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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for independent advice.

If you have sold or transferred all your shares in **Lai Fung Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s), or to the licensed securities dealer or other registered institution in securities, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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LAI FUNG HOLDINGS

Lai Fung Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1125)

**VERY SUBSTANTIAL ACQUISITION
IN RELATION TO ACQUISITION OF THE LAND
AND
DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
SUBSCRIPTION FOR SHARES IN AND
ASSIGNMENT OF LOAN TO ROSY COMMERCE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**

CROSBY

Crosby Securities Limited

Capitalised terms used in the lower portion of this cover page shall have the same respective meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 7 to 25 of this circular.

A letter from the Independent Board Committee is set out on page 26 of this circular and a letter from Crosby, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 27 to 39 of this circular.

A notice convening the EGM to be held at Gloucester Room II, 3/F., The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong on Tuesday, 17 December 2013 at 10:00 a.m. is set out on pages 68 to 70 of this circular. If you are not able to attend the EGM or its adjournment in person but wish to exercise your right as a Shareholder, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Company's branch share registrars in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible, but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

26 November 2013

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DEFINITIONS

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

“2011 Joint Announcement”	the joint announcement of eSun and the Company dated 16 September 2011;
“2013 Joint Announcement”	the joint announcement of eSun and the Company dated 25 September 2013;
“Associated Corporation”	has the meaning ascribed to it under Part XV of the SFO;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“BVI”	the British Virgin Islands;
“Company”	Lai Fung Holdings Limited, an indirect non-wholly-owned subsidiary of eSun and 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);
“Completion”	completion of the transactions contemplated under the Subscription Agreement;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Cooperation Agreement”	the cooperation agreement dated 16 September 2011 entered into between eSun, the Company and the Hengqin New Area Administrative Committee* (橫琴新區管委會), the major terms of which are set out in the 2011 Joint Announcement;
“Crosby”	Crosby Securities Limited, a corporation licensed to carry out Type 1 (Dealing in securities), Type 4 (Advising on securities), Type 6 (Advising on corporate finance) and Type 9 (Asset management) regulated activities as defined under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Transaction;
“Deed of Conditional Waiver”	the deed of conditional waiver dated 30 October 2012 and executed by the Company in favour of LSG and LSD (as supplemented by the supplemental deed dated 19 November 2012 executed by the Company), details of which are summarised in the Company’s circular dated 1 December 2012;

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“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting of the Company to be held on Tuesday, 17 December 2013 for the Independent Shareholders to consider and, if thought fit, approve the Transaction;
“EGM Notice”	the notice convening the EGM, as set out on pages 68 to 70 of this circular;
“eSun”	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);
“eSun Shareholder(s)”	the duly registered holder(s) of ordinary share(s) of par value of HK\$0.50 each in the share capital of eSun;
“Existing Undertakings”	has the meaning ascribed to it in the Company’s circular dated 1 December 2012;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent board committee of the Board comprising all of its independent non-executive Directors, namely Messrs. Ku Moon Lun, Lam Bing Kwan, Law Kin Ho, Mak Wing Sum, Alvin and Shek Lai Him, Abraham, established to advise the Independent Shareholders in respect of the Transaction;
“Independent Shareholders”	shareholders of the Company who do not have any material interests in the Transaction and are entitled to vote in a general meeting to approve the Transaction pursuant to the Listing Rules;
“Knight Frank”	Knight Frank Petty Limited, an independent qualified property valuer;

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“Land”	a piece of land located at the east side of Yiwener Road, south side of Caihong Road, west side of Tianyu Road and north side of Hengqin Road, Hengqin New Area, Zhuhai City, Guangdong Province of the PRC* (中國廣東省珠海市橫琴新區藝文二道東側、彩虹路南側、天羽道西側及橫琴大道北側) with a total site area of 130,173.16 sq.m. and a maximum plot ratio of 2 times, being the land required for the Project;
“Land Acquisition”	the acquisition of land use rights of the Land through the Public Bidding and signing of the Land Grant Contract;
“Land Grant Contract”	the state-owned construction land use rights grant contract* (國有建設用地使用權出讓合同) in respect of the Land dated 27 September 2013 and entered into between Zhuhai Land Bureau and Winfield Concept;
“Latest Practicable Date”	22 November 2013, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein;
“LFHQ”	Lai Fung (Hengqin) Development Company Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company;
“LFHQ Subscription Shares”	79 new ordinary shares of par value of US\$1.00 each in the capital of Rosy Commerce, to be allotted and issued by Rosy Commerce to LFHQ subject to and upon Completion;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“LSD”	Lai Sun Development Company Limited, a company incorporated under the Laws of 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);
“LSG”	Lai Sun Garment (International) Limited, a company incorporated under the Laws of 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);
“Macau”	the Macau Special Administrative Region of the PRC;
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau and Taiwan;

DEFINITIONS

“Project”	the development project, representing phase I of the site mentioned in the Cooperation Agreement, to be owned, undertaken and operated by the Project Company on the Land, which is currently expected to include the development of the cultural and creative industries and commercial related projects, subject to finalisation of the development proposal;
“Project Company”	a company to be established as a wholly-foreign-owned enterprise in the PRC and a direct wholly-owned subsidiary of Winfield Concept;
“Public Bidding”	the public bidding held by Zhuhai Land Bureau at which the Land was offered for sale through listing-for-sale;
“Restricted Opportunity”	has the meaning ascribed to it in the Deed of Conditional Waiver, details of which are summarised in the Company’s circular dated 1 December 2012;
“RMB”	Renminbi, the lawful currency of the PRC;
“Rosy Commerce”	Rosy Commerce Holdings Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of LFHQ as at the Latest Practicable Date;
“Rosy Group”	Rosy Commerce and its subsidiaries from time to time;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share Option Holders”	the holders of the share options granted under the share option schemes adopted by the Company on 21 August 2003 and 18 December 2012, respectively;
“Shareholder(s)”	the duly registered holder(s) of Share(s);
“Shareholders’ Agreement”	the shareholders’ agreement in relation to Rosy Commerce to be entered into between LFHQ, SHIL and Rosy Commerce subject to and upon Completion;
“Share(s)”	the ordinary share(s) of par value of HK\$0.10 each in the share capital of the Company;
“SHIL”	Sunny Horizon Investments Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of eSun;

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“SHIL Subscription Shares”	20 new ordinary shares of par value of US\$1.00 each in the capital of Rosy Commerce, to be allotted and issued by Rosy Commerce to SHIL subject to and upon Completion;
“SHIL Shareholder’s Loan”	20% of the total amount of loans, advances, interests (if any) and other sums and indebtedness due, owing, outstanding or payable to LFHQ by Rosy Commerce as at Completion, which will be assigned by LFHQ to SHIL subject to and upon Completion;
“Special Committee”	an independent committee of the Board, comprising Messrs. Leow Juan Thong, Jason, Lucas Ignatius Loh Jen Yuh, Lam Bing Kwan, Ku Moon Lun, Law Kin Ho, Mak Wing Sum, Alvin and Shek Lai Him, Abraham (all being Directors who are not materially interested in the Transaction), set up in accordance with the Deed of Conditional Waiver for the purpose of considering and, if thought fit, confirming the provision of the waiver in respect of the Transaction under the Deed of Conditional Waiver;
“sq.m.”	square metre;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Agreement”	the conditional subscription agreement dated 25 September 2013 entered into between LFHQ, SHIL and Rosy Commerce in relation to, among other things, the subscription for the LFHQ Subscription Shares and the SHIL Subscription Shares by LFHQ and SHIL respectively and the assignment of the SHIL Shareholder’s Loan by LFHQ to SHIL;
“Transaction”	the transactions contemplated under the Subscription Agreement including the signing of the Shareholders’ Agreement;
“US\$”	United States dollars, the lawful currency of the United States of America;
“Winfield Concept”	Winfield Concept Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of World Spring;

DEFINITIONS

“World Spring”	World Spring Investments Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of Rosy Commerce;
“Zhuhai Land Bureau”	The Land and Resources Bureau of Zhuhai* (珠海市國土資源局); and
“%”	per cent.

In this circular, amounts in RMB are converted into HK\$ on the basis of RMB1 = HK\$1.26299. The conversion rate is for illustrative purpose only and should not be taken as a representation that RMB could actually be converted in HK\$ at such rate or at all.

** For identification purpose only*

LETTER FROM THE BOARD



LAI FUNG HOLDINGS

Lai Fung Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1125)

Executive Directors:

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*)
Mr. Cheng Shin How
Mr. Lau Shu Yan, Julius
Madam U Po Chu

Non-executive Directors:

Mr. Leow Juan Thong, Jason
Mr. Lucas Ignatius Loh Jen Yuh
(*also alternate to Mr. Leow Juan Thong, Jason*)

Independent Non-executive Directors:

Mr. Ku Moon Lun
Mr. Lam Bing Kwan
Mr. Law Kin Ho
Mr. Mak Wing Sum, Alvin
Mr. Shek Lai Him, Abraham

Registered office:

P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman, Cayman Islands

*Principal place of business in
Hong Kong:*

11th Floor
Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon
Hong Kong

26 November 2013

*To the Shareholders and
for information only, the Share Option Holders*

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION
IN RELATION TO ACQUISITION OF THE LAND
AND
DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
SUBSCRIPTION FOR SHARES IN AND
ASSIGNMENT OF LOAN TO ROSY COMMERCE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to (i) the 2011 Joint Announcement in relation to, among other things, the Cooperation Agreement entered into between eSun, the Company and the Hengqin New Area Administrative Committee (橫琴新區管委會) on 16 September 2011, pursuant to which eSun

LETTER FROM THE BOARD

and the Company shall jointly invest in and develop a site in Hengqin Cultural and Creative Zone (橫琴文化創意園); and (ii) the 2013 Joint Announcement in relation to, among other things, the subscription for the LFHQ Subscription Shares and the SHIL Subscription Shares by LFHQ and SHIL respectively and the assignment of the SHIL Shareholder's Loan by LFHQ to SHIL.

The purpose of this circular is to provide the Shareholders and, for information purposes only, the Share Option Holders with, among other things, (a) further details of the Land Acquisition for information purposes; (b) further details of the Transaction; (c) the recommendation from the Independent Board Committee in respect of the Transaction; (d) the advice from Crosby to the Independent Board Committee and the Independent Shareholders in respect of the Transaction; and (e) the EGM Notice together with the form of proxy.

2. COOPERATION AGREEMENT AND SUCCESSFUL BIDDING OF LAND

Cooperation Agreement

As disclosed in the 2011 Joint Announcement, the Company and eSun entered into the Cooperation Agreement on 16 September 2011 for the development and construction of the Hengqin Cultural and Creative Zone with the Hengqin New Area Administrative Committee, pursuant to which the Company and eSun shall jointly invest in and develop the Creative Culture City Project located in Hengqin New Area, Zhuhai City, Guangdong Province, the PRC.

Pursuant to the Cooperation Agreement, the Creative Culture City Project will occupy a site area of approximately 1 square kilometre. Land supply and development for such project will be completed by phases. The Hengqin New Area Administrative Committee will sell the land for such project by phases through public bidding in accordance with planning and construction progress of the infrastructure facilities of the project.

Further details of the Cooperation Agreement have been disclosed in the 2011 Joint Announcement.

Successful bidding of the Land

On 24 September 2013, Winfield Concept, an indirect wholly-owned subsidiary of the Company, succeeded in the bid of the land use rights of the Land offered for sale by Zhuhai Land Bureau through the Public Bidding. On 27 September 2013, Winfield Concept entered into the Land Grant Contract with Zhuhai Land Bureau. The Project Company will be established as a wholly-foreign-owned enterprise in the PRC and a direct wholly-owned subsidiary of Winfield Concept for holding the Land and owning, undertaking and operating the Project.

As at the Latest Practicable Date, Winfield Concept was wholly-owned by World Spring, which in turn was wholly-owned by Rosy Commerce, a direct wholly-owned subsidiary of LFHQ.

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For the purposes of joint investment in and development of the Project by eSun and the Company as contemplated under the Cooperation Agreement, LFHQ, SHIL and Rosy Commerce entered into the Subscription Agreement on 25 September 2013. Subject to and upon Completion under the Subscription Agreement, (a) Rosy Commerce will be owned as to 80% by LFHQ and 20% by SHIL through their respective subscriptions of the LFHQ Subscription Shares and the SHIL Subscription Shares; (b) SHIL will acquire and LFHQ will assign to SHIL the SHIL Shareholder's Loan such that the loans made by LFHQ and SHIL to Rosy Commerce will be on a pro rata basis to their shareholdings in Rosy Commerce; and (c) LFHQ, SHIL and Rosy Commerce will enter into the Shareholders' Agreement.

The Transaction, being a Restricted Opportunity, was referred by the Board to the Special Committee for review and consideration in accordance with the Deed of Conditional Waiver. A meeting of the Special Committee was held on 23 September 2013 during which the basis of joint participation by the Company and eSun in the Project was considered. The Special Committee took into account the detailed terms of the Transaction against the context of the requirements under the Deed of Conditional Waiver, and the Transaction was accepted and approved. Accordingly, the waiver by the Company under the Deed of Conditional Waiver applies to the Transaction.

The role of the Special Committee is to ensure compliance with the terms set out in the Deed of Conditional Waiver. The Special Committee only has the power to approve or reject a proposal based on whether the terms of the Deed of Conditional Waiver have been complied with or satisfied. Such terms include, among others, whether the Company has a leadership role in the proposed joint development and the Company's minimum participation therein (for details of the terms of the Deed of Conditional Waiver, please refer to the Company's circular dated 1 December 2012). The Special Committee does not express any view as to the fairness and reasonableness of the Transaction. In accordance with the Listing Rules, the Independent Board Committee was established to consider the fairness and reasonableness of the Transaction having considered the advice of Crosby. Please refer to the section headed "14. Recommendations" of the Letter from the Board.

The Special Committee had not considered any other joint investment/co-operation proposals for the Land/the Project from independent third parties. The Deed of Conditional Waiver expressly provides that the Special Committee only considers the Restricted Opportunity as referred to it by the Board from the sole perspective of either rejecting it or approving a joint investment with an affiliate (eSun in this case). It is not for the Special Committee to ask or consider whether third party participation should or should not be solicited or pursued.

In accordance with the Deed of Conditional Waiver, the proposed involvement of eSun under the Transaction had to be referred to the Special Committee to either reject or agree to it. In this case, the Special Committee agreed to the involvement of eSun pursuant to the terms of the Transaction.

As at the Latest Practicable Date, eSun owned approximately 50.36% of the total issued shares of the Company and the Company was accounted for as a non-wholly-owned subsidiary of eSun.

LETTER FROM THE BOARD

3. PRINCIPAL TERMS OF THE LAND GRANT CONTRACT

Date

27 September 2013

Parties

- (1) Winfield Concept (an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date)
- (2) Zhuhai Land Bureau

To their best knowledge, information and belief having made all reasonable enquiries, the Directors confirm that Zhuhai Land Bureau and its ultimate beneficial owners are independent of the Company and its connected persons.

Information about the Land

The Land is situated at the east side of Yiwener Road, south side of Caihong Road, west side of Tianyu Road and north side of Hengqin Road, Hengqin New Area, Zhuhai City, Guangdong Province of the PRC (中國廣東省珠海市橫琴新區藝文二道東側、彩虹路南側、天羽道西側及橫琴大道北側), with a total site area of 130,173.16 sq.m. and a maximum plot ratio of 2 times. The Land is for creative cultural industry and commercial related uses. The land use rights of the Land for creative cultural industry use is for a term of 50 years and the land use rights of the Land for commercial related use is for a term of 40 years.

The Project Company will be established as a wholly-foreign-owned enterprise in the PRC within three months after the date of successful bid of the Land, to be wholly-owned by Winfield Concept. The Project Company is for holding the Land and owning, undertaking and operating the Project.

Prior to the establishment of the Project Company, Winfield Concept entered into the Land Grant Contract with Zhuhai Land Bureau. After its establishment, the Project Company will enter into an amendment contract with Zhuhai Land Bureau for the change of the grantee of the land use rights of the Land from Winfield Concept to the Project Company.

Land premium and payment

The land premium for the Land is RMB523,296,103.20 (equivalent to approximately HK\$660,918,000).

