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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

CONTINUING TRANSACTIONS OF LSG, LSD AND eSUN SUBSEQUENTLY BECOMING CONNECTED

On 31 October 2015, Guangdong Cinema City, an indirect wholly-owned subsidiary of eSun (as lessee) entered into the Zhongshan May Flower Cinema Lease with Zhongshan Baoli, an indirect wholly-owned subsidiary of Lai Fung (as lessor), for extension of the lease of certain premises in Zhongshan Palm Spring for a further term of 15 years.

On 1 November 2015, Guangdong Cinema City (as lessee) entered into the Guangzhou May Flower Cinema Lease with Guangzhou Jieli, an indirect wholly-owned subsidiary of Lai Fung (as lessor), for extension of the lease of certain premises in Guangzhou May Flower Plaza for a further term of 15 years.

As disclosed in (i) the joint announcement issued by LSG, LSD, Holy Unicorn Limited, eSun and Lai Fung dated 14 May 2020 and (ii) the joint announcement issued by LSD, Holy Unicorn Limited and Lai Fung dated 28 May 2020, the LF Offers were declared unconditional in all respects on 14 May 2020 and were closed on 28 May 2020. Upon the LF Offers becoming unconditional in all respects, Lai Fung ceased to be a subsidiary of eSun and became a subsidiary of Holy Unicorn Limited, a wholly-owned subsidiary of LSD (a controlling shareholder of eSun), and a connected person of eSun under the Listing Rules.

The Yu Shareholders are substantial shareholders of LSG, and hence connected persons of LSG at the issuer level under the Listing Rules. On the basis of the Yu Shareholders' latest disclosures of interests in LSD, the Yu Shareholders are interested in 129,325,410 LSD shares (representing approximately 21.16% of the issued share capital of LSD) (other than through their interest in LSG). LSD has become a connected subsidiary of LSG as a result of the Yu Shareholders having become substantial shareholders of LSD. eSun, as a subsidiary of LSD, has therefore become a connected subsidiary, and hence a connected person, of LSG under the Listing Rules.

The Yu Shareholders are substantial shareholders of each of LSG and LSD, and hence connected persons of LSG and LSD at the issuer level under the Listing Rules. On the basis of the Yu Shareholders' latest disclosures of interests in Lai Fung, the Yu Shareholders are interested in 34,729,037 Lai Fung shares (representing approximately 10.49% of the issued share capital of Lai Fung) (other than through their interests in LSG and LSD). Lai Fung has become a connected subsidiary, and hence a connected person, of each of LSG and LSD under the Listing Rules as a result of the Yu Shareholders having become substantial shareholders of Lai Fung.

The May Flower Cinema Leases have become continuing connected transactions of LSG, LSD and eSun.

THE MAY FLOWER CINEMA LEASES

1. Zhongshan May Flower Cinema Lease

On 31 October 2015, Zhongshan Baoli and Guangdong Cinema City entered into the Zhongshan May Flower Cinema Lease, for extension of the lease of certain premises in Zhongshan Palm Spring for operation of the Zhongshan May Flower Cinema for a further term of 15 years from 1 November 2015 to 31 October 2030 (both days inclusive). The total base rent for such 15-year term (exclusive of property management fees, air-conditioning charges and additional turnover rent) is approximately RMB20,000,000 (equivalent to approximately HK\$22,156,000). The base rent for each calendar month is payable by the fifth day of that calendar month. The additional turnover rent (if any) shall be paid on an annual basis.

2. Guangzhou May Flower Cinema Lease

On 1 November 2015, Guangzhou Jieli and Guangdong Cinema City entered into the Guangzhou May Flower Cinema Lease, for extension of the lease of certain premises in Guangzhou May Flower Plaza for operation of the Guangzhou May Flower Cinema for a further term of 15 years from 1 November 2015 to 31 October 2030 (both days inclusive). The total base rent for such 15-year term (exclusive of property management fees, air-conditioning charges and additional turnover rent) is approximately RMB50,000,000 (equivalent to approximately HK\$55,390,000). The base rent for each calendar month is payable by the fifth day of that calendar month. The additional turnover rent (if any) is payable on an annual basis.

The amounts payable under each May Flower 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 parties to that May Flower Cinema Lease, having taken into consideration the prevailing market rent in Guangzhou or, as the case may be, Zhongshan according to the valuations by independent professional property valuers at the time when that May Flower Cinema Lease was entered into.

