenures of the food and beverage lease agreements of the Comparables in general have a duration of longer than three years.

Having considered the factors set out above, the Independent Financial Adviser is of the view that it is a normal business practice for the Licence Arrangement to extend for a duration longer than three years.

PROPOSED ANNUAL CAP FOR THE CONTINUING CONNECTED TRANSACTION

As the Licence Arrangement contemplated under the Shareholders Agreement is a new continuing connected transaction with LSD Group, no historical data is available for reference as far as the determination of the Proposed Annual Cap is concerned.

Based on the Service Fee in respect of the exclusive usage of the space of approximately 1,250 square feet for Grubers Cafe as stipulated in the Shareholders Agreement, the Company expects the amount payable by GTL to MCL for each of the financial years of the Company ending 31 July 2025 to be no more than HK\$2,400,000.

LISTING RULES IMPLICATIONS

Shareholders Agreement

Love Grubers is a 50:50 joint venture company established by Marvel Day and Cosmic Dragon. LSD is the controlling shareholder of the Company and a connected person of the Company. Cosmic Dragon is an indirect non-wholly-owned subsidiary of LSD and therefore a connected person of the Company. Accordingly, the formation of the joint venture company, Love Grubers, constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect to the Shareholders Agreement is/are more than 0.1% but less than 5%, the entering into of the Shareholders Agreement is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

Licence Arrangement to GTL

GTL is a wholly-owned subsidiary of Love Grubers which is an associate of LSD. GTL is therefore deemed as an associate (as defined in Chapter 14A of the Listing Rules) of the controlling shareholder of the Company, and hence the connected person of the Company. MCL is an indirect non-wholly-owned subsidiary of the Company. Accordingly, the Licence Arrangement contemplated under the Shareholders Agreement between GTL and MCL constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Furthermore, as the term of the Licence Arrangement exceeds three years, pursuant to Rule 14A.52 of the Listing Rules, the Company has engaged Opus Capital Limited as the Independent Financial Adviser to review the same and confirm that it is in the normal business practice for the arrangement of this type to be of such duration. Please refer to the section headed "*Opinion from the Independent Financial Adviser*" in this announcement for further details.

As one or more of the relevant percentage ratios in respect of the Proposed Annual Cap set for the Licence Arrangement under the Shareholders Agreement is/are more than 0.1% but less than 5%, the continuing connected transaction contemplated under the Shareholders Agreement is subject to the reporting, announcement and annual review requirements but exempt from the requirement for approval by shareholders of the Company under Chapter 14A of the Listing Rules.

GENERAL

The Company 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. The Company acts as an investment holding company and the principal activities of the Group 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, 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.

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 and investment holding. LSD owns approximately 36.94% of the total issued shares of the Company as at the date of this announcement.

Marvel Day is a company incorporated in the British Virgin Islands with limited liability, which is an indirect non-wholly-owned subsidiary of the Company. Marvel Day is principally engaged in investment holding.

Cosmic Dragon is a company incorporated in the British Virgin Islands with limited liability, which is an indirect non-wholly-owned subsidiary of LSD. Cosmic Dragon is principally engaged in investment holding.

MCL is a company incorporated in Hong Kong with limited liability, which is an indirect non-wholly-owned subsidiary of the Company, MCL is the owner and operator of a major cinema circuit in Hong Kong.

Love Grubers is a company incorporated in the British Virgin Islands with limited liability, which is directly owned as to 50% by Marvel Day and 50% by Cosmic Dragon, respectively. Love Grubers is principally engaged in investment holding.

GTL is a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of Love Grubers. GTL is the operating company for Grubers Cafe.

DEFINITIONS

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

“affiliate(s)”	has the same meaning ascribed to it under the Listing Rules;
“associate(s)”	has the same meaning ascribed to it under the Listing Rules;
“Board”	the board of directors of the Company or Love Grubers, as the case may be;

“Company”	eSun Holdings Limited, 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);
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules;
“Cosmic Dragon”	Cosmic Dragon Limited, a company incorporated in the British Virgin Islands with limited liability, which is an indirect non-wholly-owned subsidiary of LSD;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“GTL”	Grubers Telford Limited, a company incorporated in Hong Kong with limited liability, which is a direct wholly-owned subsidiary of Love Grubers;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Financial Adviser”	Opus Capital Limited, 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, being the independent financial adviser engaged by the Company to provide an opinion pursuant to Rule 14A.52 of the Listing Rules;
“Lai Sun Dining”	Lai Sun Dining Limited, a company incorporated in Hong Kong with limited liability, which is a non-wholly-owned subsidiary of LSD;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Love Grubers”	Love Grubers Limited, a company incorporated in the British Virgin Islands with limited liability and beneficially owned as to 50% by Marvel Day and 50% by Cosmic Dragon;

“LSD”	Lai Sun Development Company Limited, 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;
“Marvel Day”	Marvel Day Ventures Limited, a company incorporated in the British Virgin Islands with limited liability, which is an indirect non-wholly-owned subsidiary of the Company;
“MCL”	Multiplex Cinema Limited, a company incorporated in Hong Kong with limited liability, which is an indirect non-wholly-owned subsidiary of the Company;
“Proposed Annual Cap”	the proposed annual caps for each of the financial years ending 31 July 2025 in respect of the Licence Arrangement contemplated under the Shareholders Agreement;
“Shareholders Agreement”	the shareholders agreement dated 6 December 2017 entered into among Marvel Day, Cosmic Dragon and Love Grubers;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“US\$”	US dollars, the lawful currency of United States of America; and
“%”	per cent.

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

Hong Kong, 6 December 2017

As at the date of this announcement, the Board of the Company comprises four Executive Directors, namely Messrs. Lui Siu Tsuen, Richard (Chief Executive Officer), Chew Fook Aun, Lam Hau Yin, Lester and Yip Chai Tuck; two Non-executive Directors, namely Madam U Po Chu and Mr. Andrew Y. Yan; 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.