A deposit in the amount of RMB262,000,000 (equivalent to approximately HK\$330,903,000), representing the deposit required in order to qualify for bidding, has been paid by Winfield Concept before the bid was awarded on 24 September 2013.

LETTER FROM THE BOARD

The Land Grant Contract provides that the deposit mentioned above will be applied towards payment of the land premium, which shall be paid as to at least 50% (i.e. the sum of RMB261,648,051.60 (equivalent to approximately HK\$330,459,000)) within one month from the date of signing of the Land Grant Contract (which sum was paid on 12 September 2013), and the remaining balance of the land premium shall be paid within 6 months from the date of the Land Grant Contract (i.e. before 27 March 2014).

The land premium was arrived at as a result of successful bidding of the Land by Winfield Concept through the Public Bidding. In tendering the bid, Winfield Concept has taken into account the initial bidding price required under the listing-for-sale documents, prevailing market conditions, location of the Land, land price in the surrounding area, the permitted land usage and permitted saleable area of the Land. Independent valuation of the Land has also been conducted by Knight Frank in accordance with the requirements of the Listing Rules, details of which are contained in Appendix I to this circular. Based on the foregoing, the Directors consider that the terms and conditions of the Land Acquisition are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Minimum amount of total investment for the Project

The Land Grant Contract contains a term whereby Winfield Concept undertakes that the total amount of investment for the Project shall not be less than RMB3,000,000,000 (equivalent to approximately HK\$3,788,970,000). Such minimum amount of total investment for the Project was imposed by the Zhuhai Land Bureau under the Land Grant Contract at the time the bidding documents in respect of the Public Bidding were sent to the Group before the commencement of the Public Bidding. The development costs of the Project will be affected, among other matters, by the master layout plan which was still being finalised as at the Latest Practicable Date.

The Board, having regard to the size and nature of the development of the Project, which shall comply with and encompass the designated mixed usage of cultural, creative, entertainment, office, commercial and hotel elements and facilities, including the scale and quality required of the development, considers that a commitment of a minimum total investment amount of RMB3,000,000,000 is fair and reasonable and consistent with the estimated minimum amount required for this kind of project.

4. PRINCIPAL TERMS OF THE TRANSACTION

SUBSCRIPTION AGREEMENT

For the purposes of joint investment in and development of the Project by eSun and the Company as contemplated under the Cooperation Agreement, LFHQ, SHIL and Rosy Commerce entered into the Subscription Agreement.

LETTER FROM THE BOARD

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

Date

25 September 2013

Parties

- (1) LFHQ (an indirect wholly-owned subsidiary of the Company and owner of the entire issued share capital of Rosy Commerce as at the Latest Practicable Date)
- (2) SHIL (an indirect wholly-owned subsidiary of eSun)
- (3) Rosy Commerce

SHIL is a connected person of the Company. Subject to and upon Completion, Rosy Commerce will become a connected person of the Company as Rosy Commerce will be owned as to 20% by SHIL, an indirect wholly-owned subsidiary of eSun (the ultimate holding company of the Company).

Subject matter

Subject to and upon Completion,

- (1) LFHQ and SHIL will subscribe for the LFHQ Subscription Shares and the SHIL Subscription Shares respectively; and
- (2) SHIL will acquire and LFHQ will assign to SHIL the SHIL Shareholder's Loan such that the loans made by LFHQ and SHIL to Rosy Commerce will be on a pro rata basis to their shareholdings in Rosy Commerce.

As at the Latest Practicable Date, Rosy Commerce had an authorised share capital of US\$50,000 divided into 50,000 ordinary shares of par value of US\$1.00 each, of which one ordinary share had been issued to and fully paid up by LFHQ.

Subject to and upon Completion, the issued share capital of Rosy Commerce will be increased by 99 ordinary shares to 100 ordinary shares, of which the LFHQ Subscription Shares and the SHIL Subscription Shares will be allotted and issued to LFHQ and SHIL respectively.

Upon Completion, LFHQ and SHIL will beneficially own 80 ordinary shares and 20 ordinary shares in Rosy Commerce, representing 80% and 20%, respectively, of the entire issued share capital of Rosy Commerce, and Rosy Commerce will become an indirect non-wholly-owned subsidiary of the Company. In addition, the loans made by LFHQ and SHIL to Rosy Commerce upon Completion will be proportional to their shareholdings in Rosy Commerce.

LETTER FROM THE BOARD

Consideration

Prior to Completion, the Rosy Group is expected to have paid the land premium of RMB523,296,103.20 (equivalent to approximately HK\$660,918,000) and incurred early stage expenses in relation to the Project. The total amount of shareholder's loan(s) advanced and to be advanced prior to Completion by LFHQ to Rosy Commerce is expected to be approximately HK\$682,000,000 ("**Total Initial Capital**") for the aforesaid purposes and for the Rosy Group's future working capital use.

The total consideration payable by SHIL for the subscription for the SHIL Subscription Shares and the acquisition of the SHIL Shareholder's Loan comprises (i) the subscription price for the SHIL Subscription Shares at par value and (ii) the consideration for acquiring the SHIL Shareholder's Loan on a dollar for dollar basis.

The subscription prices for the LFHQ Subscription Shares and the SHIL Subscription Shares are at the par value of US\$1.00 per share (i.e. US\$79 and US\$20 respectively), which will be paid by LFHQ and SHIL to Rosy Commerce in cash upon Completion or in such other manner as LFHQ, SHIL and Rosy Commerce may agree in writing.

The SHIL Shareholder's Loan will be assigned at its face value on a dollar for dollar basis payable by SHIL to LFHQ upon Completion. Subject to the conditions precedent (as mentioned in the paragraph headed "Conditions precedent to Completion" below) having been fulfilled or waived, it is currently estimated that Completion will take place on or before 24 December 2013. On such basis and subject to full payment of the land premium of the Land on or prior to Completion, the SHIL Shareholder's Loan to be assigned by LFHQ to SHIL subject to and upon Completion is currently estimated to amount to approximately HK\$136,400,000, representing 20% of the Total Initial Capital.

The consideration for the assignment of the SHIL Shareholder's Loan shall be payable in cash by SHIL to LFHQ on Completion or in such other manner as LFHQ and SHIL may agree in writing.

The terms of the subscription and the assignment of the SHIL Shareholder's Loan, including the consideration involved, were determined after arm's length negotiation between LFHQ, SHIL and Rosy Commerce with due regard to the terms of the Cooperation Agreement which envisages all along that the Project will be developed jointly by the Company and eSun, and that pursuant to the terms of the Deed of Conditional Waiver, the basis of such joint participation will be determined by the Company with the Company taking the lead in the Project.

LETTER FROM THE BOARD

The value of the Rosy Group on Completion will be represented by the Total Initial Capital and the issued and paid up share capital of Rosy Commerce. The Total Initial Capital was provided to finance (i) the land premium of the Land primarily, which was determined through a public bidding and supported by the property valuation; and (ii) early stage expenses including taxes/charges imposed by the local government incidental to the Land Acquisition and fees for securing third parties services. The Board therefore is of the view that the consideration payable by SHIL under the Transaction is fair and reasonable, on normal commercial terms, and in the interest of the Company and the Independent Shareholders.

Conditions precedent to Completion

Completion is conditional upon:

- (1) the Subscription Agreement and the Shareholders' Agreement and the transactions contemplated under such agreements having been approved by the Independent Shareholders as required by and in accordance with the Listing Rules;
- (2) the Subscription Agreement and the Shareholders' Agreement and the transactions contemplated under such agreements having been approved by the eSun Shareholders as required by and in accordance with the Listing Rules; and
- (3) (if necessary) each of the Company and eSun having obtained all other necessary consents, approvals, authorisation, licences and waivers (whether corporate, regulatory, governmental or otherwise) required in connection with the Subscription Agreement, the Shareholders' Agreement and the transactions contemplated under such agreements.

If the condition precedent mentioned in (3) above has not been fulfilled or waived on or before 6 months from the date of the Subscription Agreement, the Subscription Agreement shall terminate in which event all rights and liabilities of the parties thereto under the Subscription Agreement shall cease and determine immediately upon such termination (save in respect of antecedent breaches).

Completion

Completion shall take place on the fifth business day after the date on which all the above conditions precedent have been fulfilled or waived (or such other date as the parties to the Subscription Agreement may agree).

LETTER FROM THE BOARD

SHAREHOLDERS' AGREEMENT

Subject to and upon Completion, LFHQ, SHIL and Rosy Commerce shall enter into the Shareholders' Agreement.

The principal terms of the Shareholders' Agreement to be entered into upon Completion are set out below:

Date

The Shareholders' Agreement shall be entered into subject to and upon Completion.

Parties

- (1) LFHQ
- (2) SHIL
- (3) Rosy Commerce

SHIL is a connected person of the Company. Subject to and upon Completion, Rosy Commerce will become a connected person of the Company as Rosy Commerce will be owned as to 20% by SHIL, an indirect wholly-owned subsidiary of eSun (the ultimate holding company of the Company).

Subject matter

To regulate the relationship of the shareholders of Rosy Commerce inter se and the management and conduct of the business and affairs of the Rosy Group.

The parties to the Shareholders' Agreement acknowledge that the Shareholders' Agreement and the transactions contemplated thereunder relate or may relate to a Restricted Opportunity under the Deed of Conditional Waiver and all transactions contemplated thereunder shall hence be conducted in accordance with the terms (if they apply) as well as the spirit of the Deed of Conditional Waiver.

Share capital

The initial authorised share capital of Rosy Commerce shall be US\$50,000 divided into 50,000 ordinary shares of par value of US\$1.00 each.

Subject to and upon Completion, the issued share capital of Rosy Commerce will be increased from one ordinary share to 100 ordinary shares, of which 80 ordinary shares and 20 ordinary shares will be beneficially owned by LFHQ and SHIL, representing 80% and 20%, respectively, of the issued and paid up share capital of Rosy Commerce.

LETTER FROM THE BOARD

Additional funding

The business of the Rosy Group shall be financed by way of commercial borrowings and other credit facilities from banks and/or other financial institutions on such terms as the board of directors of Rosy Commerce may determine and, wherever possible, without any additional security or guarantee or indemnity or other security by the shareholders. To the extent that financing in the aforesaid manner is not available or is on terms which are unacceptable to the board of directors of Rosy Commerce or is otherwise insufficient to meet the financing requirements for the business, the business shall be financed by way of loans by the shareholders on a several basis and in proportion to their respective shareholdings in Rosy Commerce and on such terms as the board of directors of Rosy Commerce may determine, provided that such loans or financing to be provided by the shareholders of Rosy Commerce shall be on the same terms.

Board representation

The board of directors of Rosy Commerce shall comprise 5 directors. For each and every 20% of the total issued share capital of Rosy Commerce held by a shareholder, it shall have the right to appoint one director. Based on the shareholding of Rosy Commerce as at Completion, LFHQ and SHIL shall have the right to appoint and remove up to 4 and 1 directors respectively. The directors appointed by LFHQ may elect one of them to be the chairman of the board.

Subject to any applicable laws and save as otherwise provided in the Shareholders' Agreement (such as certain reserved matters which shall be subject to unanimous approval of all shareholders of Rosy Commerce), the business of Rosy Commerce shall be managed and determined by its board of directors by a simple majority of the directors present (in person or by alternate) at a board meeting.

The parties agreed that, notwithstanding anything provided in the Shareholders' Agreement, (i) any issue of shares or other securities by any member of the Rosy Group to any person(s) independent of the Company or its connected persons; or (ii) any creation of a different class of shares or other securities of any member of the Rosy Group or reclassification of any outstanding shares or other securities of any member of the Rosy Group into a different class of shares or other securities for the purpose mentioned in (i) above; or (iii) any action, step or matter authorising, effecting or otherwise in connection with (i) or (ii) above ((i) to (iii) are collectively referred to as the "**Excepted Matters**") shall not constitute variation of rights or class rights attached to the shares then held by the shareholders of Rosy Commerce, and unanimous prior written approval of all shareholders of Rosy Commerce as mentioned in the preceding paragraph shall not be required for any Excepted Matter or for authorising, effecting or taking any step or action in relation to any Excepted Matter.

LETTER FROM THE BOARD

Business

The business of the Rosy Group is the owning, undertaking and operating of the Project through the Project Company or any other company or companies as the parties to the Shareholders' Agreement may agree (“**Business**”).

Rosy Commerce shall not, without the unanimous approval of its shareholders, (i) change the nature or scope of the business of the Rosy Group, provided that any change of the nature or scope of business of the Rosy Group to be approved unanimously by the shareholders of Rosy Commerce must be consistent with the scope or the purpose of the Business; or (ii) enter into any transaction (whether with a connected person or not) which is not on an arm's length basis.

Project

The Project will be single purpose and relates to the development of the cultural and creative industries and commercial related projects consistent with the purpose specified in the Land Grant Contract. The Project shall be in line with the overall development plan of Hengqin as a whole and the requirements set out under the Hengqin New Area Detailed Control Plan. The detailed plan for the construction work is required to be submitted to the Hengqin New Area Administrative Committee for approval and construction work may only commence after formal approval has been granted.

Project Company

The Project Company will be established as a wholly-foreign-owned enterprise in the PRC within three months after the date of successful bid of the Land, to be wholly-owned by Winfield Concept. The Project Company is for holding the Land and owning, undertaking and operating the Project.

Dividend and distribution policy

The total amount of dividends payable by Rosy Commerce in respect of any financial year shall be such amount as its board of directors proposes to be appropriate having regard to the Rosy Group's financial condition and its current and projected cash requirements. Dividends will be distributed to the shareholders of Rosy Commerce in proportion to their respective percentage shareholdings in Rosy Commerce.

Pre-emptive rights

Any issue of new shares in Rosy Commerce will be subject to pre-emptive rights of the shareholders pursuant to which such new shares shall first be offered for subscription to the shareholders in proportion to their respective percentage shareholdings in Rosy Commerce.

Right of first refusal

Any transfer of shares in or loans to Rosy Commerce by a shareholder to a third party shall be subject to rights of first refusal of the other shareholders of Rosy Commerce.

LETTER FROM THE BOARD

Event of default

If any shareholder of Rosy Commerce commits a material breach of the Shareholders' Agreement and either the breach is not capable of being remedied or the defaulting shareholder does not remedy that breach (to the reasonable satisfaction of the other shareholder) within 30 days of the other shareholder sending the defaulting shareholder a written notice requesting it to remedy such breach (or within such other period as the parties to the Shareholders' Agreement may agree), or if any shareholder of Rosy Commerce is in a situation of financial difficulties (as defined in the Shareholders' Agreement) such as (without limitation) in the event that such shareholder is unable to pay its debts as they fall due, or if any person attaches, arrests or seizes, or distress, execution, sequestration or other similar process is levied or enforced upon or sued out against, the whole or any material part of the assets, undertakings, rights or revenues of such shareholder, the defaulting shareholder shall in effect be deemed to have offered to dispose of all its shares held in Rosy Commerce to the other shareholder at an offer price to be determined after arm's length negotiation between the shareholders by reference to the fair market value of the subject shares to be determined by an independent professional valuer with relevant experience as appointed by the non-defaulting shareholder.

5. CAPITAL AND FINANCIAL COMMITMENT

According to the Land Grant Contract, Winfield Concept undertakes that the total amount of investment for the Project shall not be less than RMB3,000,000,000 (equivalent to approximately HK\$3,788,970,000).

The Land Grant Contract requires a land premium of RMB523,296,103.20 (equivalent to approximately HK\$660,918,000) to be paid (see the section headed "3. Principal Terms of the Land Grant Contract" above for further details).

Subject to and upon Completion, the total capital commitment in cash by LFHQ and SHIL to the Rosy Group will be US\$80 and US\$20 respectively, and the total amount of shareholder's loan provided by LFHQ and SHIL to the Rosy Group, subject to full payment of the land premium for the Land, is currently estimated to be HK\$545,600,000 and HK\$136,400,000 respectively.

Based on the minimum investment amount of RMB3,000,000,000 for the Project as stipulated under the Land Grant Contract, eSun is committed to a pro rata portion (i.e. 20%) of such minimum investment amount i.e. RMB600,000,000.

Any additional financing for the business of the Rosy Group will be provided in the manner as mentioned in the paragraph headed "Additional Funding" under the section headed "4. Principal Terms of the Transaction – Shareholders' Agreement" above.

6. INFORMATION ON ROSY COMMERCE

Rosy Commerce is an investment holding company incorporated under the laws of the BVI with limited liability.

