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LAI FUNG HOLDINGS

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

DISCLOSEABLE TRANSACTION

DISPOSAL OF INDIRECT INTERESTS IN TIANHE ENTERTAINMENT PLAZA AND CULTURAL ENTERTAINMENT PLAZA IN GUANGZHOU

The Board is pleased to announce that Lai Fung Company Limited (a wholly owned subsidiary of the Company) as the Vendor and Right Rich Investments Limited as the Purchaser entered into the SP (Perfect Mark) Agreement dated 22 November 2007. The Purchaser is an Independent Third Party.

Under the SP (Perfect Mark) Agreement, the Vendor agreed to sell and assign to the Purchaser 100% of the issued share capital of and the entire shareholder loan outstanding from Perfect Mark to the Vendor at completion of the Disposal at a total selling price of HK\$422 million. On the date of the SP (Perfect Mark) Agreement, a sum of HK\$42.2 million, representing 10% of the selling price, had been paid to the Vendor in cash as deposit, and the remaining 90% of the selling price will be settled in cash on completion of the Disposal. Under the SP (Perfect Mark) Agreement, the Disposal will be completed on 30 January 2008 (or such other date as the Vendor and the Purchaser may agree in writing).

Perfect Mark is currently a wholly-owned subsidiary of the Company. Perfect Mark and the Purchaser are currently holding 25% and 75% of the issued share capital of Besto Investments, respectively. Besto Investments is the parent company of the Besto Investments Group, which is holding property interests in Tianhe Entertainment Plaza (East Tower), Tianhe Entertainment Plaza (West Tower & Podium) and Cultural Entertainment Plaza at Guangzhou, Guangdong Province, the PRC.

The Disposal constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing further details of the Disposal will be despatched to the shareholders of the Company as soon as possible under the Listing Rules.

A. THE SP (PERFECT MARK) AGREEMENT

Date: 22 November 2007

Parties:

- (1) Lai Fung Company Limited, which is a wholly-owned subsidiary of the Company, as Vendor; and
- (2) Right Rich Investments Limited, as the Purchaser.

The Purchaser and its beneficial shareholder(s) are all Independent Third Parties. To the best of the knowledge of the Company after making reasonable enquiry, the principal business activity of the Purchaser is investment holding. The Purchaser is also the existing 75% majority shareholder of Besto Investments mentioned below.

Assets to be disposed of:

The Vendor agreed to sell and assign to the Purchaser 100% of the issued share capital of and the entire shareholder loan outstanding from Perfect Mark to the Vendor as at completion of the Disposal. As at the date of the SP (Perfect Mark) Agreement, the total amount of the shareholder loan outstanding from Perfect Mark to the Vendor was about HK\$427 million.

Perfect Mark is currently a wholly-owned subsidiary of the Company. Perfect Mark and the Purchaser are currently holding 25% and 75% of the issued share capital of Besto Investments, respectively. Besto Investments is an investment holding company, and is holding 100% of the shareholding interests in each of the Subject (PRC) Companies, namely, Guangzhou Besto Real Estate, Guangzhou Tianhe Baitao Culture and Guangzhou New Wave Culture. All members of the Besto Investments Group are associated companies of the Group. Particulars of the Subject (PRC) Companies are summarized below:-

- (a) Guangzhou Besto Real Estate is a wholly foreign-owned enterprise established in the PRC. The registered capital of Guangzhou Besto Real Estate is US\$3.75 million (about HK\$29.25 million). It has been fully contributed and held by Besto Investments.

Guangzhou Besto Real Estate is holding property interests in Tianhe Entertainment Plaza (East Tower)* (天河娛樂廣場(東塔)) at Shipaigangding, Tianhe District, Guangzhou, Guangdong Province (廣東省廣州市天河區石牌崗頂) in the PRC. The building is an office/hotel tower with 27 storeys. It was built in 1998 for, among others, residential and business uses. Its total gross floor area is about 25,665 sq. m. Portions of this property are currently subject to various tenancies.

