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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)**

## **JOINT ANNOUNCEMENT CINEMA LEASE WITH THE eSUN GROUP**

### **BACKGROUND**

Reference is made to the announcement of eSun (a subsidiary of LSG and LSD) dated 31 July 2020 (the “**eSun 2020 Announcement**”) in relation to the Cinema Lease entered into between the Lessee (a subsidiary of eSun) and LSD on 26 November 2018, pursuant to which LSD leased the Premises to the Lessee for the operation of a cinema under the name of “MCL Cinema”. As disclosed in the eSun 2020 Announcement, the Cinema Lease constitutes a continuing connected transaction of eSun under the Listing Rules.

As at the date of the eSun 2020 Announcement (i.e. 31 July 2020), the Cinema Lease did not constitute a continuing connected transaction of LSG or LSD. Based on the Yu Shareholders’ then disclosures of interests in LSG, LSD and eSun, the Yu Shareholders were interested in approximately 29.41% of the issued share capital of LSG, approximately 21.16% of the issued share capital of LSD and approximately 9.99% of the issued share capital of eSun as at 31 July 2020. Accordingly, the Yu Shareholders were substantial shareholders and thus connected persons of LSG at the issuer level. As such, LSD became a connected subsidiary and thus a connected person of LSG. Despite that the Lessee (by virtue of being a subsidiary of eSun and LSD) also constituted a connected person of LSG at the time, the transactions under the Cinema Lease between LSD and the Lessee did not constitute a continuing connected transaction of LSG pursuant to Rule 14A.17 of the Listing Rules, as the Lessee was a connected person of LSG only because it was a subsidiary of a connected subsidiary of LSG (i.e. LSD).

However, during the course of preparing the financials for the financial year ending 31 July 2023, it has come to the attention of LSG and LSD that according to the Yu Shareholders' disclosures of interests, during the period from 30 May 2022 to 26 March 2023 (the "**Relevant Period**"), they were interested in approximately 10.05% of the issued share capital of eSun (other than through their interests in LSG and LSD). As such, during the Relevant Period, (i) eSun and the Lessee (being a subsidiary of eSun) became connected subsidiaries of LSD under the Listing Rules due to the Yu Shareholders interests in eSun, and therefore the Cinema Lease became a continuing connected transaction of LSD; and (ii) the Cinema Lease also became a continuing connected transaction of LSG as the Lessee constituted a connected person of LSG not solely because it was a subsidiary of LSD (as the Lessee was also a subsidiary of another connected subsidiary of LSG, namely eSun). As the Cinema Lease subsequently became a continuing connected transaction for LSG and LSD during the Relevant Period, each of LSG and LSD was required to comply with the disclosure and annual review requirements pursuant to Rule 14A.60 of the Listing Rules with respect to the Cinema Lease. The aforesaid circumstances were inadvertent in nature taking into account that the Yu Shareholders were and are not directors of (or otherwise associated with any director of) LSG, LSD or eSun. For the avoidance of doubt, given that (according to the Yu Shareholders' disclosures of interests) the Yu Shareholders have already ceased to be substantial shareholders of eSun since 27 March 2023, the Cinema Lease has already ceased to be a continuing connected transaction of any of LSG and LSD.

## **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**"). On 26 November 2022, pursuant to the terms of the Cinema Lease, the Lessee renewed such lease for a further term of three years ("**First Renewal Term**"), which shall expire on 25 November 2025, and the Lessee has the option to renew the Cinema Lease for another further term of three years from the expiration of the First Renewal Term.

The total base rent for the Fixed Term was approximately HK\$23,300,000 (exclusive of management fee and other charges stipulated under the Cinema Lease). The base rent (exclusive of other fees and additional turnover rent) for the renewed terms shall be mutually determined and agreed by both parties in accordance with the terms of the Cinema Lease. The total base rent for the First Renewal Term was determined to be approximately HK\$13,500,000. 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 property valuer.

Each of the LSG Group and the LSD Group (each from the perspective of a lessor) has recognised the rental payments under the Cinema Lease as their rental income over the term thereof. The actual transaction amount recorded by LSG or LSD as lessor under the Cinema Lease was approximately HK\$1.3 million from 30 May 2022 to 31 July 2022 and HK\$4.5 million from 1 August 2022 to 26 March 2023. Based on the above amounts, the highest of the respective applicable percentage ratios for each of LSG and LSD was less than 0.1% for the financial year ended 31 July 2022 and was more than 0.1% but less than 5% for the financial year ending 31 July 2023.