LETTER FROM THE BOARD

World Spring is an investment holding company incorporated under the laws of the BVI with limited liability.

Winfield Concept is an investment holding company incorporated under the laws of Hong Kong with limited liability.

The Project Company will be established as a wholly-foreign-owned enterprise in the PRC within three months after the date of successful bid of the Land, to be wholly-owned by Winfield Concept. The Project Company is for holding the Land and owning, undertaking and operating the Project.

As at the Latest Practicable Date, Winfield Concept was wholly-owned by World Spring, which in turn was wholly-owned by Rosy Commerce, the latter being a direct wholly-owned subsidiary of LFHQ. Subject to and upon Completion, Rosy Commerce will be owned by LFHQ and SHIL as to 80% and 20%, respectively.

7. INFORMATION ON LFHQ, SHIL, THE COMPANY AND eSUN

LFHQ is an investment holding company incorporated under the laws of Hong Kong and an indirect wholly-owned subsidiary of the Company.

SHIL is an investment holding company incorporated under the laws of the BVI with limited liability and an indirect wholly-owned subsidiary of eSun.

The Company 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 activity of the Company is investment holding. The principal activities of the Company's subsidiaries include property development for sale and property investment for rental purposes in the PRC.

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 and operation of and investment in media, entertainment, music production and distribution, the investment in and production and distribution of television programs, film and video format products, cinema operations, the provision of advertising agency services, the sale of cosmetic products and property development for sale and property investment for rental purposes. As at the Latest Practicable Date, eSun owned approximately 50.36% of the total issued shares of the Company and the Company was accounted for as a non-wholly-owned subsidiary of eSun.

As at the Latest Practicable Date, the Company is not engaged in or actively pursuing any transaction or arrangement that will result in a fundamental change of business direction or principal business activities of the Group, or which will involve a major change in the assets or businesses of the Group.

LETTER FROM THE BOARD

8. INFORMATION ON ZHUHAI LAND BUREAU

Zhuhai Land Bureau is a PRC Governmental Body (as defined under Rule 19A.04 of the Listing Rules).

9. REASONS FOR AND BENEFITS OF THE LAND ACQUISITION AND THE TRANSACTION

The site referred to in the Cooperation Agreement is situated on the Hengqin island which is adjacent to Macau. It is part of a new development area designated by the PRC Government with focus on leisure tourism, business service, financial service, cultural creativity, scientific and educational research and development, new and high technology, traditional Chinese medicine and health care. A number of anchor projects, including a world-class resort, are currently under construction in that area.

The site in question, of which the Project forms part, is strategically located in the heart of the Hengqin island. It is close to the major road and railway networks connecting Guangzhou, Macau, Hengqin and Zhuhai respectively. The site is zoned or planned for cultivating and developing cultural and creative industries in Hengqin, and such industries encompass film and television entertainment, music, new media creative design, cultural art workshops, live performances, cultural art product exhibition, trade fairs, theatres, book stores, museums, auction centres, cultural theme-led facilities and related hotels, and a range of ancillary or supporting facilities. Specifically, the above may include the establishment of a specific designated zone catered for small and medium cultural and creative enterprises of Macau.

The Land Acquisition and the Transaction represent a continuation and realisation of the projects contemplated to be jointly developed by the Company and eSun as contemplated under the Cooperation Agreement.

The Project is expected to benefit from the growth in the tourism and commercial activities in Macau, Hengqin and the Pearl River Delta region such as, for example, the potential of capturing some of the business brought by the 28 million per annum visitors visiting Macau. The development of the Project would provide the Company and eSun with an opportunity to exploit their expertise in the PRC property development and cultural entertainment respectively.

The Group is in the process of finalising the master layout plan for the Project with the PRC government. As such, the development plan and therefore the total development costs of the Project have yet to be finalised. Details of the development plan for the Project will be formulated and appropriately disclosed in compliance with relevant requirements under the Listing Rules.

The Group is in the process of establishing the relevant subsidiaries (including the Project Company) to hold the Land pursuant to the terms of the Land Grant Contract. Such subsidiaries will obtain customary licences, approvals and/or permits required for property development projects in the PRC. As at the Latest Practicable Date, the Company has not obtained any licence, approval or permit required for the Project.

LETTER FROM THE BOARD

Both the Company and eSun will be the investors of the Project. The Company will provide PRC property investment and development expertise primarily with overall project management and leadership role. eSun will contribute its expertise in media and entertainment from planning to completion and operation.

The sources of funding by the Company to finance the Project will be internal and external resources including but not limited to bank financing.

10. FINANCIAL EFFECTS OF THE LAND ACQUISITION

Immediately upon completion of Land Acquisition and assuming the remaining balance of the land premium payable under the Land Grant Contract will be satisfied by the internal resources of the Group, the Directors considers that there will not be any material effect on the total assets, total liabilities and earnings of the Group.

11. LISTING RULES IMPLICATIONS

The Land Acquisition – Very substantial acquisition

As the applicable percentage ratios in respect of the Land Acquisition are greater than 100% for the Company for the purposes of Rule 14.07 of the Listing Rules, the Land Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules.

The Land Acquisition is a Qualified Property Acquisition under Rule 14.04(10C) of the Listing Rules as it involves an acquisition of governmental land in the PRC from a PRC Governmental Body (as defined under Rule 19A.04 of the Listing Rules) through a tender, auction or listing-for-sale governed by the PRC Law (as defined under Rule 19A.04 of the Listing Rules). Under Rule 14.33A of the Listing Rules, the Land Acquisition is exempt from shareholders' approval of the Company as it was undertaken on a sole basis by the Company (through its subsidiaries) in its ordinary and usual course of business.

The Transaction – Discloseable and connected transaction

As the applicable percentage ratios in respect of the Transaction are greater than 5% but less than 25% for the Company, the Transaction constitutes a discloseable transaction for the Company. The Company has to comply with the notification and publication requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, eSun owned approximately 50.36% of the total issued shares of the Company and the Company was accounted for as a non-wholly-owned subsidiary of eSun. eSun is therefore the ultimate holding company of the Company. SHIL, being an indirect wholly-owned subsidiary of eSun, is an associate of eSun and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Transaction also constitutes a non-exempt connected transaction for the Company. The Company has to comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

The Company will convene the EGM, at which a resolution will be proposed for the Independent Shareholders to consider and, if thought fit, approve the Transaction.

Any connected person of the Company with a material interest in the Transaction, and any Shareholder with a material interest in the Transaction and his/her/its associates, shall not vote on the resolution in relation to the Transaction proposed at the EGM. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, eSun (which was interested in approximately 50.36% of all the issued Shares) are required to abstain from voting on the proposed resolution to approve the Transaction at the EGM.

None of the Directors has any material interest in the Transaction. Mr. Chew Fook Aun and Mr. Lam Hau Yin, Lester abstained from voting on the resolution to approve the Transaction at the relevant meeting of the Board as they are also directors of eSun.

The Independent Board Committee comprising all independent non-executive Directors, namely Messrs. Ku Moon Lun, Lam Bing Kwan, Law Kin Ho, Mak Wing Sum, Alvin and Shek Lai Him, Abraham, has been established to advise the Independent Shareholders in respect of the Transaction. Crosby has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Transaction.

As disclosed in the 2013 Joint Announcement, the Transaction constitutes a major transaction for eSun. eSun has to comply with the notification, publication and shareholders' approval requirements under Chapter 14 of the Listing Rules. A special general meeting will be held on Tuesday, 17 December 2013 by eSun for its shareholders to consider and, if thought fit, approve the Transaction. Please refer to eSun's circular dated 26 November 2013 for further details.

12. EGM

The EGM will be held at Gloucester Room II, 3/F., The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong on Tuesday, 17 December 2013 at 10:00 a.m. for the Independent Shareholders to consider and, if thought fit, approve, among other things, the Transaction. The EGM Notice is set out on pages 68 to 70 of this circular. If you do not intend to be present at the EGM or its adjournment in person but wish to exercise your right as a Shareholder, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrars in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time fixed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

13. VOTING BY POLL

In compliance with Rule 13.39(4) of the Listing Rules, save for resolutions which relate purely to procedural or administrative matters to be voted on by a show of hands, voting on the resolution to be proposed at the EGM shall be decided by way of a poll.

LETTER FROM THE BOARD

Article 85 of the articles of association of the Company provides that on a poll, every Shareholder present in person or by proxy shall have one vote for every Share held by that Shareholder.

An explanation of the detailed procedures of conducting a poll will be provided to the Shareholders at the EGM. Tricor Tengis Limited, the branch share registrars of the Company in Hong Kong, will serve as the scrutineers for the vote-taking. The Company will publish an announcement on the poll results on the respective websites of the Company at “<http://www.laifung.com>” and the Stock Exchange at “<http://www.hkexnews.hk>” shortly after the conclusion of the EGM pursuant to Rule 13.39(5) of the Listing Rules.

14. RECOMMENDATIONS

The Board did not consider it necessary to consider possible joint investment/co-operation proposals for the Land/the Project from independent third parties principally for the following reasons:

- (i) the intention reached between the Company, eSun and the Hengqin New Area Administrative Committee has always been the co-development of the Land by the Company and eSun pursuant to the Cooperation Agreement;
- (ii) the entering into of the Cooperation Agreement allowed eSun to have an early understanding of the proposed construction and development of the Hengqin Cultural and Creative Zone, and therefore the invitation to another party to jointly develop the Project may not be as effective and efficient;
- (iii) eSun has intimate knowledge of the Cooperation Agreement and the proposed construction of the Hengqin Cultural and Creative Zone, and such knowledge is required for a successful joint venture in respect of the Project;
- (iv) the terms of the Transaction adhered to the terms stipulated in the Deed of Conditional Waiver and the Special Committee approved such Restricted Opportunity on 23 September 2013;
- (v) it was stated in the Public Bidding notice on the website of the Zhuhai Land Bureau that one of the major requirements for the Public Bidding was that there must be a participant in the Project which has engaged in the entertainment business for no less than ten years. As eSun and its subsidiaries have principally been engaged in the development and operation of and investment in media, entertainment, music production and distribution, and the investment in and production and distribution of television programs and cinema operations for more than ten years, the invitation to eSun to jointly develop the Project allows the Company to fulfill the requirements of the Public Bidding and the Company could also leverage on the expertise and experience of eSun in the entertainment industry to continue building and developing the Project;

LETTER FROM THE BOARD

- (vi) the Board was of the view that independent third parties with expertise, credentials and capabilities comparable to those of eSun in the context of the Project are limited, and in addition, solicitation of interests from independent third parties in the Project may entail disclosure of trade secrets and/or commercial sensitive information to third parties who may be or become competitors of the Group; and
- (vii) the involvement of eSun would be subject to the vigilant corporate approval procedures as prescribed by the Deed of Conditional Waiver and the Listing Rules.

The Independent Board Committee noted from the advice of Crosby in relation to the Transaction (as contained in the “Letter from Crosby” set out on pages 27 to 39 of this circular) that Crosby is of the view that the terms of the Transaction were determined after arm’s length negotiations and are fair and reasonable and in the interests of the Group and the Independent Shareholders as a whole based on the following:

- (i) the Land was acquired through the Public Bidding and hence the land premium for the Land represents an independent market value of the Land;
- (ii) under the Subscription Agreement, the total amount of share capital contributed by LFHQ and SHIL and the assignment of the SHIL Shareholder’s Loan from LFHQ to SHIL will be on a dollar-for-dollar basis and on a pro rata basis according to the respective shareholdings of LFHQ and SHIL in Rosy Commerce at Completion;
- (iii) the substance of the Transaction is similar to forming a 80:20 joint venture, namely Rosy Commerce, between the Company and eSun to acquire the Land and develop the Project, and the investments in Rosy Commerce by LFHQ and SHIL will be made proportional to their respective shareholding interests in Rosy Commerce;
- (iv) the total estimated consideration payable by SHIL is consistent with the structure of a 80:20 joint venture, and is fair and reasonable and on normal commercial terms; and
- (v) under the Shareholders’ Agreement, LFHQ’s rights as a shareholder of Rosy Commerce will be safeguarded to ensure that LFHQ’s participation in the Project will be fair and reasonable, including the determination of board members, future capital funding and dividend distributions will be on a pro rata basis to LFHQ’s shareholding in Rosy Commerce, and LFHQ will be entitled to pre-emptive rights and the rights of first refusal in relation to the issue of and transfer of shares in Rosy Commerce.

The Independent Board Committee, relying on the advice of Crosby in relation to the Transaction, is of the view that the terms of Transaction are on arm’s length basis and on normal commercial terms, and are fair and reasonable insofar as the Independent Shareholders are concerned, and that the Transaction is in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors), relying on the advice of the Independent Board Committee, consider that the terms of the Transaction are on arm’s length basis and on normal commercial terms, and are fair and reasonable insofar as the Independent Shareholders are concerned, and that the Transaction is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Your attention is drawn to the “Letter from the Independent Board Committee” set out on page 26 of this circular, which contains its recommendation to the Independent Shareholders, and the “Letter from Crosby” set out on pages 27 to 39 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Transaction.

Both the Independent Board Committee and Crosby recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Transaction.

15. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular and the EGM Notice.

Yours faithfully,
For and on behalf of the Board of
Lai Fung Holdings Limited
Chew Fook Aun
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



LAI FUNG HOLDINGS

Lai Fung Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1125)

26 November 2013

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
IN RELATION TO
SUBSCRIPTION FOR SHARES IN AND
ASSIGNMENT OF LOAN TO ROSY COMMERCE**

We have been appointed as members of the Independent Board Committee to advise you in connection with the Transaction, details of which are set out in the “Letter from the Board” in a circular of the Company dated 26 November 2013 (“**Circular**”), of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Your attention is drawn to the “Letter from Crosby”, concerning its advice to us regarding the fairness and reasonableness of the terms and conditions of the Transaction as set out on pages 27 to 39 of the Circular. Your attention is also drawn to the “Letter from the Board” set out on pages 7 to 25 of the Circular and the additional information set out in the appendices to the Circular.

Having considered the advice and recommendation of Crosby, we consider the terms and conditions of the Transaction are on arm’s length basis and on normal commercial terms, and are fair and reasonable insofar as the Independent Shareholders are concerned, and that the Transaction is in the interests of the Company and the Shareholders as a whole. We, therefore, recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Transaction.

Yours faithfully,
Independent Board Committee
Lai Fung Holdings Limited

**Ku Moon Lun, Law Kin Ho, Lam Bing Kwan,
Mak Wing Sum, Alvin and Shek Lai Him, Abraham**
Independent Non-executive Directors

LETTER FROM CROSBY

The following is the text of the letter of advice from Crosby Securities Limited to the Independent Board Committee and the Independent Shareholders in relation to the Transaction prepared for inclusion in this circular.

CROSBY

5/F, AXA Centre
151 Gloucester Road
Wanchai, Hong Kong

26 November 2013

*To the Independent Board Committee and
the Independent Shareholders of Lai Fung Holdings Limited*

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transaction, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company (the “**Circular**”) to the Shareholders dated 26 November 2013, of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 24 September 2013, Winfield Concept, an indirect wholly-owned subsidiary of the Company, succeeded in the bid of the land use rights of the Land offered for sale by the Zhuhai Land Bureau through the Public Bidding and subsequently entered into the Land Grant Contract with the Zhuhai Land Bureau on 27 September 2013. The land premium for the Land is RMB523,296,103.20 (equivalent to approximately HK\$660,918,000) and Winfield Concept will undertake that the total amount of investment for the Project shall not be less than RMB3,000,000,000 (equivalent to approximately HK\$3,788,970,000). For the purposes of joint investment in and development of the Project by eSun and the Company as contemplated under the Cooperation Agreement, LFHQ, SHIL and Rosy Commerce entered into the Subscription Agreement on 25 September 2013. Upon Completion, LFHQ, SHIL and Rosy Commerce will also enter into the Shareholders’ Agreement.

The Transaction, being a Restricted Opportunity, was referred by the Board to the Special Committee for review and consideration in accordance with the Deed of Conditional Waiver. The Transaction was accepted and approved by a meeting of the Special Committee on 23 September 2013 and the waiver under the Deed of Conditional Waiver applies to the Transaction.

