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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, 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** (the “Company”), you should at once hand this circular to the purchaser or transferee or to the licensed securities dealer, registered institution in securities, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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## LAI FUNG HOLDINGS

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

### **PROPOSED GENERAL MANDATES TO REPURCHASE SHARES AND TO ISSUE SHARES**

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The notice convening the annual general meeting of the Company (the “AGM”) to be held at Salon 1-3, JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Wednesday, 21 December 2011 at 9:00 a.m. (the “2011 AGM”) is contained in the 2010-2011 Annual Report of the Company (the “Annual Report”). Shareholders are advised to read the above notice and if you are not able to attend the 2011 AGM but wish to exercise your right as a shareholder, please complete and return the form of proxy enclosed with the Annual Report not less than 48 hours before the time appointed for holding the 2011 AGM in accordance with the instructions printed thereon.

22 November 2011

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## LETTER FROM THE BOARD

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# LAI FUNG HOLDINGS

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

*Executive Directors:*

Lam Kin Ngok, Peter (*Chairman*)  
Lam Kin Ming (*Deputy Chairman*)  
Lam Kin Hong, Matthew (*Executive Deputy Chairman*)  
Lam Hau Yin, Lester (*Chief Executive Officer*)  
U Po Chu  
Lau Shu Yan, Julius  
Tam Kin Man, Kraven  
Cheng Shin How  
Lui Siu Tsuen, Richard  
Cheung Sum, Sam

*Non-executive Directors:*

Leow Juan Thong, Jason  
Lucas Ignatius Loh Jen Yuh  
(*also Alternate Director to Leow Juan Thong, Jason*)

*Independent Non-executive Directors:*

Lam Bing Kwan  
Ku Moon Lun  
Law Kin Ho

*Registered Office:*

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

*Head Office and Principal*

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

22 November 2011

*To the Shareholders*

Dear Sir or Madam,

### **PROPOSED GENERAL MANDATES TO REPURCHASE SHARES AND TO ISSUE SHARES**

#### **1. INTRODUCTION**

At the last AGM held on 21 December 2010, general mandates were granted by the shareholders of the Company (the “Shareholders”) to the directors of the Company (“Directors”) to exercise the powers of the Company to repurchase shares and to issue shares in the Company. Pursuant to the provisions of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange, these general mandates will lapse at the conclusion of the 2011 AGM unless renewed at that meeting.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with an explanatory statement as required by the Listing Rules and the information relating to the ordinary resolutions to be proposed at the 2011 AGM to grant general mandates to the Directors to (i) exercise the powers of the Company to repurchase issued and fully-paid up shares in the Company; (ii) issue new shares; and (iii) increase the number of shares which the Directors may issue under the general mandate to issue new shares by the number of the shares repurchased.

### **2. GENERAL MANDATE TO REPURCHASE SHARES**

At the 2011 AGM, an ordinary resolution will be proposed which, if passed, will grant the Directors a general and unconditional mandate to exercise all the powers of the Company to purchase not exceeding 10% of the ordinary shares of HK\$0.10 each in the share capital of the Company (the “Shares”) in issue as at the date of passing the resolution (the “Repurchase Mandate”) (i.e. the date of the 2011 AGM), for the period from the said date until the conclusion of the next AGM or such other period as stated in the resolution.

An explanatory statement, as required by the Listing Rules to be given to the Shareholders concerning the Repurchase Mandate, is set out in the Appendix to this circular and contains all the information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the ordinary resolution relating to the Repurchase Mandate.

### **3. GENERAL MANDATE TO ISSUE SHARES**

It will be proposed at the 2011 AGM two ordinary resolutions respectively granting to the Directors a general and unconditional mandate to allot, issue and deal not exceeding 20% of the Shares in issue as at the date of passing the resolution (i.e. the date of the 2011 AGM), for the period from the said date until the conclusion of the next AGM or such other period as stated in the resolution and adding to such mandate so granted to the Directors any Shares repurchased by the Company under the Repurchase Mandate.