CONTINUING CONNECTED TRANSACTIONS

As explained above, the May Flower Cinema Leases have become continuing connected transactions of LSG, LSD and eSun.

Since eSun was already a substantial shareholder of Lai Fung at the time of the entry into of the May Flower Cinema Leases, the May Flower Cinema Leases already constituted continuing connected transactions of Lai Fung, and Lai Fung already complied with the applicable requirements under Chapter 14A of the Listing Rules when they were entered into pursuant to the Memorandum of Agreement. While eSun has ceased to be a substantial shareholder of Lai Fung, it remains a connected person of Lai Fung because it is a subsidiary of LSD, which is a controlling shareholder of Lai Fung. The May Flower Cinema Leases therefore remain continuing connected transactions of Lai Fung.

The May Flower Cinema Leases were 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, each May Flower Cinema Lease will continue for the remainder of its term.

Right-of-use Asset

Pursuant to HKFRS 16, which became effective for the Lai Sun Group from 1 August 2019, the eSun Group has recognised a right-of-use asset in respect of the May Flower Cinema Leases, which is measured at the present value of the total base rent payable in the remainder of the term of each May Flower Cinema Lease, discounted using an incremental borrowing rate and is depreciated over the remainder of the term. The aggregate amount of such right-of-use assets as at 1 August 2020 is expected to be approximately HK\$37,300,000.

Annual Caps for LSG, LSD and eSun

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 recorded as expenses incurred over the remainder of the term of that May Flower Cinema Lease. Such amounts 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. Such annual caps are determined by reference to the terms of the May Flower Cinema Leases, taking into account the expected box office performances of Zhongshan May Flower Cinema and Guangzhou May Flower Cinema in coming years.

Annual Caps for LSG and Lai Fung

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. Such annual caps are determined by reference to the terms of the May Flower Cinema Leases, taking into account the expected box office performances of Zhongshan May Flower Cinema and Guangzhou May Flower Cinema in coming years.

Listing Rules Implications

As the highest of the applicable percentage ratios for each of Lai Fung, eSun, LSD and LSG in respect of its annual caps and, in the case of eSun, LSD and LSG, in respect of the above right-of-use asset value for the May Flower Cinema Leases is more than 0.1% but less than 5%, the May Flower Cinema Leases and such annual caps of Lai Fung 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 Lai Fung.

LSG, LSD, eSun and Lai Fung will comply with the requirements under Chapter 14A of the Listing Rules if any of the above annual caps is exceeded, or when the May Flower Cinema Leases are renewed or when their terms are varied.

OPINION OF INDEPENDENT FINANCIAL ADVISER

Since the duration of the May Flower Cinema Leases 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 May Flower Cinema Leases 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 Lai Fung before its entering into the May Flower Cinema Leases as the independent financial adviser to the Board of Lai Fung for such purpose.

In assessing the reasons for the duration of the May Flower Cinema Leases 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) a longer lease tenure will enable the Lai Fung Group to have a stable source of rental income; and
- (ii) the lease tenure is in line with common practice of long tenure for cinema operators with leasing floor spaces in shopping malls for their cinema operations as evidenced by market comparables of leasing transaction in the PRC entered by companies listed or proposed to be listed on the Stock Exchange and the Shenzhen Stock Exchange.

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

REASONS FOR AND BENEFITS OF ENTERING INTO THE MAY FLOWER CINEMA LEASES

Zhongshan Palm Spring is a residential-cum-commercial project developed by the Lai Fung Group, comprising of high-rise residential towers, townhouses and commercial blocks. Guangzhou May Flower Plaza is a prime commercial 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. The eSun Group considered Zhongshan Palm Spring and Guangzhou May Flower Plaza provide convenient transportation network and readily available customer bases and are well-suited for its cinema operation. The entering into of the May Flower Cinema Leases, which is on normal commercial terms, enables the eSun Group to secure sizable spaces in suitable locations in Guangzhou and Zhongshan for a reasonably long period of time for its cinema businesses in the PRC.

The directors (including the independent non-executive directors) of each of LSG, LSD and eSun believe that the May Flower Cinema Leases are (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.

