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

DISCLOSEABLE TRANSACTION

**ACQUISITION OF RIGHT-OF-USE ASSET
IN RELATION TO A TENANCY AGREEMENT**

TENANCY AGREEMENT

The Board announces that on 23 February 2022, the Tenant (an indirect 95%-owned subsidiary of the Company) entered into the Tenancy Agreement with the Landlord (an independent third party) in respect of the tenancy renewal of the Premises for a term of thirty-six (36) months commencing on 1 February 2024. The Premises are currently used for the cinema operation and related business of the Group and the existing tenancy of the Premises is due to expire on 31 January 2024.

LISTING RULES IMPLICATIONS

As the entering into of the Tenancy Agreement will be recognised as a right-of-use asset in the Group's consolidated financial statements in accordance with HKFRS 16, the entering into of the Tenancy Agreement and the transactions contemplated thereunder will be regarded as an acquisition of asset by the Company for the purposes of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Tenancy Agreement is more than 5% but less than 25%, the Tenancy Agreement and the transactions contemplated thereunder constituted a discloseable transaction of the Company, and is therefore subject to the reporting and announcement requirements but exempt from the circular and Shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

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PRINCIPAL TERMS OF THE TENANCY AGREEMENT

The principal terms of the Tenancy Agreement are set out below:

Date:	23 February 2022
Parties:	(1) Festival Walk (2011) Limited, the Landlord; and (2) Multiplex Cinema Limited, an indirect 95%-owned subsidiary of the Company, the Tenant
Premises:	Portions of Levels UG, L1, L1A, L2 and L2A of Festival Walk, which comprise the Cinema Premises and the Licensed Premises
Term:	Thirty-six (36) months commencing on 1 February 2024
Use:	For cinema operation and related business in accordance with the provisions of the Tenancy Agreement
Key licence provisions:	<p>The Tenant shall be obliged to grant a licence to a third party (to be designated by the Landlord) to use and occupy the Licensed Premises for the operation of a café or a coffee shop or any kind of retail shop in accordance with the provisions of the Tenancy Agreement.</p> <p>The base rent, turnover rent and other charges payable by the Tenant to the Landlord in respect of the Licensed Premises shall be the amounts equivalent to the licence fee, turnover licence fee and other charges payable by the licensee to the Tenant under the relevant licence agreement as determined by the Landlord. According to the standard form of licence agreement for the Licensed Premises, the Landlord shall have the right to request the licensee to pay the licence fee, turnover licence fee and other charges directly to the Landlord. For the avoidance of doubt, the Tenant shall not be liable to pay any base rent, turnover rent and other charges in respect of the Licensed Premises if there is no subsisting licence agreement.</p>
Aggregated value of consideration:	<p>The amounts payable by the Tenant to the Landlord under the Tenancy Agreement comprise base rent, turnover rent and other charges in respect of the Cinema Premises.</p> <p>The total base rent payable during the term of the Tenancy Agreement in respect of the Cinema Premises is approximately HK\$102.8 million (exclusive of rates and other outgoings) and monthly turnover rent may be imposed by the Landlord in accordance with the provisions of the Tenancy Agreement.</p>

All sums payable by the Tenant in respect of the Cinema Premises will be satisfied by internal resources of the Group.

The aforesaid amounts were determined after arm's length negotiations between the Landlord and the Tenant after taking into consideration the prevailing market price for comparable premises in the vicinity of the Premises, as well as future prospects of the cinema business in Hong Kong.

Payment terms: The base rent is payable by the Tenant to the Landlord monthly in advance on the first day of each calendar month. The monthly turnover rent (if applicable pursuant to the terms of the Tenancy Agreement) shall be payable in the following month.

RIGHT-OF-USE ASSET

The entering into of the Tenancy Agreement represents a recognition of right-of-use assets which is measured at the present value of the total base rent in respect of the Cinema Premises payable during the term of the Tenancy Agreement, discounted using an incremental borrowing rate. Pursuant to HKFRS 16, a renewal of a tenancy agreement by extending the lease term would constitute a lease modification. The Group expects to record such lease modification upon the entering into of the Tenancy Agreement of approximately HK\$98.0 million.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TENANCY AGREEMENT

The Group is one of the leading multiplex cinema operators in Hong Kong. As at the date of this announcement, the Group operates 14 cinemas in Hong Kong, including the one currently operating at the Premises, and 3 cinemas in Mainland China.