### **4. 2011 AGM**

The notice convening the 2011 AGM is contained in the Annual Report. Shareholders are advised to read the above notice and if you are not able to attend the AGM but wish to exercise your right as a shareholder, please complete and return the form of proxy enclosed with the Annual Report not less than 48 hours before the time appointed for holding the 2011 AGM in accordance with the instructions printed thereon.

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## LETTER FROM THE BOARD

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Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at a general meeting of the Company must be taken by way of a poll. Accordingly, each of the resolutions to be considered and, if thought fit, passed at the 2011 AGM will be voted by way of a poll by the Shareholders. Article 85 of the existing 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 2011 AGM. The Company will publish an announcement on the poll results on the respective websites of the Company at “www.laifung.com” and the Stock Exchange at “www.hkexnews.hk” promptly after the conclusion of the 2011 AGM.

### 5. RECOMMENDATION

The Directors are of the opinion that the proposed Repurchase Mandate and the granting of general mandate to issue new Shares as mentioned above are in the best interests of the Company and the Shareholders. Accordingly, the Directors recommend all Shareholders to vote in favour of the relevant resolutions to be proposed at the 2011 AGM.

Yours faithfully,  
For and on behalf of the Board of  
**Lai Fung Holdings Limited**  
**Lam Kin Ngok, Peter**  
*Chairman*

This explanatory statement contains all the information required by Rule 10.06(1)(b) of the Listing Rules to be given to the Shareholders reasonably necessary to enable them to make an informed decision on whether to vote for or against the ordinary resolution relating to the Repurchase Mandate.

**(i) Exercise of the repurchase mandate**

As at 18 November 2011, being the latest practicable date prior to the printing of this circular (the “Latest Practicable Date”), the share capital of the Company comprised 8,047,956,478 issued and fully-paid up Shares.

Subject to the passing of the relevant ordinary resolution, the Company would be allowed under the Repurchase Mandate to repurchase Shares up to a maximum of 804,795,647 Shares on the basis that there will be no change in the issued share capital of the Company prior to the date of the 2011 AGM.

**(ii) Reasons for Repurchases**

Although the Directors have no present intention of repurchasing any Shares, they believe that the flexibility afforded by the Repurchase Mandate will be in the best interests of the Company and the Shareholders as a whole. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net assets value and/or earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders as a whole (e.g. if there are occasions in the future when depressed market conditions arise and the Shares are trading at a discount to their underlying value).

**(iii) Funding of Repurchases**

Pursuant to the Repurchase Mandate, the Company may only apply funds legally available for repurchases in accordance with the laws of the Cayman Islands in which the Company is incorporated and the memorandum and articles of association of the Company.

The Directors propose that such repurchases of Shares would be appropriately financed by the Company’s internal resources and/or available banking facilities. There might be material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the published audited financial statements of the Company for the year ended 31 July 2011) in the event that the Repurchase Mandate was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which are, in the opinion of the Directors, appropriate for the Company from time to time.

**(iv) Share Prices**

The highest and lowest prices at which the Shares had been traded on the Stock Exchange during each of the twelve months preceding the Latest Practicable Date were as follows:

<b>Month</b>	<b>Highest</b> <i>HK\$</i>	<b>Lowest</b> <i>HK\$</i>
<b>2010</b>		
November	0.325	0.280
December	0.325	0.280
<b>2011</b>		
January	0.360	0.320
February	0.355	0.310
March	0.350	0.310
April	0.350	0.330
May	0.355	0.310
June	0.325	0.270
July	0.305	0.265
August	0.280	0.210
September	0.245	0.180
October	0.234	0.157
November (up to 18 November 2011)	0.200	0.189

**(v) Repurchase by the Company**

The Company had not made any purchase of Shares (whether on the Stock Exchange or otherwise) during the six months immediately preceding the Latest Practicable Date.