As of the Latest Practicable Date, eSun owns approximately 50.36% of the total issued shares of the Company and the Company is accounted for as a non-wholly-owned subsidiary of eSun. eSun is therefore the ultimate holding company of the Company. SHIL, being an indirect wholly-owned subsidiary of eSun, is an associate of eSun and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Transaction also constitutes a non-exempt connected transaction for the Company. The Company has to comply with the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM CROSBY

The Independent Board Committee comprising all independent non-executive Directors, namely Messrs. Ku Moon Lun, Lam Bing Kwan, Law Kin Ho, Mak Wing Sum, Alvin and Shek Lai Him, Abraham, has been formed to advise the Independent Shareholders in respect of the Transaction.

BASIS OF OUR OPINION

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the Company. The Directors have declared in a responsibility statement set out in Appendix IV to the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular. We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the senior management of the Company. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, eSun or any of their respective subsidiaries or associates.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Crosby is to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and advice in respect of the Transaction, we have considered the following principal factors and reasons:

A. Background and reasons for the Transaction

Information on the Group

The Group is principally engaged in property development for sale and property investment for rental purposes in the PRC. Reference is made to the Company's annual reports for the two years ended 31 July 2012 and 2013 (collectively, the "**Financial Reports**"). The Group's revenue from the sale of properties amounted to approximately HK\$919.6 million and revenue from rental income amounted to approximately HK\$474.4 million, representing approximately 66.0% and 34.0% of total revenue, respectively, for the year ended 31 July 2012. The Group's revenue from the sale of properties amounted to approximately HK\$1,372.2 million and revenue from rental income amounted to approximately HK\$522.7 million, representing approximately 72.4% and 27.6% of total revenue, respectively, for the year ended 31 July 2013. According to the

LETTER FROM CROSBY

Financial Reports and our understanding of the Group's principal business, we note that the nature of the Land Acquisition and the Transaction as a whole is within the ordinary and usual course of business of the Group.

The Cooperation Agreement

Reference is made to the Company's announcement dated 16 September 2011. On 16 September 2011, eSun and the Company entered into the Cooperation Agreement with the Hengqin New Area Administrative Committee, pursuant to which eSun and the Company agreed to jointly invest in and develop a site in Hengqin Cultural and Creative Zone. Hengqin is part of a new development area designated by the PRC Government with focus on leisure tourism, business service, financial service, cultural creativity, scientific and educational research and development, new and high technology, traditional Chinese medicine and health care. Pursuant to the Cooperation Agreement, the Hengqin New Area Administrative Committee would supply the site to the public by phases through the process of public bidding.

As stated in the Letter from the Board, the site in question, of which the Project forms part, is strategically located in the heart of the Hengqin island. The site is zoned or planned for cultivating and developing cultural and creative industries in Hengqin, and such industries encompass film and television entertainment, music, new media creative design, cultural art workshops, live performances, cultural art product exhibition, trade fairs, theatres, book stores, museums, auction centres, cultural theme-led facilities and related hotels, and a range of ancillary or supporting facilities. The Project is expected to benefit from the growth in the tourism and commercial activities in Macau, Hengqin and the Pearl River Delta region such as, for example, the potential of capturing some of the businesses brought by the visitors visiting Macau.

The Land Acquisition and the Transaction

As a continuation and a realization of the Project contemplated under the Cooperation Agreement, on 24 September 2013, Winfield Concept, an indirect wholly-owned subsidiary of the Company, succeeded in the bid of the land use rights of the Land offered for sale by the Zhuhai Land Bureau through the Public Bidding and subsequently entered into the Land Grant Contract with the Zhuhai Land Bureau on 27 September 2013. The land premium for the Land is RMB523,296,103.20 (equivalent to approximately HK\$660,918,000) and was arrived at as a result of successful bidding of the Land by Winfield Concept through the Public Bidding. The land premium for the Land therefore represents an independent market value of the Land under the prevailing market conditions. In tendering the bid, Winfield Concept has taken into account the initial bidding price required under the listing-for-sale documents, prevailing market conditions, location of the Land, land price in the surrounding area, the permitted land usage and permitted saleable area of the Land. The Land represents a piece of property at the east side of Yiwener Road, south side of Caihong Road, west side of Tianyu Road and north side of Hengqin Road, Hengqin New Area, Zhuhai City, Guangdong Province of the PRC* (中國廣東省珠海市橫琴新區藝文二道東側、彩虹路南側、天羽道西側及橫琴大道北側) with a total site area of 130,173.16 sq.m. and a maximum plot ratio of two times. The land use rights of the Land for creative cultural industry use is for a term of 50 years and the land use rights of the Land for commercial related use is for a term of 40 years.

* For identification purpose only

LETTER FROM CROSBY

The Land Grant Contract contains a term whereby Winfield Concept undertakes that the total amount of investment for the Project shall not be less than RMB3,000,000,000 (equivalent to approximately HK\$3,788,970,000) (the “**Minimum Investment**”). The Minimum Investment was imposed by the Zhuhai Land Bureau under the Land Grant Contract at the time the bidding documents in respect of the Public Bidding were sent to the Group before the commencement of the Public Bidding. Pursuant to the Shareholders’ Agreement, SHIL will have a 20% pro-rata share in the future additional funding of Rosy Commerce. As such, out of the Minimum Investment, SHIL will have a pro-rata share of RMB600,000,000 (equivalent to approximately HK\$757,794,000). The final development costs of the Project will be affected, among other matters, by the master layout plan, which was still being finalised as at the Latest Practicable Date. As stated in the Letter from the Board, the sources of funding by the Company to finance the Project will be internal and external sources including, but not limited to, bank financing.

In addition, LFHQ, SHIL and Rosy Commerce entered into the Subscription Agreement on 25 September 2013 for the purposes of joint investment in and development of the Project by eSun and the Company under the Cooperation Agreement. As advised by the Company, the Special Committee did not solicit nor consider other proposals as the role of the Special Committee is to only consider the Restricted Opportunity as referred to it by the Board from the sole perspective of either rejecting it or approving it as a joint investment with a member of the Affiliated Group (in this case, eSun) after taking into account the requirements set out in the Deed of Conditional Waiver. The Special Committee, however, has the power to decline any co-development with eSun if it believes the terms of co-operation are not in compliance with the requirements set out in the Deed of Conditional Waiver. As the Public Bidding requires one participant in the Project to have no less than ten years of experience in the entertainment industry and the Project is planned for developing cultural and creative industries in Hengqin, which include, amongst others, film and television entertainment, music, new media creative design, cultural art workshops, and live performances, the invitation to eSun to jointly invest and develop the Project would allow the Company to leverage on eSun’s experience and expertise in the entertainment industry. It is expected that eSun’s involvement in the Project will mainly be on the cultural, media, entertainment and creative aspects of the Project while the Company will mainly focus on the development and construction aspects of the Project. For the avoidance of doubt, the participation by eSun was not a condition of the Public Bidding. Subject to and upon Completion under the Subscription Agreement, (i) Rosy Commerce will be owned as to 80% by LFHQ and 20% by SHIL through their respective subscriptions of the LFHQ Subscription Shares and the SHIL Subscription Shares; (ii) SHIL will acquire and LFHQ will assign to SHIL the SHIL Shareholder’s Loan such that the loans made by LFHQ and SHIL to Rosy Commerce will be on a pro rata basis to their shareholdings in Rosy Commerce; and (iii) LFHQ, SHIL and Rosy Commerce will enter into the Shareholders’ Agreement.

Having taking into account that (i) the nature of the Land Acquisition and the Transaction as a whole is within the ordinary and usual course of business of the Group; (ii) the Land Acquisition represents a continuation and a realisation of the Project contemplated under the Cooperation Agreement and enables the Group to expand its land bank into Macau, Hengqin, which is a new and expanding development area designated by the PRC Government; (iii) the Project is expected to benefit from the growth in Macau, Hengqin and the Pearl River Delta region by capturing some of the business and consumer spending brought by the tourists visiting Macau, and hence is expected to enhance the revenue stream for the Group going forward; and (iv) the Public Bidding requires one participant in the Project to have no less than ten years of experience in the entertainment industry and the Transaction would allow the Company to leverage on eSun’s experience and expertise in the entertainment industry in jointly developing the Project,

LETTER FROM CROSBY

we are of the view that the Land Acquisition and the Transaction as a whole is in line with the ordinary and usual course of business of the Group and is in the interests of the Company and the Independent Shareholders as a whole.

B. Implications on the Deed of Conditional Waiver

Reference is made to the Company's announcement dated 30 October 2012 and circular dated 1 December 2012 (the "**DCW Circular**"). On 30 October 2012, in order to enhance the business potential available to the Company which may otherwise be restricted by the Existing Undertakings, the Company executed the Deed of Conditional Waiver in favor of the Covenantors (as defined in the DCW Circular), pursuant to which the Company conditionally waives any claims, actions, proceedings, damages or equitable remedy that it may be entitled to under the Existing Undertakings in respect of the participation by any member of the Affiliated Groups (as defined in the DCW Circular) in any Restricted Opportunity which may otherwise be prohibited under the Existing Undertakings, subject to their compliance with the provisions of the Deed of Conditional Waiver.

The Transaction falls under the definition of a Restricted Opportunity under the Existing Undertakings. As such, the Transaction would need to follow the policies and procedures and requirements as set out in the Deed of Conditional Waiver in order for the Transaction, being a Restricted Opportunity, to be approved by the Special Committee under the Deed of Conditional Waiver. Set out below is a summary of some principal terms of the Deed of Conditional Waiver (please refer to the DCW Circular for all principal terms of the Deed of Conditional Waiver):

- the Company's joint participation in any Restricted Opportunity shall be for a minimum of 30% of such project in terms of investment contributions;
- the Company shall be given reasonable time to consider and decide on all matters in relation to the Restricted Opportunities pursuant to the Deed of Conditional Waiver;
- the Company shall maintain a leadership role in any Restricted Opportunity and its participation in a Restricted Opportunity;
- in respect of each Restricted Opportunity, the Group is entitled to take up or jointly participate in such Restricted Opportunity on terms no less favourable than those available to the relevant member(s) of its Affiliated Groups (as defined in the DCW Circular);
- upon receipt of a Restricted Opportunity, the Company shall refer the matter to the Board which may refer the Restricted Opportunity to the Special Committee for review and consideration;
- the chairman at any meeting of the Special Committee shall be an independent non-executive Director and the Special Committee shall comprise Eligible Directors (as defined in the DCW Circular) only; and
- no decision of the Special Committee shall be valid or binding on the Company unless it is approved in the meeting by the simple majority.

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C. Principal Terms of the Transaction

The Subscription Agreement

Subject matter

For the purposes of joint investment in and development of the Project by eSun and the Company as contemplated under the Cooperation Agreement, LFHQ, SHIL and Rosy Commerce entered into the Subscription Agreement on 25 September 2013. It is expected that eSun's involvement in the Project will mainly be on the cultural, media, entertainment and creative aspects of the Project while the Company will mainly focus on the development and construction aspects of the Project. Subject to and upon Completion under the Subscription Agreement, (i) Rosy Commerce will be owned as to 80% by LFHQ and 20% by SHIL through their respective subscriptions of the LFHQ Subscription Shares and the SHIL Subscription Shares; (ii) SHIL will acquire and LFHQ will assign to SHIL the SHIL Shareholder's Loan such that the loans made by LFHQ and SHIL to Rosy Commerce will be on a pro rata basis to their shareholdings in Rosy Commerce; and (iii) LFHQ, SHIL and Rosy Commerce will enter into the Shareholders' Agreement.

Consideration and payment terms

As at the Latest Practicable Date, Rosy Commerce had an authorised share capital of US\$50,000 divided into 50,000 ordinary shares of par value of US\$1.00 each, of which one ordinary share had been issued to and fully paid up by LFHQ. Subject to and upon Completion, the issued share capital of Rosy Commerce will be increased by 99 ordinary shares to 100 ordinary shares, of which the LFHQ Subscription Shares and the SHIL Subscription Shares will be allotted and issued to LFHQ and SHIL, respectively.

The subscription prices for the LFHQ Subscription Shares and the SHIL Subscription Shares are at the par value of US\$1.00 per share, which will be paid by LFHQ and SHIL to Rosy Commerce in cash upon Completion or in such other manner as LFHQ, SHIL and Rosy Commerce may agree in writing. The SHIL Shareholder's Loan will be assigned from LFHQ to SHIL at its face value on a dollar-for-dollar basis payable by SHIL to LFHQ in cash upon Completion or in such other manner as LFHQ and SHIL may agree in writing.

Subject to and upon Completion, the total amount of share capital contributed by LFHQ and SHIL to the Rosy Group will therefore be US\$80 and US\$20 respectively, and the total amount of shareholder's loan provided by LFHQ and SHIL to the Rosy Group, subject to full payment of the land premium for the Land, is currently estimated to be approximately HK\$545,600,000 and HK\$136,400,000, respectively. The total estimated amount of shareholder's loan of approximately HK\$682,000,000 upon Completion consists of the land premium for the Land of approximately HK\$661,000,000 and an early advance from LFHQ to Rosy Commerce of approximately HK\$21,000,000 to cater for the early stage expenses in relation to the Project such as tax charges imposed by the local government incidental to the Land Acquisition and fees for securing third party services.

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The total consideration payable by SHIL is currently estimated to be approximately HK\$136,400,160, which is the sum of the total share capital contributed by SHIL to Rosy Commerce and the estimated amount of the SHIL Shareholder's Loan upon Completion, and this represents 20% of the total investments (whether in the form of share capital or shareholder's loans) made and to be made by the Company in the Project as at Completion.

Conditions

Completion is conditional upon:

- (i) the Subscription Agreement and the Shareholders' Agreement and the transactions contemplated under such agreements having been approved by the Independent Shareholders as required by and in accordance with the Listing Rules;
- (ii) the Subscription Agreement and the Shareholders' Agreement and the transactions contemplated under such agreements having been approved by the eSun Shareholders as required by and in accordance with the Listing Rules; and
- (iii) (if necessary) each of the Company and eSun having obtained all other necessary consents, approvals, authorisation, licences and waivers (whether corporate, regulatory, governmental or otherwise) required in connection with the Subscription Agreement, the Shareholders' Agreement and the transactions contemplated under such agreements.

The Subscription Agreement shall terminate if the conditions precedent mentioned in (iii) above has not been fulfilled or waived on or before 6 months from the date of the Subscription Agreement.

Completion

Completion shall take place on the fifth business day after the date on which all the relevant conditions precedent have been fulfilled or waived (or such other date as the parties to the Subscription Agreement may agree). It is currently estimated that Completion will take place on or before 24 December 2013.

The Shareholders' Agreement

For the purposes of regulating the relationship of the shareholders of Rosy Commerce inter se and the management and conduct of the business and affairs of Rosy Group, subject to and upon Completion, LFHQ, SHIL and Rosy Commerce will enter into the Shareholders' Agreement. Set out below is a summary of the principal terms governed by the Shareholders' Agreement:

LETTER FROM CROSBY

(i) *Additional funding*

The business of Rosy Commerce shall be financed by way of commercial borrowings and other credit facilities from banks and/or financial institutions and, wherever possible, without any additional security or guarantee or indemnity or other security by the shareholders. To the extent that the aforesaid financing method is not available or unacceptable to the board of directors of Rosy Commerce or is insufficient in meeting the financing requirements for the business, the business shall be financed by way of loans by the shareholders on a several basis and in proportion to their respective shareholdings in Rosy Commerce and on such terms as the board of directors of Rosy Commerce may determine.

(ii) *Board representation*

For each and every 20% of the total issued share capital of Rosy Commerce held by a shareholder, it shall have the right to appoint one director. Based on the shareholding of Rosy Commerce as at Completion, LFHQ and SHIL shall have the right to appoint and remove up to 4 and 1 directors respectively.

(iii) *Business operations*

The business of the Rosy Group is the owning, undertaking and operating of the Project through the Project Company or any other company or companies as the parties to the Shareholders' Agreement may agree. Rosy Commerce shall not, without the unanimous approval of its shareholders, (i) change the nature or scope of the business of the Rosy Group; and (ii) enter into any transaction which is not on an arm's length basis.

(iv) *Project*

The Project will relate only to the development of the cultural and creative industries and commercial related projects consistent with the purpose specified in the Land Grant Contract. The Project Company will be established as a wholly-foreign-owned enterprise in the PRC within three months after the date of successful bid of the Land, to be wholly-owned by Winfield Concept, for holding the Land and operating the Project.