Despite the challenging operating environment under the COVID-19 pandemic, the Group remains cautiously optimistic about the fundamental demand for entertainment in the long run. The Premises are located in the Festival Walk which is one of the most popular shopping and leisure destinations in Hong Kong with direct connection to the Kowloon Tong MTR Station. The Group has been operating the Festival Grand Cinema at the Premises since June 2016. Given the strategic location of the Premises, the Group considers that the continued use of the Premises after the expiry of the existing tenancy will be beneficial to the cinema operation of the Group and will further enhance its market position as a leading multiplex cinema operator in Hong Kong.

The terms of the Tenancy Agreement have been negotiated between the parties on an arm's length basis taking into account the prevailing market conditions in Hong Kong and reference has been made to the existing tenancy of the Premises which is due to expire on 31 January 2024. The Directors considered that the transactions contemplated under the Tenancy Agreement were entered into in the ordinary and usual course of business of the Group on normal commercial terms, and the terms of the Tenancy Agreement were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE COMPANY AND THE PARTIES

The Company

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 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 programs, films and video format products and cinema operation.

The Tenant

The Tenant is a limited liability company incorporated in Hong Kong and an indirect 95%-owned subsidiary of the Company. The principal activity of the Tenant is cinema operation.

The Landlord

The Landlord is a limited liability company incorporated in Hong Kong. The principal business activity of the Landlord is property investment and leasing. To the best of the Directors' knowledge, information and belief, the Landlord is ultimately owned by a real estate investment trust, Mapletree North Asia Commercial Trust, which is listed and traded on the Singapore Exchange Securities Trading Limited.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, the Landlord and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

LISTING RULES IMPLICATIONS

As the entering into of the Tenancy Agreement will be recognised as a right-of-use asset in the Group's consolidated financial statements in accordance with HKFRS 16, the entering into of the Tenancy Agreement and the transactions contemplated thereunder will be regarded as an acquisition of asset by the Company for the purposes of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Tenancy Agreement is more than 5% but less than 25%, the Tenancy Agreement and the transactions contemplated thereunder constituted a discloseable transaction of the Company, and is therefore subject to the reporting and announcement requirements but exempt from the circular and Shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors;
“Cinema Premises”	the portions of the Premises not subject to the Licence Provisions;
“Company”	eSun Holdings Limited (豐德麗控股有限公司), an exempted company incorporated in Bermuda with limited liability and the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 571);
“connected persons(s)”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“Festival Walk”	the development erected on New Kowloon Inland Lot No. 6181 and known as “Festival Walk”, 80 Tat Chee Avenue, Kowloon, Hong Kong;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKFRS 16”	Hong Kong Financial Reporting Standard 16 “Leases” which includes standards and interpretations promulgated by the Hong Kong Institute of Certified Public Accountants;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Landlord”	Festival Walk (2011) Limited, a company incorporated in Hong Kong with limited liability;
“Licensed Premises”	a portion of Level UG of Festival Walk subject to the Licence Provisions;
“Licence Provisions”	terms and conditions of the Tenancy Agreement relating to the Licensed Premises, the key provisions of which are summarised under the section headed “Principal Terms of the Tenancy Agreement — Key licence provisions” of this announcement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“PRC” or “Mainland China”	the People’s Republic of China and, for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan;
“Premises”	Portions of Levels UG, L1, L1A, L2 and L2A of Festival Walk, which comprise the Cinema Premises and the Licensed Premises;
“Shareholder(s)”	the duly registered holder(s) of the ordinary share(s) of HK\$0.5 each in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“Tenancy Agreement”	the tenancy agreement dated 23 February 2022 and entered into between the Landlord and the Tenant relating to the tenancy renewal of the Premises;
“Tenant”	Multiplex Cinema Limited (洲立影藝有限公司), a company incorporated in Hong Kong with limited liability and an indirect 95%-owned subsidiary of the Company; and
“%”	per cent.

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

Hong Kong, 23 February 2022

As at the date of this announcement, the Board 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.