- (b) Guangzhou Tianhe Baitao Culture is a co-operative joint venture between Besto Investments and another Independent Third Party. The registered capital of Guangzhou Tianhe Baitao Culture is US\$23.57 million (about HK\$183.85 million). It has been fully contributed and held by Besto Investments. Under the terms of co-operation agreed between Besto Investments and the other joint venturer, Besto Investments shall contribute US\$23.57 million in cash while the other venturer shall contribute the land use rights over the parcel of land on which the Tianhe Entertainment Plaza (West Tower & Podium*) is situated.

Guangzhou Tianhe Baitao Culture is holding property interests in Tianhe Entertainment Plaza (West Tower & Podium*) (天河娛樂廣場(西塔及商場)) at Shipaigangding, Tianhe District, Guangzhou, Guangdong Province (廣東省廣州市天河區石牌崗頂) in the PRC. The buildings comprise a tower with 9 storeys, a podium with 6 levels plus a basement with 3 levels underneath. They were built in 1998 for commercial use. Their total gross floor area is about 67,282 sq. m. Portions of these properties are currently subject to various tenancies.

- (c) Guangzhou New Wave Culture is a co-operative joint venture enterprise between Besto Investments and another Independent Third Party. The registered capital of Guangzhou New Wave Culture is US\$12.88 million (about HK\$100.46 million). It has been fully contributed and held by Besto Investments. Under the terms of co-operation agreed between Besto Investments and the other joint venturer, Besto Investments shall contribute US\$25 million in cash while the other venturer shall contribute the land use rights over parcel of land on which the Cultural Entertainment Plaza is situated. Besto Investments had already entered into an agreement with another Independent Third Party in 2005 to sell the entire interests of Besto Investments in Guangzhou New Wave Culture at a total price of RMB177.5 million (about HK\$181.05 million). This sale is currently scheduled to be completed by the end of 2007, subject to any extension by agreement of the parties.

Guangzhou New Wave Culture is holding property interests in Cultural Entertainment Plaza* (文化娛樂廣場) at 37 Xidiermalu, Liwan District, Guangzhou, Guangdong Province (廣東省廣州市荔灣區西堤二馬路37号) in the PRC. It comprises a plot of land occupying about 6,000 sq. m. for development of a cultural and entertainment plaza. This property development project is still in development stage currently.

After completion of the Disposal, Perfect Mark would cease be a subsidiary of the Company, and the Group would also cease to have any interests in it and the Besto Investments Group.

Consideration and completion of the Disposal:

The total selling price for the Perfect Mark (Sale) Interests is HK\$422 million. On the date of the SP (Perfect Mark) Agreement, a sum of HK\$42.2 million, representing 10% of the selling price had been paid to the Vendor in cash as deposit, and the remaining 90% thereof will be settled in cash on completion of the Disposal. Under the SP (Perfect Mark) Agreement, the Disposal will be completed on 30 January 2008 (or such other date as the Vendor and the Purchaser may agree in writing).

The selling price for the Disposal was negotiated on arm's length basis between the Group and the Purchaser. The Group agreed to the selling price primarily with reference to the unaudited carrying value of the Perfect Mark (Sale) Interests, which represents Perfect Mark's indirect interests in Besto Investments Group.

The net proceeds from the Disposal are intended to be used as the working capital of the Group.

B. REASONS FOR, AND BENEFITS OF, THE DISPOSAL OF THE PERFECT MARK (SALE) INTERESTS

Based on the unaudited consolidated financial statements of Perfect Mark for the financial year ended 31 July 2006, the unaudited consolidated net profit (both before and after taxation and extraordinary items) of Perfect Mark was approximately HK\$6 million. Based on the unaudited consolidated financial statements of Perfect Mark for the financial year ended 31 July 2007, the unaudited consolidated net profit (both before and after taxation and extraordinary items) of Perfect Mark was approximately HK\$13 million.