(v) *Dividend policy*

Dividends will be distributed to the shareholders of Rosy Commerce in proportion to their respective percentage shareholdings in Rosy Commerce.

(vi) *Pre-emptive rights and right of first refusal*

Any issue of new shares in Rosy Commerce will be subject to pre-emptive rights of the shareholders and any transfer of shares in or loans to Rosy Commerce by a shareholder to a third party shall be subject to rights of first refusal of the other shareholders of Rosy Commerce.

LETTER FROM CROSBY

D. Our views on the Transaction

(1) *Adherence to the Deed of Conditional Waiver*

As the Transaction falls under the definition of a Restricted Opportunity under the Existing Undertakings, it is imperative that the terms of the Transaction satisfy the requirements stipulated under the Deed of Conditional Waiver in order for the Transaction to, with the approval from the Special Committee, obtain the necessary waiver.

Having taken into account, in particular:

- (i) upon Completion, the Project will be owned as to 80% by LFHQ, meaning the Company will have over 30% investment contributions and interests in the Project;
- (ii) the structure and basis of joint participation of the Project will be determined by the Company with the Company taking the lead in the Project;
- (iii) based on our review of the Subscription Agreement and our discussion with the Company, we are of the view that the principal terms of the Subscription Agreement are on normal commercial terms, were determined after arm's length negotiations, and are fair and reasonable as the contribution to share capital by LFHQ and SHIL to Rosy Commerce of US\$80 and US\$20, respectively, and the SHIL Shareholders' Loan will be assigned by LFHQ to SHIL at its face value on a dollar-for-dollar basis and on a pro rata basis to their shareholdings in Rosy Commerce at Completion;
- (iv) based on our review of the Shareholders' Agreement and our discussion with the Company, we are of the view that the principal terms of the Shareholders' Agreement are on normal commercial terms, were determined after arm's length negotiations, and are fair and reasonable as they ensure the protection of LFHQ's shareholder rights on Rosy Commerce, in particular the determination of board representations, future capital funding in the Project and dividend distributions will be on a pro rata basis to LFHQ and SHIL's shareholdings in Rosy Commerce, and LFHQ is entitled to pre-emptive rights in relation to any issue of new shares of Rosy Commerce and rights of first refusal in relation to any transfer of shares in or loans to Rosy Commerce;
- (v) our review of the relevant minutes in relation to the meeting held by the Special Committee on 23 September 2013 wherein we note that:
 - (a) the Special Committee comprised of the appropriate members, namely all independent non-executive Directors and non-executive Directors;

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- (b) the Special Committee did not solicit nor consider other proposals from independent third parties (as stated above, the role of the Special Committee is to ensure compliance with the requirements set out in the Deed of Conditional Waiver);
- (c) the Transaction appropriately followed the approval policies and procedures stipulated under the Deed of Conditional Waiver;
- (d) the Special Committee reviewed the terms of the Transaction to ensure their compliance with the requirements set out in the Deed of Conditional Waiver; and
- (e) the Special Committee concluded that the proposed co-development with eSun complied with the requirements set out in the Deed of Conditional Waiver and ultimately approved the Company to proceed with the Restricted Opportunity,

we are of the view that the terms of the Transaction adhere to the requirements stipulated under the Deed of Conditional Waiver and are fair and reasonable and in the interests of the Group and the Independent Shareholders as a whole.

(2) ***Land Premium and Principal Terms of the Transaction***

As stated above, the land premium for the Land is RMB523,296,103.20 (equivalent to approximately HK\$660,918,000) and was arrived at as a result of successful bidding of the Land by Winfield Concept through the Public Bidding. The land premium for the Land therefore represents an independent market value of the Land under the prevailing market conditions.

We have reviewed the Subscription Agreement and discussed with the Company to understand that under the Subscription Agreement, the subscription prices for the LFHQ Subscription Shares and the SHIL Subscription Shares are at the par value of US\$1.00 per share and the SHIL Shareholders' Loan will be assigned by LFHQ to SHIL at its face value on a dollar-for-dollar basis and on a pro rata basis according to their respective shareholdings in Rosy Commerce at Completion. As such, the substance of the Transaction is similar to forming a 80:20 joint venture between the Company and eSun.

The total consideration payable by SHIL is currently estimated to be approximately HK\$136,400,160, which is the sum of the total share capital contributed by SHIL to the Rosy Commerce and the estimated amount of the SHIL Shareholder's Loan upon Completion. The total consideration payable by SHIL for the subscription for the SHIL Subscription Shares and the acquisition of the SHIL Shareholder's Loan therefore represents 20% of the total investments (whether in the form of share capital or shareholder's loans) made and to be made by the Company in the Project as at Completion.

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Taking into account that (i) the total estimated consideration payable by SHIL mainly consists of 20% of the land premium for the Land, (as the land premium for the Land was arrived at through the Public Bidding and hence represents an independent market value, we consider the consideration payable by eSun under the Subscription Agreement is already determined based on an independent market value and no additional market research or comparable analysis is required to assess its fairness); (ii) the subscription prices for the LFHQ Subscription Shares and the SHIL Subscription Shares are identical at a par value of US\$1.00 per share; and (iii) part of the investments made and to be made by the Company in the Project would be assigned to SHIL on a dollar-for-dollar basis and on a pro rata basis according to its shareholding in Rosy Commerce as at Completion, we are of the view that the total consideration payable by SHIL under the Subscription Agreement is consistent with the structure of a 80:20 joint venture, and is fair and reasonable and on normal commercial terms.

We have reviewed the Shareholders' Agreement and discussed with the Company to understand that under the Shareholders' Agreement, LFHQ's shareholder rights on Rosy Commerce will be safeguarded to ensure LFHQ's participation in the Project will be fair and reasonable, in particular the determination of board representations, future capital funding in the Project and dividend distributions will be on a pro rata basis to LFHQ and SHIL's shareholdings in Rosy Commerce, and LFHQ is entitled to pre-emptive rights in relation to any issue of new shares of Rosy Commerce and rights of first refusal in relation to any transfer of shares in or loans to Rosy Commerce.

Based on the above, in particular, (i) the Land was acquired through the Public Bidding and hence the land premium for the Land represents an independent market value of the Land; (ii) under the Subscription Agreement, the total amount of share capital contributed by LFHQ and SHIL and the assignment of the SHIL Shareholder's Loan from LFHQ to SHIL will be on a dollar-for-dollar basis and on a pro rata basis according to their respective shareholdings in Rosy Commerce at Completion; (iii) the substance of the Transaction is similar to forming a 80:20 joint venture, namely Rosy Commerce, between the Company and eSun to acquire the Land and develop the Project, and the investments in Rosy Commerce by LFHQ and SHIL will be made proportional to their respective shareholding interest in Rosy Commerce; (iv) the total estimated consideration payable by SHIL is consistent with the structure of a 80:20 joint venture, and is fair and reasonable and on normal commercial terms; and (v) under the Shareholders' Agreement, LFHQ's shareholder rights on Rosy Commerce will be safeguarded to ensure LFHQ's participation in the Project will be fair and reasonable, including the determination of board members, future capital funding (including the Minimum Investment) and dividend distributions will be on a pro rata basis to LFHQ's shareholdings in Rosy Commerce, and LFHQ will be entitled to pre-emptive rights and the rights of first refusal in relation to the issue of and transfer of shares in Rosy Commerce, we are of the view that the land premium for the Land and the terms of the Transaction were determined after arm's length negotiations, and are fair and reasonable and in the interests of the Group and the Independent Shareholders as a whole.

LETTER FROM CROSBY

(3) *Participation from eSun*

With regard to eSun's participation in the Project, we have taken into account the following factors considered by the Company in deciding to invite eSun to jointly develop the Project:

- (a) pursuant to the Cooperation Agreement, the intention reached with the Hengqin Government has always been to co-develop the Land with eSun;
- (b) the entering into of the Cooperation Agreement allowed eSun to have an early understanding of the proposed construction and development of the Hengqin Cultural and Creative Zone;
- (c) the co-operation with an independent third party to participate in the Project may require the Company to disclose certain trade secrets and/or commercial sensitive information to third parties who may be or become competitors of the Group;
- (d) the terms of the Transaction adhered to the requirements set out in the Deed of Conditional Waiver and the Special Committee approved such Restricted Opportunity on 23 September 2013; and
- (e) we note from the Public Bidding notice on 'The Land and Resources Bureau of Zhuhai' (珠海市國土資源局) website that one of the requirements for the Public Bidding was that there must be a participant in the Project which has engaged in the entertainment business for no less than ten years. As eSun and its subsidiaries have principally been engaged in the development and operation of and investment in media, entertainment, music production and distribution, and the investment in and production and distribution of television programs and cinema operations for more than ten years, the invitation to eSun to jointly develop the Project allows the Company to fulfill the requirements of the Public Bidding and the Company could also leverage on the expertise and experience of eSun in the entertainment industry to continue building and developing the Project.

Given the above factors, we concur with the Company's views that the Transaction is in the interests of the Company and the Independent Shareholders as a whole.

E. Possible financial effects of the Land Acquisition and the Transaction

Upon Completion, LFHQ and SHIL will beneficially own 80 ordinary shares and 20 ordinary shares in Rosy Commerce, representing 80% and 20%, respectively, of the entire issued share capital of Rosy Commerce, and Rosy Commerce will become an indirect non-wholly-owned subsidiary of the Company. The earnings of Rosy Commerce will therefore continue to be consolidated into the earnings of the Group.

LETTER FROM CROSBY

As stated in the Letter from the Board, the remaining balance of the land premium payable under the Land Grant Contract amounts to RMB261,296,103.20 (equivalent to approximately HK\$330,015,000). Given the Group's cash and cash equivalents balance of approximately HK\$3,608,327,000 as at 31 July 2013 as per the Company's annual report for the year ended 31 July 2013, we are of the view that the Land Acquisition and the Transaction will not have an immediate adverse impact on the Group's liquidity and working capital position.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the view that the terms and conditions of the Transaction were determined after arm's length negotiations and are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interest of the Group and the Independent Shareholders as a whole, and the terms thereof are fair and reasonable so far as the Group and the Independent Shareholders are concerned.

Accordingly, we advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the EGM to approve the Transaction.

Yours faithfully,

For and on behalf of

Crosby Securities Limited

Alex Lau

Managing Director

Corporate Finance

Heidi Cheng

Managing Director

Corporate Finance

The following is the text of letter and valuation report prepared for the purpose of incorporation in this circular received from Knight Frank Petty Limited, an independent valuer, in connection with the valuation as at 30 September 2013 of the market value of the property interest of the Group.



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26 November 2013

Board of Directors
Lai Fung Holdings Limited
11th Floor
Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon
Hong Kong

Dear Sirs

VALUATION OF TWO PARCELS OF LAND LOCATED AT THE EAST OF YIWENER ROAD, SOUTH OF CAIHONG ROAD, WEST OF TIANYU ROAD AND NORTH OF HENGQIN MAIN ROAD, HENGQIN NEW AREA, ZHUHAI, GUANGDONG PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA

In accordance with your instructions for us to value the captioned property interest held by Lai Fung Holdings Limited (the "Company") or its subsidiaries, associates or joint ventures (hereinafter together referred to as the "Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interest as at 30 September 2013.

BASIS OF VALUATION

Our valuation is our opinion of the market value of the property interest which we would define as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

The market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

VALUATION METHODOLOGY

We have valued the property by using “Direct Comparison Approach” with reference to market comparable transactions and assumed sale of property with the benefit of vacant possession.

TITLE DOCUMENTS AND ENCUMBRANCES

We have been provided by the Group with extracts of title documents relating to the property interest in the PRC. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us by the Group. We have relied on the information given by the Group and its legal adviser, Guangdong Victor Law Firm, regarding the title and other legal matters relating to the property in the PRC.

No allowance has been made in our report for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in affecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

SOURCE OF INFORMATION

We have relied to a considerable extent on the information given by the Group and the legal opinion of the Group’s legal adviser. We have no reason to doubt the truth and accuracy of the information provided to us by the Group and/or its PRC legal adviser which is material to the valuation. We have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, particulars of occupancy, sites and floor areas. Dimension, measurements and areas included in the valuation report attached are based on information provided to us and are therefore only approximations. We have not been able to carry out on-site measurements to verify the correctness of sites areas of the property. We have exercised our due diligence in verifying the provided sites and floor areas by checking against the relevant documents provided. We were also advised by the Group that no material facts have been omitted from the information provided.

INSPECTION AND STRUCTURAL CONDITION

We have inspected the property and the inspections were carried out by our Eddie Lo in October 2013. However, we have not carried out investigations on site to determine the suitability of the ground conditions and the services, etc for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory.

REMARKS

In preparing our valuation report, we have complied with “The HKIS Valuation Standards (2012 Edition)” published by the Hong Kong Institute of Surveyors and all requirements contained in the provision of Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

CURRENCY

Unless otherwise stated, all sums stated in our valuation report are in Hong Kong dollars. The exchange rate adopted for conversion is HK\$1=RMB0.7929 as at the date of valuation.

Our valuation report is attached.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited
Clement W M Leung
MRICS MHKIS RPS (GP)
Executive Director

Note: Clement W M Leung, MRICS, MHKIS, RPS (GP), has been a qualified valuer with Knight Frank Petty Limited since 1999 and has about 19 years’ experience in valuation of properties in Hong Kong, Macau, and Asia Pacific Region and has 16 years’ experience in valuation of properties in the People’s Republic of China.

VALUATION REPORT

Property Interest held by the Group for Future Development

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2013
Two parcels of land located at the east of Yiwener Road, south of Caihong Road, west of Tianyu Road and north of Hengqin Main Road Hengqin New Area Zhuhai Guangdong Province The PRC	<p>The property comprises two parcels of adjacent land located at the east of Yiwener Road, south of Caihong Road, west of Tianyu Road and north of Hengqin Main Road in Hengqin New Area of Zhuhai. The total site area is approximately 130,173 sq m.</p> <p>The property is planned to be developed into a comprehensive development including commercial, office, hotel, cultural development with a total gross floor area of approximately 260,346 sq m.</p> <p>The property is located at Hengqin New Area which is situated at the southern part of Zhuhai. The locality is mainly construction sites and is planned to be tourist and leisure area. It takes about 30 minutes' driving distance to city centre of Zhuhai.</p> <p>The land use rights of the property have been granted for terms of 50 years for cultural and creative uses and 40 years for commercial, office and hotel uses commencing from the date of handover of the property.</p>	The property is a vacant site and site formation work is in progress.	HK\$660,000,000

Notes:

1. Pursuant to the Contract for Grant of State-owned Construction Land Use Right No. 440401-2013-000023 (the "Land Grant Contract") entered into between the Land and Resources Bureau of Zhuhai ("Party A") and Winfield Concept Limited (永輝基業有限公司) ("Party B") dated 27 September 2013, Party A agreed to grant the land use rights of two parcels of land to Party B. The said contract contains, inter-alia, the following salient conditions:
 - (i) Total site area : 130,173.16 sq m (Land parcel 1: 93,137.04 sq m, Land parcel 2: 37,036.12 sq m)
 - (ii) Use : Cultural/creative and commercial/servicing
 - (iii) Land use term : 50 years for cultural and creative uses and 40 years for commercial, office and hotel uses
 - (iv) Plot ratio : Not exceeding 2.0
 - (v) Total gross floor area : Not exceeding 260,346.32 sq m (Land parcel 1: 186,274.08 sq m, Land parcel 2: 74,072.24 sq m)
 - (vi) Building height : Not exceeding 100 m
 - (vii) Green area ratio : Not less than 30% of site area

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- | | | | |
|--------|-------------------|---|--|
| (viii) | Land grant fee | : | RMB523,296,103.2 |
| (ix) | Building covenant | : | Construction works should be commenced on or before 31 December 2014 and construction works should be completed on or before 31 December 2017 |
| (x) | Remarks: | : | <ul style="list-style-type: none">– Gross floor areas allocation for commercial use and hotel and office uses should not be greater than 10% and 20% respectively whilst that for cultural use should not be less than 70%.– Saleable gross floor area is restricted to 50% of total countable plot ratio gross floor area of the property. |
2. As advised by the Group, Party B is an indirect wholly-owned subsidiary of the Company.
3. As advised by the Group, details of the development plan and the budgeted construction costs of the property have not yet been formulated as at the date of valuation.
4. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:
- (i) The Land Grant Contract is legal and valid;
 - (ii) There is no legal obstacle for Party B in obtaining land use right certificate of the property provided that the land grant fee has been fully paid within six months after signing of the Land Grant Contract;
 - (iii) According to the Land Grant Contract, Party B shall establish a wholly-foreign-owned enterprise ("WFOE") in the PRC within three months after the successful bid. The land use right of the property can then be registered and held under the name of the WFOE;
 - (iv) After obtaining the land use right certificate, the land use right of the property can be legally transferred, leased and mortgaged; and
 - (v) The property is free from mortgages and other encumbrances.

