



# LAI FUNG HOLDINGS

Lai Fung Holdings Limited  
(Incorporated in the Cayman Islands with limited liability)

## RELEASE OF NON-COMPETITION UNDERTAKING: APPOINTMENT OF MR. LIM POR YEN AS A DIRECTOR OF THE COMPANY

The Board wishes to announce that on 25th July, 2002, the Board proposed to terminate the Undertaking and appoint Mr. Lim Por Yen as a director of the Company.

The Company was spun-off from LSD and the shares of the Company were listed in the Stock Exchange in November 1997. The Company is primarily engaged in property development and investment in the PRC and Mr. Lim had already had interest in properties in the PRC in 1997. In view of the then Listing Rule 8.10, it was agreed that, among other things, during the period in which Mr. Lim continues to retain any interests in any properties in Shanghai and/or Guangzhou, Mr. Lim will not be appointed as a director of the Company.

Currently Mr. Lim still has interests in three property projects in the PRC, an extraordinary general meeting will therefore be convened to approve the termination of the Undertaking and the Appointment. Mr. Lim and his associates will abstain from voting at the extraordinary general meeting.

A circular containing, among other things, details of the Undertaking, a letter of recommendation from the Independent Board Committee to the Independent Shareholders, a letter of advice from an independent financial adviser to the Independent Board Committee, and a notice of the extraordinary general meeting, will be despatched to the Shareholders as soon as possible.

### BACKGROUND

In November 1997, the Company was spun-off from LSD and the shares of the Company were listed on the main board of the Stock Exchange. Immediately before the Listing, the Company was a wholly-owned subsidiary of LSD. LSG which was ultimately controlled by Mr. Lim, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming and their respective associates collectively was the then controlling shareholder of LSD. Mr. Lim, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming and their respective associates collectively was deemed to be a controlling shareholder of the Company at that time. Before the Listing, Mr. Lim had already had interests in six property development projects in the PRC, namely, Hong Kong Plaza in Xiamen; Yu Fa Garden in Shanghai; Sujia Alley in Zhabei, Shanghai; Baining Baba Plaza in Shanghai; Regal Centre in Guangzhou and Haizhu Plaza in Guangzhou.

At the time of the Listing, the then Listing Rule 8.10 provided that "where a new applicant has a controlling shareholder who or which has an interest in a business apart from the new applicant's business and which business competes or is likely to compete, either directly or indirectly, with the new applicant's business to the extent that there could be a conflict between the controlling shareholder's interests and those of the general body of shareholders of the new applicant, the (Stock) Exchange may regard the new applicant as unsuitable for listing".

As the Company would be primarily engaged in property development and investment in Guangzhou and Shanghai after the Listing, and with a view to alleviating the concern of the Stock Exchange of potential conflict under the then Listing Rule 8.10 it was agreed that, among other things, during the period in which Mr. Lim continues to retain any interests in any properties in Shanghai and/or Guangzhou, Mr. Lim will not be appointed as a director of the Company.

### CURRENT SITUATION

As at the date of this announcement, LSG and its wholly owned subsidiary, Silver Glory Securities Ltd, are in aggregate beneficially interested in approximately 46.04% of the issued share capital of the Company. Mr. Lim (together with his associates) holds an interest of approximately 34.3% in the issued share capital of LSG. Mr. Lim is deemed to be interested in 46.04% of the issued share capital of the Company.

At present, the six property projects in which Mr. Lim had interests at the time of the Listing have been reduced to three, namely, Hong Kong Plaza in Xiamen, Yu Fa Garden in Shanghai and Haizhu Plaza in Guangzhou. Details of other relevant undertakings given at the time of the Listing, which address the potential conflict of interest between Mr. Lim's interest in the properties in the PRC and the Company's business and are still subsisting, will be disclosed in the circular.

In view of the reasons stated below, the Board has proposed to appoint Mr. Lim as a director of the Company upon the termination of the Undertaking.

### REASONS FOR THE APPOINTMENT

Mr. Lim has substantial experience in property development and investment in the PRC. He is also a well known and highly respected philanthropist in the PRC having extensive business network and good relationship with governmental authorities. The Board considers that the Appointment is beneficial to further business development of the Company and is in line with the Company's overall objective of further strengthening its existing business.

Mr. Lim has been providing finance to meet the short-term funding requirements of the Company through advance of unsecured loans to the Company. The Board considers that the Appointment will signify Mr. Lim's further commitment to the Company and will strengthen the confidence of business partners in the Company.

Mr. Lim's interests in property development and investment in the PRC have been substantially reduced since 1997 from six projects to three projects. Among these three projects, Mr. Lim has only approximately 9.9% attributable interest in the project of Yu Fa Garden in Shanghai.

For the reasons stated above, the Board considers that the termination of the Undertaking and the Appointment are in the interest of the Company and the Shareholders as a whole.

In this connection, the Board proposes that the termination of the Undertaking and the Appointment shall take effect upon the same is approved by the Independent Shareholders at the extraordinary general meeting to be convened for such purpose.

### GENERAL

A circular containing, among other things, details of the Undertaking, a letter of recommendation from the Independent Board Committee to the Independent Shareholders, a letter of advice from an independent financial adviser to the Independent Board Committee, and a notice of the extraordinary general meeting, will be despatched to the Shareholders as soon as practicable.

### DEFINITIONS

As used in this announcement, the following words and phrases have the same meanings assigned:

|                               |                                                                                                                                                                                                                                    |
|-------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| "Appointment"                 | the appointment of Mr. Lim as a director of the Company                                                                                                                                                                            |
| "associates"                  | has the meaning ascribed to it under the Listing Rules                                                                                                                                                                             |
| "Board"                       | the board of Directors of the Company                                                                                                                                                                                              |
| "Company"                     | Lai Fung Holdings Limited, a company incorporated in Cayman Islands with limited liability and shares of which are listed on the Stock Exchange                                                                                    |
| "controlling shareholder(s)"  | has the meaning ascribed to it under the Listing Rules                                                                                                                                                                             |
| "Hong Kong"                   | the Hong Kong Special Administrative Region of the People's Republic of China                                                                                                                                                      |
| "Independent Board Committee" | the independent committee of the Board comprising the independent directors of the Company which will be formed for the purpose of advising the Independent Shareholders on the termination of the Undertaking and the Appointment |
| "Independent Shareholders"    | The Shareholders other than Mr. Lim and his associates                                                                                                                                                                             |
| "Listing"                     | the listing of the shares of the Company on the main board of the Stock Exchange on 28th November, 1997 when it was spun-off from LSD                                                                                              |
| "Listing Rules"               | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited                                                                                                                                           |
| "LSD"                         | Lai Sun Development Company Limited, a company incorporated in Hong Kong with limited liability and whose shares are listed on the Stock Exchange                                                                                  |
| "LSG"                         | Lai Sun Garment (International) Limited, a company incorporated in Hong Kong with limited liability and whose shares are listed on the Stock Exchange                                                                              |
| "Mr. Lim"                     | Mr. Lim Por Yen                                                                                                                                                                                                                    |
| "PRC"                         | the Mainland of the People's Republic of China                                                                                                                                                                                     |
| "Stock Exchange"              | The Stock Exchange of Hong Kong Limited                                                                                                                                                                                            |
| "Undertaking"                 | the undertaking given at the time of the Listing that during the period in which Mr. Lim continues to retain any interest in any properties in Shanghai and/or Guangzhou, he will not be appointed as a director of the Company    |

By Order of the Board  
**Lai Fung Holdings Limited**  
Yeung Kam Hoi  
Company Secretary

Hong Kong, 25th July, 2002