The Lai Fung Group considers that the leasing of the relevant premises under the May Flower Cinema Leases to the eSun Group is conducted in the Lai Fung Group's ordinary and usual course of business. The Lai Fung Group will obtain stable and sustainable rental income at market rates from the eSun Group pursuant to the May Flower Cinema Leases and the Lai Fung Group would be able to leverage the eSun Group's expertise in operating and managing cinemas in Hong Kong and the PRC to increase footfall to Zhongshan Palm Spring and Guangzhou May Flower Plaza.

The directors (including the independent non-executive directors) of each of LSG and Lai Fung believe that the May Flower Cinema Leases are (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 May Flower Cinema Leases at the time they were entered into.

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 56.22% 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 54.56% 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.

DEFINITIONS

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

“Board”	the board of directors;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“connected subsidiary”	has the meaning ascribed to it under the Listing Rules;
“disclosures of interests”	the disclosures of interests pursuant to Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) or otherwise;

“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;
“Guangdong Cinema City”	廣東五月花電影城有限公司 (Guangdong May Flower Cinema City Company Limited*), a company incorporated in the PRC and an indirect wholly-owned subsidiary of eSun;
“Guangzhou May Flower Cinema Lease”	the agreement dated 1 November 2015 entered into between Guangdong Cinema City and Guangzhou Jieli in relation to the lease of certain premises located on the 6 th Floor, May Flower Plaza, No. 68 Zhongshanwu Road, Yuexiu District, Guangzhou, the PRC;
“Guangzhou Jieli”	廣州捷麗置業有限公司 (Guangzhou Jieli Real Estate Company Limited*), a company incorporated in the PRC and a wholly-owned subsidiary of Lai Fung;
“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 Fung Group”	Lai Fung and its subsidiaries;
“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;
“LF Offers”	the conditional voluntary general cash offers made by The Hongkong and Shanghai Banking Corporation Limited on behalf of Holy Unicorn Limited, a wholly-owned subsidiary of LSD, to acquire all of the issued shares of Lai Fung (other than those already owned or agreed to be acquired by LSD, Holy Unicorn Limited or the other wholly-owned subsidiaries of LSD) and to cancel all the outstanding share options of Lai Fung;
“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 (including, for the avoidance of doubt, the eSun Group and the Lai Fung Group);
“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);
“LSG Group”	LSG and its subsidiaries (including, for the avoidance of doubt, the LSD Group);
“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);
“May Flower Cinema Leases”	Zhongshan May Flower Cinema Lease and Guangzhou May Flower Cinema Lease;
“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 Lai Fung;
“PRC”	the People’s Republic of China and for the purpose of this joint announcement, excludes Hong Kong, Macau and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“Yu Shareholders”	Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk;
“Zhongshan Baoli”	中山市寶麗房地產發展有限公司 (Zhongshan Baoli Property Development Company Limited*), a company incorporated in the PRC and a wholly-owned subsidiary of Lai Fung;
“Zhongshan May Flower Cinema Lease”	the agreement dated 31 October 2015 entered into between Guangdong Cinema City and Zhongshan Baoli in relation to the lease of portion of the 1 st to 4 th Floors of Commercial Centre Tower 1, Palm Spring, No. 29 Kang Jian Road, Western District, Zhongshan, Guangdong Province, the PRC; and
“%”	per cent.

* *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, 31 July 2020

As at the date of this joint announcement,

- (a) the Board of LSG comprises six executive directors, namely Dr. Lam Kin Ming (Chairman), Dr. Lam Kin Ngok, Peter (Deputy 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 Tham Seng Yum, Ronald; two non-executive directors, namely Dr. Lam Kin Ming and Madam U Po Chu; and four independent non-executive directors, namely Messrs. Lam Bing Kwan, Leung Shu Yin, William, Ip Shu Kwan, Stephen and Leung Wang Ching, Clarence;*
- (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 eight executive directors, namely Mr. Chew Fook Aun (Chairman), Dr. Lam Kin Ming (Deputy 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 and Messrs. Cheng Shin How, Lee Tze Yan, Ernest and Tham Seng Yum, Ronald; two non-executive directors, namely Mr. Lucas Ignatius Loh Jen Yuh and Mr. Puah Tze Shyang (also alternate to Mr. Lucas Ignatius Loh Jen Yuh); 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\$1.1078.