Pursuant to Hong Kong Financial Reporting Standard 16 “Leases” issued by the Hong Kong Institute of Certified Public Accountants, each of the eSun Group and the LSG Group (each from the perspective of a lessee) has recognised the transaction under the Cinema Lease as a one-off acquisition of the right-of-use asset on 1 August 2019 when such accounting standard became effective. 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 each of the eSun Group and the LSG Group (each from the perspective of a lessee) over the remainder of the term of the Cinema Lease. Such amounts are subject to an initial annual cap of HK\$3 million, as 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.

#### **REASONS FOR AND BENEFITS OF ENTERING INTO THE CINEMA LEASE**

Each of the LSG Group and the LSD Group considers that the leasing of the Premises under the Cinema Lease to the eSun Group is conducted in the ordinary and usual course of business, which would (from the perspective of a lessor) generate stable and sustainable rental income at market rates from the eSun Group.

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

#### **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, production and distribution of films and TV programs, music production and publishing, management and production of concerts, artiste management, cinema operation, cultural, leisure, entertainment and related facilities and investment holding. As at the date of this joint announcement, LSG owns approximately 55.60% of the total issued shares of LSD.

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, production and distribution of films and TV programs, music production and publishing, management and production of concerts, artiste management, cinema operation, cultural, leisure, entertainment and related facilities and investment holding. As at the date of this joint announcement, LSD owns approximately 63.40% of the total issued shares of eSun.

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 (including Media Asia Group Holdings Limited, a wholly-owned subsidiary of eSun since 16 March 2023, and its subsidiaries) include the production and distribution of films and TV programs, music production and publishing, management and production of concerts, artiste management and cinema operation.

## **DEFINITIONS**

In this joint announcement, unless the context otherwise requires, each of “connected person”, “connected subsidiary”, “subsidiary” and “substantial shareholder” has the meaning ascribed to it under the Listing Rules, and the terms below have the following meanings:

“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 the operation of a cinema under the name of “MCL Cinema”;
“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;
“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 (including Media Asia Group Holdings Limited (寰亞傳媒集團有限公司) and its subsidiaries);
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“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 (including, for the avoidance of doubt, the eSun 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);
“Macao”	the Macao Special Administrative Region of the PRC;
“PRC”	the People’s Republic of China and for the purpose of this joint announcement, excludes Hong Kong, Macao 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;
“Yu Shareholders”	Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk; and
“%”	per cent.

<p>By order of the Board  <b>Lai Sun Garment (International) Limited</b>  <b>Lam Kin Ngok, Peter</b>  <i>Chairman</i></p>	<p>By order of the Board  <b>Lai Sun Development Company Limited</b>  <b>Lam Kin Ngok, Peter</b>  <i>Chairman</i></p>
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Hong Kong, 31 July 2023

*As at the date of this joint announcement:*

- (a) *the board of directors of LSG comprises five executive directors, namely Dr. Lam Kin Ngok, Peter (Chairman), Mr. Yang Yiu Chong, Ronald Jeffrey, Madam U Po Chu, Mr. Lam Kin Hong, Matthew and Mr. Lam Hau Yin, Lester (also alternate to Madam U Po Chu); one non-executive director, namely Mr. Chew Fook Aun (Deputy Chairman); and three independent non-executive directors, namely Messrs. Leung Shu Yin, William, Lam Bing Kwan and Chow Bing Chiu; and*
- (b) *the board of directors of LSD comprises four executive directors, namely Dr. Lam Kin Ngok, Peter (Chairman), Mr. Lau Shu Yan, Julius (Chief Executive Officer), Mr. Lam Hau Yin, Lester (also alternate director to Madam U Po Chu) and Mr. Lee Tze Yan, Ernest; two non-executive directors, namely Madam U Po Chu and Mr. Chew Fook Aun (Deputy Chairman); and three independent non-executive directors, namely Messrs. Lam Bing Kwan, Leung Shu Yin, William and Ip Shu Kwan, Stephen.*