1. FINANCIAL INFORMATION ON THE GROUP

The audited consolidated financial statements and the independent auditors' report of the Group (i) for the year ended 31 July 2013 are disclosed on pages 69 to 156 of the annual report of the Company for the year ended 31 July 2013 published on 23 October 2013; (ii) for the year ended 31 July 2012 are disclosed on pages 61 to 137 of the annual report of the Company for the year ended 31 July 2012 published on 16 November 2012; and (iii) for the year ended 31 July 2011 are disclosed on pages 46 to 112 of the annual report of the Company for the year ended 31 July 2011 published on 21 November 2011.

The above annual reports of the Company have been published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.laifung.com).

2. INDEBTEDNESS

As at 30 September 2013, being the latest practicable date prior to the printing of this circular for the purpose of this indebtedness statement, the Group had outstanding total borrowings of approximately HK\$6,106 million comprising bank loans of approximately HK\$2,376 million, fixed rate senior notes of approximately HK\$3,671 million and a unsecured and unguaranteed advance from a former substantial shareholder of approximately HK\$59 million.

Included in the Group's total bank loans of approximately HK\$2,376 million, an amount of approximately HK\$1,998 million in aggregate is secured. Certain properties (including investment properties, construction in progress, properties under development and serviced apartments and related properties), a leasehold building and certain bank balances were pledged to banks to secure bank loan facilities granted to the Group. Equity interests in certain subsidiaries of the Company were pledged to banks to secure certain bank loan facilities granted to the Group. In addition, the Company and certain of its subsidiaries have also provided corporate guarantees in favour of the banks in respect of certain secured bank loan facilities granted to the Group. The remaining bank loan of approximately HK\$378 million is unsecured but guaranteed by the Company.

All of the Group's fixed rate senior notes are secured. Certain bank balance and equity interests in certain subsidiaries of the Company were pledged to holders of the fixed rate senior notes to secure such notes issued by the Group (shared on a pari passu basis with certain bank loan facilities of the Group). In addition, certain subsidiaries of the Company have also provided corporate guarantees in favour of the holders of fixed rate senior notes in respect of such notes issued by the Group.

The Group had provided guarantees to certain banks in respect of mortgage loan facilities granted by such banks to certain end-buyers of property units developed by the Group. Pursuant to the terms of the guarantees, upon default in mortgage payments by these end-buyers, the Group will be responsible to repay the outstanding mortgage loan principals together with accrued interest owed by the defaulted end-buyers. The Group's obligation in relation to such guarantees has been gradually relinquished along with the settlement of the mortgage loans

granted by the banks to the end-buyers. Such obligation will also be relinquished when the property ownership certificates for the relevant properties are issued and/or the end-buyers have fully repaid the mortgage loans. As at 30 September 2013, in respect of these guarantees, the contingent liabilities of the Group are estimated to be amounted to HK\$81 million.

Save as aforesaid and apart from intra-group liabilities, the Group did not, as at 30 September 2013, have any material outstanding (i) debt securities, whether issued and outstanding, authorised or otherwise created but unissued or term loans, whether guaranteed, unguaranteed, secured (whether the security is provided by the Company or by third parties) or unsecured; (ii) other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured or unsecured; (iii) mortgage or charges; or (iv) guarantees or other contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, in the absence of any unforeseen circumstances and after taking into account (i) the internal resources of the Group; (ii) the Group's presently available banking facilities; and (iii) completion of the Land Acquisition including settlement of the remaining balance of the land premium of RMB261.3 million (equivalent to approximately HK\$330.0 million) payable before 27 March 2014 under the Land Grant Contract, the Group has sufficient working capital for its requirements for at least 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is engaged in property investment and development in the PRC and has a number of projects in various stages of development in Shanghai, Guangzhou and Zhongshan.

Property Investment

For the year ended 31 July 2013, the Group's rental operations recorded a turnover of HK\$522.7 million (2012: HK\$474.4 million), representing a 10% increase over last year. Rental income performed steadily as a whole with almost full occupancy in all the major properties. The increase is primarily attributable to rental reversion and change in tenant mix across the portfolio, as well as a full year's contribution from the retail podium of the Shanghai May Flower Plaza since the end of the 2012 financial year.

As disclosed in the annual report of the Company for the year ended 31 July 2013, the Group intends to put more emphasis on rental properties and the proposed addition of approximately 1.1 million square feet of rental gross floor area by end of 2015 is progressing as planned. The above will further enhance existing rental and hotel/serviced apartment portfolio of the Group situated primarily in Shanghai and Guangzhou.

Property Development

For the year ended 31 July 2013, the Group's property development operations recorded a turnover of HK\$1,372.2 million from sale of properties (2012: HK\$919.6 million), representing a 49% increase in sales revenue over last year. Total recognised sales was primarily driven by the sales performance of Shanghai May Flower Plaza and Zhongshan Palm Spring of which approximately 286,000 and 360,000 square feet of residential GFA were sold, respectively, achieving sales revenue of HK\$1,065.9 million and HK\$217.3 million, respectively.

The Group has a number of projects in various stages of development in Shanghai, Guangzhou and Zhongshan. The remaining residential units in Guangzhou Dolce Vita Phase I and III and Zhongshan Palm Spring Phase I are expected to contribute to the profit and loss account in the coming financial years.

The Group believes that the focus of putting a larger emphasis on rental properties will be instrumental to maintaining sustainable growth in the long run. The property development part of the business will be key in ensuring an efficient redeployment of capital into future projects when the residential units are sold.

The Group's strong cash position of HK\$5,665.7 million of cash on hand with a net debt to equity ratio of 4% as at 31 July 2013 provides the Group with full confidence and the means to review opportunities more actively. The Group will continue its prudent and flexible approach in growing the landbank and managing its financial position. Since 31 July 2013, other than the Land Acquisition, the Group completed the buyout of the 5% and 22.5% minority stakes in Shanghai Hong Kong Plaza and Guangzhou May Flower Plaza in August 2013 and September 2013, respectively.

Subject to and upon Completion, the Land will further increase the Group's landbank for the development and rental portfolio. The intention to co-develop the Project with eSun was contemplated under the Cooperation Agreement. The participation of eSun in the Project would enable the Group to leverage on eSun's expertise in media and entertainment businesses which will be particularly relevant to the cultural and creative industry aspects of the development comprised in the Project.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP

Set out below is the management discussion and analysis on the Group as extracted from the annual report of the Company for the year ended 31 July 2013. Terms used below shall have the same meanings as defined in the said annual report.

Overview

Despite the challenging operating environment during the year under review, the business delivered an encouraging set of results underpinned by the strong and growing recurrent rental income base from investment properties of the Group.

As at 31 July 2013, the Group maintained a property portfolio including, in attributable gross floor area (“GFA”) (excluding car-parking spaces and ancillary facilities), completed properties held for rental of approximately 2.0 million square feet, completed hotel properties and serviced apartments of approximately 0.4 million square feet, properties under development of approximately 9.1 million square feet and completed properties held for sale of approximately 0.7 million square feet. The Group will continue to build on this sound asset base with a view to delivering long-term value to its shareholders.

Property Portfolio Composition

Approximate attributable GFA (in '000 square feet) of the Group’s major properties and number of car-parking spaces as at 31 July 2013:

	Commercial/ Retail	Office	Serviced Apartment	Residential	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces
Completed Properties Held for Rental ¹	1,458	548	–	–	2,006	537
Completed Hotel Properties and Serviced Apartments	–	–	444	–	444	–
Properties Under Development ²	1,357	1,037	621	6,085	9,100	5,452
Completed Properties Held for Sale ³	176	–	18	524	718	964
Total GFA of major properties of the Group	2,991	1,585	1,083	6,609	12,268	6,953

1. Completed and rental generating properties
2. All properties under construction
3. Completed properties for sale, including 175,804 square feet of shopping arcade space which is expected to be reclassified as completed properties held for rental purpose as it is being leased out over time

*Property Investment**Rental Income*

For the year ended 31 July 2013, the Group's rental operations recorded a turnover of HK\$522.7 million (2012: HK\$474.4 million), representing a 10% increase over last year. Breakdown of rental turnover by major rental properties is as follows:

	For the year ended 31 July		% Change	Year end occupancy (%)
	2013 HK\$ million	2012 HK\$ million		
Shanghai Hong Kong Plaza	359.8	349.6	2.9%	Retail: 99.6% Office: 93.1% Serviced Apartments: 86.2%
Shanghai Regents Park (commercial podium and car-parking spaces)	11.7	10.2	14.7%	100.0%
Shanghai Northgate Plaza I	9.8	7.8	25.6%	86.3%
Shanghai May Flower Plaza (commercial podium and car-parking spaces)	28.7	2.1	1,266.7%	92.1%
Guangzhou May Flower Plaza	96.3	88.8	8.4%	Retail: 97.2% Office: 100.0%
Guangzhou West Point (commercial podium and car-parking spaces)	15.9	15.9	0%	98.9%
Zhongshan Palm Spring (commercial podium)	0.5	–	N/A	6.3%
Total	522.7	474.4	10.2%	

Rental income performed steadily as a whole with almost full occupancy in all the major properties. The increase is primarily attributable to rental reversion and change in tenant mix across the portfolio, as well as a full year's contribution from the retail podium of the Shanghai May Flower Plaza since the end of the 2012 financial year.

A portion of the Zhongshan Palm Spring Rainbow Mall has been reclassified as rental properties as the floor space was leased out. Further reclassification and rental income recognition will take place in due course as the property becomes fully leased. Soft opening of the serviced apartments in the Zhongshan Palm Spring, STARR Resort Residence Zhongshan, commenced shortly after the year end. The other STARR branded hotel and serviced apartments in Shanghai and Guangzhou are ontrack for soft openings in Q4 2013 and Q2 2014, respectively.

*Review of major rental properties***Shanghai Hong Kong Plaza**

Shanghai Hong Kong Plaza is a twin-tower property located on both the North and South sides of the street at a prime location on Huaihaizhong Road in Huangpu District, Shanghai. The twin-towers are connected by a footbridge.

The property's total GFA is approximately 1.18 million square feet excluding 350 car-parking spaces. The property comprises an office tower, shopping arcades and a serviced apartment tower with total GFA of approximately 360,700 square feet, 468,400 square feet and 352,100 square feet, respectively. The property is directly above the Huangpi South Road Metro Station and is within walking distance of Xintiandi, a well-known landmark in Shanghai. The shopping arcades are now one of the most visible high-end retail venues for global luxury brands in the area. Anchor tenants include The Apple Store, Cartier, Coach, GAP, Tiffany, MCM, Shiatzy Chen, Y3 and internationally renowned luxury brands and high-end restaurants. The serviced apartments are managed by the Ascott Group and the Group has successfully leveraged the Ascott Group's extensive experience and expertise in operating serviced apartments to position the serviced apartments as a high-end product.

Subsequent to the year end, the Group acquired the 5% minority interest in this property in August 2013 and now owns 100% of this property.

Shanghai May Flower Plaza

Shanghai May Flower Plaza is a mixed-use project located at the junction of Da Tong Road and Zhi Jiang Xi Road in Su Jia Xiang in the Zhabei District in Shanghai. This project is situated near the Zhongshan Road North Metro Station.

The Group retains a 95% interest in the retail podium which has approximately 320,300 square feet of GFA including the basement commercial area. The asset is positioned as a community retail facility with Lotte Mart as the anchor tenant.

Shanghai Northgate Plaza

Shanghai Northgate Plaza I comprises office units, a retail podium (now closed) and car-parking spaces. Located on Tian Mu Road West in the Zhabei District of Shanghai near the Shanghai Railway Terminal, this property has a total GFA of approximately 322,600 square feet excluding car-parking spaces and ancillary area.

Shanghai Northgate Plaza II is a vacant site adjacent to Plaza I. The site area of Plaza II is approximately 44,300 square feet and its buildable GFA is approximately 259,900 square feet excluding car-parking spaces and ancillary facilities. The Group plans to redevelop Shanghai Northgate Plaza I and II together under a comprehensive redevelopment plan. The redeveloped project will include an office tower, a shopping arcade and underground car-parking spaces. The Group is currently discussing the redevelopment proposal with professional consultants and local authorities.

Guangzhou May Flower Plaza

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 has a total GFA of approximately 436,900 square feet excluding 136 car-parking spaces. The building comprises of retail spaces, restaurants, office units and car-parking spaces. The property is almost fully leased to tenants comprising well-known corporations, consumer brands and restaurants.

Subsequent to the year end, the Group acquired the 22.5% minority interest in this property in September 2013 and now owns 100% of this property.

Guangzhou West Point

Guangzhou West Point is located on Zhongshan Qi Road and is within walking distance from the Ximenkou Subway Station. This is a mixed-use property where the Group has sold all the residential and office units and retained a commercial podium with GFA of approximately 172,700 square feet. Tenants of the retail podium include renowned restaurants and local retail brands.

Hotels and Serviced Apartments

Ascott Huaihai Road Shanghai

Ascott Huaihai Road in Hong Kong Plaza managed by the Ascott Group is one of a premier collection of the Ascott Limited's serviced residences in over 70 cities in Asia Pacific, Europe and the Gulf region. The residence with total GFA of approximately 352,100 square feet has 306 contemporary apartments of various sizes: studios (640-750 sq.ft.), one-bedroom apartments (915-1,180 sq.ft.), two-bedroom apartments (1,720 sq.ft.), three-bedroom apartments (2,370 sq.ft.) and two luxurious penthouses on the highest two floors (4,520 sq.ft.). An average occupancy rate of 79% (2012: 81%) was achieved during the year and the average room tariff increased by 3% over last year.

STARR Resort Residence Zhongshan

STARR Resort Residence Zhongshan soft opened in August 2013 and comprises two 16-storey blocks located in the Palm Lifestyle complex in Zhongshan West District at Cui Sha Road. There are 90 fully furnished serviced apartment units and the total GFA is approximately 98,600 square feet.

Property Development

Recognised Sales

For the year ended 31 July 2013, the Group's property development operations recorded a turnover of HK\$1,372.2 million (2012: HK\$919.6 million) from sale of properties, representing a 49% increase in sales revenue over last year.

Total recognised sales was primarily driven by the sales performance of Shanghai May Flower Plaza and Zhongshan Palm Spring of which approximately 286,000 and 360,000 square feet of residential GFA were sold, respectively, achieving sales revenue of HK\$1,065.9 million and HK\$217.3 million, respectively.

Sales of Dolce Vita Phase I performed well and achieved an average selling price of HK\$1,792 per square foot. This is recognised as a component of “Share of profit of joint ventures” in the consolidated income statement.

For the year ended 31 July 2013, average selling price recognised as a whole (excluding Dolce Vita) decreased to approximately HK\$2,160 per square foot (2012: HK\$4,080 per square foot). The decrease is due to more units/square feet of Zhongshan Palm Spring being sold this year at lower average selling prices.

Breakdown of turnover for the year ended 31 July 2013 from property sales is as follows:

Recognised basis	Approximate Gross Floor Area <i>Square feet</i>	Average Selling Price# <i>HK\$/square foot</i>	Turnover* <i>HK\$ million</i>
Shanghai May Flower Plaza			
Residential Units	248,443	4,092	959.1
Office Apartment Units	37,983	2,981	106.8
Zhongshan Palm Spring			
Residential High-Rise Units	339,383	589	188.7
Residential House Units	21,019	1,445	28.6
Shanghai Regents Park Phase II			
Residential Units	11,345	4,898	52.4
Guangzhou West Point			
Residential Units	6,066	2,625	15.0
Office Units	9,229	2,482	21.6
Total	673,468	2,160	1,372.2
Recognised sales from joint venture project			
Guangzhou Dolce Vita			
Residential Units**(47.5% basis)	243,660	1,792	411.9

Before business tax

* *After business tax*

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China Holdings Pte. Ltd. (“CapitaLand China”) in which each of the Group and CapitaLand China has an effective 47.5% interest. For the year ended 31 July 2013, the recognised sales (after business tax) attributable to the full project is HK\$867.2 million and approximately 512,969 square feet of GFA were recognised.*

Contracted Sales

As at 31 July 2013, the Group's property development operations has contracted but not yet recognised sales of HK\$827.2 million from sale of properties.