**(vi) Intention and Undertaking**

None of the Directors nor, to the best of their knowledge and having made all reasonable enquiries, any of their respective associates (as defined under the Listing Rules) have any present intention to sell any Shares held by them to the Company under the Repurchase Mandate if such Repurchase Mandate is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange that so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the articles of association and the laws of the Cayman Islands applicable to the Company.

No connected person (as defined under the Listing Rules) has notified the Company that he has a present intention to sell the Shares held by him to the Company, or has undertaken not to do so, in the event that the Repurchase Mandate is approved by the Shareholders.

**(vii) Implications of the Takeovers Code and the Listing Rules**

If a Shareholder's proportionate interest in the voting rights of the Company increases as a result of a share repurchase by the Company, such increase will be treated as an acquisition of voting rights for the purpose of Rule 32 of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code") and Rule 6 of the Hong Kong Code on Share Repurchases. Accordingly, a Shareholder or a group of Shareholders acting in concert could, depending on the level of increase in their shareholding interest(s), obtain or consolidate control of the Company and thereby become obliged to make a mandatory offer for Shares in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, the controlling shareholders (as defined under the Listing Rules) of the Company named below were interested or were deemed to be interested under the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong in the issued Shares as follows:

Name	Capacity	Nature of Interests	Number of Issued Shares	Percentage of Total Issued Shares
Lam Kin Ngok, Peter ("Dr. Lam")	Owner of controlled corporations	Corporate	3,265,688,037 (Note 1)	40.58%
eSun Holdings Limited ("eSun")	Owner of controlled corporations	Corporate	3,265,688,037 (Note 2)	40.58%
Lai Sun Development Company Limited ("LSD")	Owner of controlled corporations	Corporate	3,265,688,037 (Note 3)	40.58%
Lai Sun Garment (International) Limited ("LSG")	Owner of controlled corporations	Corporate	3,265,688,037 (Note 3)	40.58%

*Notes:*

- (1) Dr. Lam was deemed to be interested in the 3,265,688,037 Shares owned by eSun in the issued share capital of the Company by virtue of his personal and deemed shareholding interests in approximately 38.06% in LSG which in turn owned approximately 47.97% shareholding interest in LSD which in turn owned approximately 37.93% shareholding interests in eSun.
- (2) These interests in the Company represented all the Shares beneficially owned by Merit Worth Limited ("MWL") and Silver Glory Securities Limited ("SGS"). SGS is wholly owned by MWL which in turn is wholly owned by eSun. SGS and MWL beneficially owned 1,396,481,675 and 1,869,206,362 Shares respectively.
- (3) LSD and LSG were deemed to be interested in the same 3,265,688,037 Shares in which eSun had interest.

In the event that the Company exercises the Repurchase Mandate in full and taking no account of the issue of new Shares by the Company pursuant to any general or specific mandate granted by the Shareholders at any general meeting and the share option scheme adopted by the Company on 21 August 2003 or any other scheme or otherwise, the aggregate beneficial shareholding interest and deemed shareholding interest of Dr. Lam, eSun, LSD and LSG in the Company will be as follows:

<b>Name</b>	<b>Percentage of total issued Shares</b>
Dr. Lam	45.09%
eSun	45.09%
LSD	45.09%
LSG	45.09%

Accordingly, such increased shareholding interests in the Company will give rise to an obligation of eSun to make a mandatory offer for the remaining Shares not already owned by it, MWL and SGS under Rule 26 and Rule 32 of the Takeovers Code. However, the Directors have no present intention to exercise the Repurchase Mandate to such an extent as would result in the above takeover obligation.

Save as disclosed above, the Directors are not aware of any Shareholders or group of Shareholders acting in concert, who may become obliged to make a mandatory offer under Rule 26 and Rule 32 of the Takeovers Code as a consequence of any purchases of Shares pursuant to the Repurchase Mandate.

Assuming that there is no change in the issued Shares between the Latest Practicable Date and the date of repurchase, the exercise of the Repurchase Mandate whether in full or in part will not result in less than 25% of the total issued Shares being held by the public as required by Rule 8.08 of the Listing Rules.