Breakdown of contracted but not yet recognised sales as at 31 July 2013 is as follows:

Contracted basis	Approximate Gross Floor Area <i>Square feet</i>	Average Selling Price[#] <i>HK\$/square foot</i>	Turnover[#] <i>HK\$ million</i>
Shanghai May Flower Plaza			
Residential Units	25,949	4,366	113.3
Office Apartment Units	4,592	3,009	13.8
Zhongshan Palm Spring			
Residential High-rise Units	30,247	626	18.9
Residential House Units	39,604	1,261	50.0
Sub-total	100,392	1,953	196.0
Contracted sales from joint venture project			
Guangzhou Dolce Vita			
Residential Units** (47.5% basis)	331,558	1,904	631.2
Total	431,950	1,915	827.2

[#] *Before business tax*

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of the Group and CapitaLand China has an effective 47.5% interest. As at 31 July 2013, the contracted but not yet recognised sales attributable to the full project is HK\$1,328.8 million and approximately 698,018 square feet of GFA were sold.*

Review of major properties completed for sale and under development

Shanghai May Flower Plaza

Shanghai May Flower Plaza is a completed mixed-use project located at the junction of Da Tong Road and Zhi Jiang Xi Road in Su Jia Xiang in the Zhabei District in Shanghai and situated near the Zhongshan Road North Metro Station.

The residential portion of Shanghai May Flower Plaza is branded “The Mid-town” which comprises 628 residential units and approximately 627,500 square feet of GFA. During the year under review, 248,443 square feet was recognised at an average selling price of HK\$4,092 per square foot, which contributed HK\$959.1 million to the turnover. As at 31 July 2013, contracted but not yet recognised sales amounted to HK\$113.3 million or 25,949 square feet at an average selling price of HK\$4,366 per square foot. As at 31 July 2013, completed residential units held for sale in this development amounted to approximately 168,100 square feet with a carrying amount of approximately HK\$300.9 million.

The for sale portion of the office apartments comprised of 96 units with a total GFA of approximately 57,500 square feet. During the year under review, sales of 37,983 square feet was recognised at an average selling price of HK\$2,981 per square foot, which contributed HK\$106.8 million to the turnover. As at 31 July 2013, contracted but not yet recognised sales amounted to HK\$13.8 million or 4,592 square feet at an average selling price of HK\$3,009 per square foot. As at 31 July 2013, completed office apartment units held for sale in this development amounted to approximately 19,500 square feet with a carrying amount of approximately HK\$45.2 million.

STARR Hotel Shanghai

STARR Hotel Shanghai is a 17-storey hotel located in the Mayflower Lifestyle complex right in the heart of the Zhabei inner ring road district, within walking distance to Lines 1, 3 and 4 of the Shanghai Metro Station with easy access to major motorways. The construction work is completed and the hotel’s tentative soft-opening will be in Q4 2013, which is expected to bring in approximate attributable GFA of 136,700 square feet to our hotel and serviced apartment portfolio.

Zhongshan Palm Spring

The project is located in Caihong Planning Area, West District of Zhongshan. The overall development has a total planned GFA of approximately 8.885 million square feet. The project will comprise of high-rise residential towers, townhouses, serviced apartments and commercial blocks totaling 6.408 million square feet.

Phase Ia of the project, which was completed during the first half of the financial year ended 31 July 2013, comprises of high-rise residential towers and townhouses. During the year under review, 339,383 square feet of high-rise residential units and 21,019 square feet of townhouses were recognised at average selling prices of HK\$589 and HK\$1,445 per square foot, respectively, which contributed a total of HK\$217.3 million to the sales turnover. As at 31 July 2013, contracted but not yet recognised sales amounted to HK\$18.9 million and HK\$50.0 million at average selling prices of HK\$626 and HK\$1,261 per square foot for high-rise residential units and townhouses, respectively. As at 31 July 2013, completed units held for sale/lease in this development amounted to 519,500 square feet with a carrying amount of approximately HK\$512.1 million. The remaining GFA under development was approximately 5,390,600 square feet.

Set out below is the current expectation on the development of the remaining phases:

Phase	Description	Approximate GFA* (square feet)	Expected completion
Ib	High-rise residential units	984,300	Q2 2017
II	Townhouses	202,000	Q3 2016
III	High-rise residential units including commercial units and serviced apartments	1,608,100	Q1 2018
IV	High-rise residential units including commercial units	2,596,200	Q4 2018

* *Excluding car-parking spaces and ancillary facilities*

The Group is closely monitoring the market conditions and will adapt the pace of development accordingly.

Guangzhou Eastern Place Phase V

Guangzhou Eastern Place is a multi-phase project located on Dongfeng East Road, Yuexiu District, Guangzhou. The current Phase V development will have a total GFA attributable to the Group of approximately 914,400 square feet, comprising two residential blocks (GFA 320,100 square feet approximately), an office block and ancillary retail spaces (GFA 594,300 square feet approximately). Construction work for the residential blocks is expected to be completed in the second half of financial year ending 31 July 2014. The office block and ancillary retail spaces will be kept as rental properties and they are expected to complete in the second half of financial year ending 31 July 2015.

Guangzhou Dolce Vita

The Guangzhou Dolce Vita is a joint venture project with CapitaLand China Holdings Pte. Ltd (“**CapitaLand China**”) in which each of the Group and CapitaLand China has a 47.5% interest. This development in Jinshazhou, Hengsha, Baiyun District, Guangzhou will have a total project GFA of approximately 4.722 million square feet. The project will comprise of approximately 2,785 low-rise and high-rise residential units and shopping amenities totaling 3.800 million square feet excluding ancillary facilities and car-parking spaces. It is conveniently located near the business centre of Jinshazhou as well as several shopping and entertainment areas, and is easily accessible via Guangzhou Subway Line 6 and other transport modes. Praised as the model metropolis for Guangzhou and Foshan, Jinshazhou is located in northwest Guangzhou.

The project is divided into five phases of development. Phase I comprises 8 high-rise residential blocks and are all sold. Phase Ia (4 high-rise residential blocks) was completed in the second half of 2012 and Phase Ib is expected to complete in the second half of financial year ending 31 July 2014. During the year under review, 243,660 square feet attributable to the Group was recognised and generated an attributable turnover of HK\$411.9 million. As at 31 July 2013, attributable contracted but not yet recognised sales amounted to HK\$631.2 million or 331,558 square feet at an average selling price of HK\$1,904 per square foot. As at 31 July 2013, attributable GFA of completed units held for sale for Phase Ia amounted to 19,400 square feet with an attributable carrying amount of approximately HK\$12.5 million. The remaining GFA under development was approximately 3,238,800 square feet.

Set out below is the current expectation on the development of the remaining phases:

Phase	Description	Approximate GFA* (square feet)	Expected completion
Ib	High-rise residential units	553,800	Q1 2014
II	Townhouses including a small amount of commercial units	288,700	Q4 2013
III	High-rise residential units including a small amount of commercial units	424,400	Q4 2014
IV	Town houses and low-rise residential units	305,800	Q4 2014
V	High-rise residential units	1,666,100	Q4 2015

* Excluding car-parking spaces and ancillary facilities

Guangzhou King's Park

This is a high-end residential development located on Donghua Dong Road in Yuexiu District. The attributable GFA is approximately 97,000 square feet excluding 58 car-parking spaces and ancillary facilities. Construction work is completed and the project is expected to be launched for sale soon.

Guangzhou Haizhu Plaza

Guangzhou Haizhu Plaza is located on Chang Di Main Road in Yuexiu District, Guangzhou along the Pearl River. The Group owns the entire project. The proposed development has a total project GFA of approximately 592,200 square feet and is intended to be developed for rental purpose.

Guangzhou Paramount Centre

This is a serviced apartment development, namely "STARR Xin Hotel", located at the junction of Da Sha Tou Road and Yan Jiang Dong Road in Yuexiu District. The attributable GFA is approximately 80,300 square feet excluding 46 car-parking spaces and ancillary facilities. This project will be added to the hotel and serviced apartment portfolio of the Group upon completion. Construction work is expected to complete before the end of the next financial year and soft-opening is expected to be in the second quarter of 2014.

Guangzhou Guan Lu Road Project

The site is located on Guan Lu Road in Yuexiu District. The expected residential and retail GFA is approximately 92,800 square feet excluding 57 car-parking spaces and ancillary facilities. Discussions on the redevelopment plan are progressing smoothly between the Group and the Guangzhou government.

Outlook

Whilst the leadership change is now settled, it is clear that the Central Government will continue its firm and unwavering stance in regulating the domestic property market and continued with its restrictive policy measures on purchase, price and credit. Although the tightening measures implemented by the Central Government are taking effect, the demand for housing, underpinned by continued urbanisation and the desire for improved living conditions remained robust, which continued to push up property prices. The Group expects the Central Government to remain committed to strict implementation of policy measures to stabilise the property market but is optimistic about the pent up demand as a result of these tightening measures.

The Group believes that the focus of putting a larger emphasis on rental properties will be instrumental to maintaining sustainable growth in the long run. The incremental rental income to be derived from investment property projects already in the pipeline will further strengthen the recurring rental income further and establish a solid base for the Group in the next few years. The property development part of the business will be key in ensuring an efficient redeployment of capital into future projects when the residential units are sold.

The Group has a number of projects in various stages of development in Shanghai, Guangzhou and Zhongshan. The remaining residential units in Guangzhou Dolce Vita Phase I and III and Zhongshan Palm Spring Phase I are expected to contribute to the profit and loss account in the coming financial years.

As at 31 July 2013, the Group has a landbank of 9.1 million square feet. The Group's strong cash position of HK\$5,665.7 million of cash on hand with a net debt to equity ratio of 4% as at 31 July 2013 provides the Group full confidence and the means to review opportunities more actively. However, the Group will continue its prudent and flexible approach in growing the landbank and managing its financial position.

Capital Structure, Liquidity and Debt Maturity Profile

As at 31 July 2013, cash and bank balance held by the Group amounted to HK\$5,665.7 million and undrawn facilities of the Group was HK\$1,764.5 million.

As at 31 July 2013, the Group had total borrowings amounting to HK\$6,109.6 million (2012: HK\$3,402.2 million), representing an increase of HK\$2,707.4 million from 2012. The consolidated net assets attributable to the owners of the Company amounted to HK\$11,418.8 million (2012: HK\$10,438.1 million). The gearing ratio, being net debt (total borrowings less cash and bank balances) to net assets attributable to the owners of the Company was approximately 4% (2012: 7%). The maturity profile of the Group's borrowings of HK\$6,109.6 million is well spread with HK\$2,052.5 million repayable within 1 year, HK\$387.6 million repayable in the second year and HK\$3,669.5 million repayable in the third to fifth years.

Approximately 60% and 39% of the Group's borrowings were on a fixed rate basis and floating rate basis, respectively, and the remaining 1% of the Group's borrowings were interest free.

Apart from the fixed rate senior notes, the Group's other borrowings of HK\$2,450.9 million were 49% denominated in Renminbi ("**RMB**"), 30% in Hong Kong dollars ("**HKD**") and 21% in United States Dollars ("**USD**").

The Group's fixed rate senior notes of HK\$3,658.7 million were 61% denominated in RMB and 39% in USD. On 25 April 2013, issue date of the RMB denominated senior notes ("**RMB Notes**"), the Group entered into cross currency swap agreements with financial institutions for the purpose of hedging the foreign currency risk arising from such notes. Accordingly, the RMB Notes have been effectively converted into USD denominated loans.

The Group's cash and bank balances of HK\$5,665.7 million were 40% denominated in RMB, 40% in USD and 20% in HKD.

The Group's presentation currency is denominated in HKD. The Group's monetary assets, liabilities and transactions are principally denominated in RMB, USD and HKD. The Group, with HKD as its presentation currency, is exposed to foreign currency risk arising from the exposure of HKD against USD and RMB, respectively. Considering that HKD is pegged against USD, the Group believes that the corresponding exposure to USD exchange rate fluctuation is nominal. However, the Group has a net exchange exposure to RMB as the Group's assets are principally located in China and the revenues are predominantly in RMB. Apart from the aforesaid cross currency swap arrangements, the Group does not have any derivative financial instruments or hedging instruments outstanding.

Certain assets of the Group have been pledged to secure borrowings of the Group, including investment properties with a total carrying amount of approximately HK\$8,096.0 million, properties under development with a total carrying amount of approximately HK\$858.5 million, serviced apartments and related properties with a total carrying amount of approximately HK\$727.1 million, a construction in progress with carrying amount of approximately HK\$238.4 million, a property with carrying amount of approximately HK\$39.5 million and bank balances of approximately HK\$6.0 million.

Taking into account the amount of cash being held as at the end of the reporting period, the available banking facilities and the recurring cash flows from the Group's operating activities, the Group believes that it would have sufficient liquidity to finance its existing property development and investment projects.

Contingent Liabilities

The Group has provided guarantees to certain banks in respect of mortgage loan facilities granted by such banks to certain end-buyers of property units developed by the Group. Pursuant to the terms of the guarantees, upon default in mortgage payments by these end-buyers, the Group will be responsible to repay the outstanding mortgage loan principals together with accrued interest owed by the end-buyers in default. The Group's obligation in relation to such guarantees has been gradually relinquished along with the settlement of the mortgage loans granted by the banks to the end-buyers. Such obligation will also be relinquished when the property ownership certificates for the relevant properties are issued and/or the end-buyers have fully repaid the mortgage loans. As at 31 July 2013, in respect of these guarantees, the contingent liabilities of the Group amounted to approximately HK\$114,944,000.

Employees and Remuneration Policies

As at 31 July 2013, the Group employed a total of around 1,400 employees. The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programmes are offered to eligible employees.

Material Investments

Save as disclosed in this Appendix III, there were no material investments held by the Group during the year ended 31 July 2013.

Acquisition and Disposal of Subsidiaries and Associated Companies

The Group did not have any material acquisition or disposal of subsidiaries or associated companies during the year ended 31 July 2013.

Future Plans for Material Investments or Capital Assets

The Company and the Rosy Group will consider and formulate the master layout plan (including related costs) as soon as possible. After the plan has been finalised, consideration will be given as to whether specific aspects of the plan may or may not merit the possible introduction of third parties with relevant expertise or knowledge to undertake or assist in specific aspects of such development.

As the development plan remains to be finalised, no decision has been made for or in respect of any material investment or material capital assets of the Rosy Group.

Save as disclosed above, the Group had no future plans for material investments or capital assets as at 31 July 2013.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters, the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, save as disclosed below, none of the Directors and the chief executive of the Company had any interest or short position in any shares, underlying shares (within the meaning of Part XV of the SFO) or debentures of the Company and its Associated Corporation which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein, or (iii) pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company to be notified to the Company and the Stock Exchange:

(I) The Company

(a) Long positions in the Shares and underlying Shares

Name of Director	Capacity	Number of Shares	Number of underlying Shares	Total	Approximate % of total issued Shares
Chew Fook Aun	Beneficial Owner	Nil	80,479,564 <i>(Note 1)</i>	80,479,564	0.5
Lam Hau Yin, Lester	Beneficial Owner	Nil	160,959,129 <i>(Note 2)</i>	160,959,129	1
Lau Shu Yan, Julius	Beneficial Owner	12,917,658	48,287,738 <i>(Note 3)</i>	61,205,396	0.38
Cheng Shin How	Beneficial Owner	Nil	32,191,825 <i>(Note 4)</i>	32,191,825	0.2

Notes:

1. *A share option comprising a total of 80,479,564 underlying Shares was granted to Mr. Chew Fook Aun at an exercise price of HK\$0.133 per Share on 12 June 2012 and is exercisable during the period from 12 June 2012 to 11 June 2020.*
2. *A share option comprising a total of 160,959,129 underlying Shares was granted to Mr. Lam Hau Yin, Lester at an exercise price of HK\$0.228 per Share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.*
3. *A share option comprising a total of 48,287,738 underlying Shares was granted to Mr. Lau Shu Yan, Julius at an exercise price of HK\$0.228 per Share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.*
4. *A share option comprising a total of 32,191,825 underlying Shares was granted to Mr. Cheng Shin How at an exercise price of HK\$0.228 per Share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.*

(b) Long positions in the 9.125% senior notes due 2014 issued by the Company

Name of Director	Capacity	Nature of Interests	Principal Amount
Lau Shu Yan, Julius	Beneficial Owner	Personal	US\$300,000

(c) Long positions in the 6.875% senior notes due 2018 issued by the Company

Name of Director	Capacity	Nature of Interests	Principal Amount
Lam Kin Hong, Matthew	Owner of controlled corporation	Corporate (Note)	CNY23,600,000

Note: These notes are held by Tai Fu Holdings Limited, the entire issued share capital of which is beneficially owned by Mr. Lam Kin Hong, Matthew and his spouse.

(II) Associated Corporation

eSun – the ultimate holding company of the Company

Long positions in the ordinary shares of eSun of HK\$0.50 each (“eSun Shares”) and underlying eSun Shares

Name of Director	Capacity	Number of eSun Shares	Number of underlying eSun Shares	Total	Approximate % of total issued eSun Shares
Chew Fook Aun	Beneficial Owner	Nil	6,216,060 <i>(Note 1)</i>	6,216,060	0.50
Lam Hau Yin, Lester	Beneficial Owner	2,794,443	12,432,121 <i>(Note 2)</i>	15,226,564	1.22

Notes:

- 1. A share option was granted by eSun to Mr. Chew Fook Aun on 5 June 2012 to subscribe for a total of 6,216,060 eSun Shares at an exercise price of HK\$0.92 per eSun Share during the period from 5 June 2012 to 4 June 2022.*
- 2. A share option was granted by eSun to Mr. Lam Hau Yin, Lester on 18 January 2013 to subscribe for a total of 12,432,121 eSun Shares at an exercise price of HK\$1.612 per eSun Share during the period from 18 January 2013 to 17 January 2023.*

As at the Latest Practicable Date, LSG, LSD and eSun are indirectly interested in approximately 50.36% of all issued shares of the Company. Each of Dr. Lam Kin Ming and Mr. Lam Bing Kwan is also a director of each of LSG and LSD. Each of Mr. Chew Fook Aun, Mr. Lam Hau Yin, Lester and Madam U Po Chu is also a director of each of LSG, LSD and eSun. Mr. Lam Kin Hong, Matthew is also a director of LSG. Mr. Lau Shu Yan, Julius is also a director of LSD.

3. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which did not expire or was not determinable by the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS’ INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, save for Mr. Chew Fook Aun, Dr. Lam Kin Ming, Mr. Lam Kin Hong, Matthew, Mr. Lam Hau Yin, Lester, Madam U Po Chu, Mr. Lau Shu Yan, Julius, Mr. Cheng Shin How, Mr. Leow Juan Thong, Jason and Mr. Lucas Ignatius Loh Jen Yuh, who held shareholding or other interests and/or directorships in companies or entities engaged in the businesses of property investment and development in the PRC, none of the Directors or their

respective associates are considered to have interests in business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules. In any event, such Directors will be subject to the usual requirement to abstain from voting on resolutions of the Board approving any proposal in which any Director or his associate has a material interest, such that the decision making of the Board should not be affected by such material interest.

5. DIRECTORS' INTERESTS IN ASSETS OF THE GROUP OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 July 2013, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at such date and which was significant in relation to the business of the Group.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 July 2013, being the date to which the latest published audited financial statements of the Company were made up.

7. QUALIFICATIONS AND CONSENTS OF EXPERTS

- (a) The following are the qualifications of the experts who have given their advices and/or reports contained in this circular:

Name	Qualification
Crosby	A corporation licensed to carry out Type 1 (Dealing in securities), Type 4 (Advising on securities), Type 6 (Advising on corporate finance) and Type 9 (Asset management) regulated activities as defined under the SFO
Knight Frank	Independent qualified property valuer

- (b) As at the Latest Practicable Date, Crosby and Knight Frank did not have any shareholding, direct or indirect, in any member of the Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

- (c) As at the Latest Practicable Date, Crosby and Knight Frank did not have any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group, since 31 July 2013, being the date to which the latest published audited financial statements of the Company were made up.
- (d) Each of Crosby and Knight Frank has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, advice and/or report and the reference to its name in the form and context in which they respectively appear.
- (e) The letters, recommendation and/or reports given by Crosby and Knight Frank are given as at of the date of this circular for incorporation herein.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance known by the Directors to be pending or threatened against any member of the Group.

9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) had been entered into by the Company or any of its subsidiaries within the two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) the Land Grant Contract;
- (b) the Subscription Agreement;
- (c) the deed of transfer and release dated 7 August 2013 and entered into by Sunlite Investment Limited (“**Sunlite**”, an indirect wholly-owned subsidiary of the Company) and Skyhorse Assets Limited (“**Skyhorse**”), to acquire Skyhorse’s beneficial interest in 5% of the registered capital of Shanghai Li Xing Real Estate Development Company Limited (“**Li Xing**”) and to repay the outstanding loan advanced by Skyhorse to Sunlite, at an aggregate consideration of HK\$157,502,000. Li Xing is a PRC company that holds Shanghai Hong Kong Plaza. The transaction was completed on 7 August 2013. Further details of this transaction are disclosed in the joint announcement of eSun and the Company dated 7 August 2013;
- (d) the sale and purchase agreement dated 2 August 2013 entered into between All Benefit Limited (“**All Benefit**”, an indirect wholly-owned subsidiary of the Company and an indirect non-wholly-owned subsidiary of eSun) and Goldmark Pacific Limited (“**Goldmark**”) in respect of the purchase by All Benefit of 225 ordinary shares of US\$1.00 each in the share capital of Farron Assets Limited (representing 22.5% of its existing issued share capital) from Goldmark and the transactions contemplated thereunder, the details of which are disclosed in the Company’s circular dated 30 August 2013;

- (e) the subscription agreement dated 18 April 2013 and entered into among the Company, the subsidiary guarantors named therein, DBS Bank Ltd., The Hongkong and Shanghai Banking Corporation Limited and J.P. Morgan Securities (Asia Pacific) Limited, pursuant to which the Company would issue notes in the aggregate principal amount of RMB1,800,000,000, denominated in Renminbi with a maturity of five years due in 2018, bearing a fixed interest rate of 6.875% per annum, and the issue price of the notes will be 100% of the principal amount of the notes, the details of which are disclosed in the Company's announcement dated 18 April 2013;
- (f) the facility agreement dated 28 March 2013 and entered into between the Company as borrower, the guarantors listed therein as guarantors, Deutsche Bank AG, Hong Kong Branch as the facility agent and the financial institutions listed therein as lenders, pursuant to which the lenders will make available to the Company a secured term and revolving loan facility of up to the aggregate amount of HK\$2,500 million for a period of three years, the details of which are disclosed in the Company's announcement dated 28 March 2013;
- (g) the facility agreement dated 28 March 2013 and entered into between Li Xing, Good Strategy Limited ("**Good Strategy**") and Guangzhou Jieli Real Estate Company Limited ("**Jieli**") as borrowers and the Company as guarantor, Deutsche Bank (China) Co., Ltd., Shanghai Branch as the facility agent and security agent and the financial institutions listed therein as lenders, pursuant to which the lenders will make available to Li Xing, Good Strategy and Jieli a secured term loan facility of up to the aggregate amount of approximately HK\$1,050 million equivalent for a period of three years, the details of which are disclosed in the Company's announcement dated 28 March 2013;
- (h) the sale and purchase agreement dated 21 December 2012 and entered into between Eternal Glamorous Limited ("**Eternal Glamorous**") (an indirect wholly-owned subsidiary of eSun) as the vendor and Goldthorpe Limited ("**Goldthorpe**") (an indirect wholly-owned subsidiary of the Company) as the purchaser, pursuant to which Eternal Glamorous would sell and Goldthorpe would purchase one ordinary share of US\$1 in Favor Move Limited ("**Favor Move**"), representing the entire issued share capital of Favor Move and all the rights attached thereto, and the shareholder's loan advanced to Favor Move, for a consideration of approximately HK\$120.2 million, the details of which are disclosed in the Company's announcement dated 21 December 2012;
- (i) the sale and purchase agreement dated 12 November 2012 and entered into between the Company and eSun, pursuant to which the Company agreed to dispose of its entire equity interest in 廣東五月花電影城有限公司 (Guangdong May Flower Cinema Limited) to eSun at a consideration of HK\$13.6 million, the details of which are disclosed in the Company's announcement dated 12 November 2012;

- (j) the deed of conditional waiver dated 30 October 2012 and executed by the Company in favour of LSG and LSD as the covenantors (as supplemented and amended by the supplemental deed dated 19 November 2012 executed by the Company), pursuant to which the Company conditionally waives any claims, actions, proceedings, damages or equitable remedy that it may be entitled to under the undertakings provided in the spin-off agreement between LSD and the Company, a deed of undertaking provided by LSD and the non-compete agreement among LSG, Dr. Lam Kin Ngok, Peter, Dr. Lam Kin Ming, the late Mr. Lim Por Yen and the Company, all dated 12 November 1997, the details of which are disclosed in the Company's circular dated 1 December 2012 ;
- (k) the underwriting agreement dated 27 February 2012 and entered into between the Company and eSun in relation to the proposed issue by the Company of the new shares of HK\$0.10 each in the share capital of the Company by way of an open offer to qualifying shareholders of the Company, pursuant to which eSun irrevocably undertakes to the Company to procure its wholly-owned subsidiaries to take up their assured entitlements under such open offer, the details of which are disclosed in the Company's circular dated 24 April 2012; and
- (l) the written undertaking from CapitaLand LF (Cayman) Holdings Co., Ltd. ("CL") in favour of the Company and eSun dated 27 February 2012 under which CL had undertaken to, inter alia, take up (or procure to be taken up) the assured entitlements under the proposed open offer mentioned in (k) above.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during the normal business hours (i.e. from 9:30 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:30 p.m.) from Monday to Friday except for public holidays in Hong Kong unless (i) a tropical cyclone warning signal number 8 or above is hoisted; or (ii) a black rainstorm warning signal is issued, at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong from the date of this circular until the date of the EGM:

- (a) the Land Grant Contract;
- (b) the Subscription Agreement which includes the form of the Shareholders' Agreement;
- (c) the memorandum and articles of association of the Company;
- (d) the material contracts referred to in the paragraph headed "Material contracts" in this Appendix;
- (e) the letter from Crosby, the text of which is set out on pages 27 to 39 of this circular;
- (f) the property valuation report dated 26 November 2013 issued by Knight Frank, the text of which is set out in Appendix I to this circular;

- (g) the annual reports of the Company for the years ended 31 July 2012 and 31 July 2013 respectively;
- (h) the written consents referred to in the paragraph headed “Qualifications and consents of experts” in this Appendix;
- (i) this circular; and
- (j) the circular of the Company dated 30 August 2013 (in relation to a connected transaction).

11. MISCELLANEOUS

- (a) The secretary of the Company is Ms. Yim Lai Wa, an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (b) The Company’s registered office is situated at P.O. Box 309, Uglan House South Church Street, George Town, Grand Cayman, Cayman Islands.
- (c) The Company’s principal place of business in Hong Kong is situated at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong.
- (d) The branch share registrars and the transfer office of the Company in Hong Kong is Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.
- (e) In the event of any inconsistency, the English text of this circular and the form of proxy shall prevail over the Chinese text.

NOTICE OF EGM



LAI FUNG HOLDINGS

Lai Fung Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1125)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (“**EGM**”) of the members (“**Members**”) of Lai Fung Holdings Limited (“**Company**”) will be held at Gloucester Room II, 3/F., The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong on Tuesday, 17 December 2013 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT:**

- (A) the subscription agreement dated 25 September 2013 (“**Subscription Agreement**”, a copy of which has been marked “A” and produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification) entered into between Lai Fung (Hengqin) Development Company Limited (“**LFHQ**”, an indirect wholly-owned subsidiary of the Company), Sunny Horizon Investments Limited (“**SHIL**”) and Rosy Commerce Holdings Limited (“**Rosy Commerce**”) in respect of, among other things, (i) the respective subscriptions for 79 and 20 new ordinary shares of par value of US\$1.00 each in the capital of Rosy Commerce (collectively, “**Subscription Shares**”) by LFHQ and SHIL; (ii) the assignment by LFHQ to SHIL of 20% of the total amount of loans, advances, interests (if any) and other sums and indebtedness due, owing, outstanding or payable to LFHQ by Rosy Commerce as at completion of the Subscription Agreement; and (iii) the entering into of a shareholders’ agreement in relation to Rosy Commerce by LFHQ, SHIL and Rosy Commerce for the purposes of regulating the relationship of the shareholders of Rosy Commerce inter se and the management and conduct of the business and affairs of Rosy Commerce and its subsidiaries (“**Shareholders’ Agreement**”, a copy of the final draft of which has been marked “B” and produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification), and the transactions contemplated under the Subscription Agreement and the Shareholders’ Agreement (collectively, “**Transaction**”), be and are hereby approved, confirmed and ratified; and

NOTICE OF EGM

- (B) the directors of the Company be and are hereby authorised to do all things and acts, enter into all transactions, arrangements and agreements, and sign and execute all documents (under hand or under the common seal of the Company) which they consider desirable or expedient to implement and/or to give effect to the Transaction, including without limitation the allotment and issue of the Subscription Shares in accordance with the Subscription Agreement.”

By Order of the Board
Lai Fung Holdings Limited
Yim Lai Wa
Company Secretary

Hong Kong, 26 November 2013

Registered Office:
P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands

Principal Place of Business in Hong Kong:
11th Floor
Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon
Hong Kong

Notes:

- (1) *A Member entitled to attend and vote at the EGM convened by the above notice (“Notice”) or its adjourned meeting (as the case may be) is entitled to appoint one (or, if he/she/it holds two or more shares of HK\$0.10 each in the share capital of the Company (“Shares”), more than one) proxy to attend and, on a poll, vote on his/her/its behalf in accordance with the Articles of Association of the Company. A proxy need not be a Member.*
- (2) *To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the Company’s branch share registrars in Hong Kong, Tricor Tengis Limited (“Registrars”), at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or its adjourned meeting (as the case may be) and in default, the proxy will not be treated as valid. Completion and return of the form of proxy shall not preclude Members from attending in person and voting at the EGM or any of its adjourned meeting should they so wish. In that event, the said form(s) of proxy shall be deemed to be revoked.*

The contact phone number of the Registrars is (852) 2980 1333.

- (3) *To ascertain the entitlements to attend and vote at the EGM, Members must lodge the relevant transfer document(s) and share certificate(s) at the office of the Registrars no later than 4:30 p.m. on Thursday, 12 December 2013 for registration.*
- (4) *Where there are joint registered holders of any Shares, any one of such joint holders may attend and vote at the EGM or its adjourned meeting (as the case may be), either in person or by proxy, in respect of such Shares as if he/she/it were solely entitled thereto, but if more than one of such joint holders are present at the EGM or its adjourned meeting (as the case may be) personally or by proxy, then one of such holders so present whose name stands first in the Register of Members or Hong Kong Branch Register of Members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.*

NOTICE OF EGM

- (5) *In compliance with Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”), voting on the resolution proposed in this Notice shall be decided by way of a poll.*
- (6) *If a tropical cyclone warning signal No. 8 or above is expected to be hoisted or a black rainstorm warning signal is expected to be in force at any time after 8:00 a.m. on the date of the EGM, the EGM will be postponed and the Members will be informed of the date, time and venue of the postponed EGM by a supplementary notice posted on the respective websites of the Company and the Stock Exchange.*

If a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is lowered or cancelled at or before 8:00 a.m. on the date of the EGM and where conditions permit, the EGM will be held as scheduled.

The EGM will be held as scheduled when an amber or red rainstorm warning signal is in force.

Having considered their own situations, Members should decide on their own whether they would attend the EGM under a bad weather condition and if they do so, they are advised to exercise care and caution.

- (7) *Members are advised to read the circular of the Company dated 26 November 2013 which contains information concerning the resolution to be proposed in the EGM.*