Based on the unaudited consolidated financial statements of Perfect Mark for the financial year ended 31 July 2007, the unaudited net deficiency in assets of Perfect Mark as at 31 July 2007 was approximately HK\$3 million. The amount of the shareholder loan due from Perfect Mark to the Vendor as at 31 July 2007 was approximately HK\$427 million.

Taking into account the selling price of HK\$422 million to be received under the Disposal, the unaudited consolidated net deficiency in assets of Perfect Mark as at 31 July 2007 of approximately HK\$3 million, the shareholder loan due from Perfect Mark to the Vendor as at 31 January 2007 of approximately HK\$427 million and a release of exchange reserve of approximately of HK\$2 million to the consolidated income statement of the Company, no material gain or loss will be recorded on disposal of the Group's 100% in Perfect Mark. After such disposal, the consolidated net assets of the Company will be decreased by approximately HK\$2 million. The actual gain to be recorded in the Company's consolidated income statement from the Disposal after taking into account actual net asset value of Perfect Mark attributable to the Company as at the date of Completion and the gain or loss, if any, to be accrued to the Company's consolidated income statement on the change in the fair value of the underlying property interests indirectly held by Perfect Mark for the period from 31 July 2007 to the date of Completion are not expected to be materially different from the amounts disclosed above.

Upon Completion, Perfect Mark will cease to be a subsidiary of the Company and its assets and liabilities will no longer be included in the Company's consolidated balance sheet.

The Group has invested in this project since 1993 and the return has not been satisfactory. No dividend has been declared or paid and there was no repayment schedule on the shareholder's loan. In addition, as the Group is only a 25% shareholder of Perfect Mark, it does not involve in the operation and management of the properties. Having taken into account the historical return on our investment, the consideration for the Disposal and the limited upside on the future potential of Tianhe Entertainment Plaza and Cultural Entertainment Plaza, the Directors consider that it would be in the best interest of the Group to divest this investment and focus its resources in other investment in which the Group could control a majority interest and which would generate higher returns and/or revenue and/or profits to the Group. As at the date of this announcement, the Group has not yet taken any decision on potential investments which fit into the investment criteria currently adopted by the Group. Furthermore, the Disposal of the Perfect Mark (Sale) Interests will immediately realize about HK\$420 million net proceeds to the Group, hence strengthening the Group's liquidity position.

The Directors consider that the terms and conditions of the terms of the Disposal, including the amount of the selling price, are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

C. GENERAL

The Group is principally engaged in property development for sale and property investment for rental purposes in Mainland China. The Group's core businesses include investment and development of service apartments, residential, office and commercial properties in prime locations in major gateway cities in China with excellent accessibility and infrastructure.

Some of the percentage ratios of the Disposal exceed 5% but all of them are less than 25%. As such, the Disposal constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing further details of the Disposal will be dispatched to the shareholders of the Company as soon as possible under the Listing Rules.

D. DEFINITIONS

The following expressions in this announcement have the meanings set out below unless the context requires otherwise:

"Besto Investments"	Besto Investments Limited (百淘投資發展有限公司), which is a limited liability company incorporated in Hong Kong.
"Besto Investments Group"	Besto Investments together with the Subject (PRC) Companies
"Company"	Lai Fung Holdings Limited, a Cayman Islands company whose shares are listed on the main board of the Stock Exchange
"Completion"	completion of the Disposal under the SP (Perfect Mark) Agreement
"connected person"	has the meaning ascribed to such term in the Listing Rules
"Cultural Entertainment Plaza"	Cultural Entertainment Plaza* (文化娛樂廣場) at 37 Xidiermalu, Liwan District, Guangzhou, Guangdong Province (廣東省廣州市荔灣區西堤二馬路 37 号) the PRC
"Directors"	the directors of the Company
"Disposal"	the disposal of the Perfect Mark (Sale) Interests under the SP (Perfect Mark) Agreement
"Group"	the Company and its subsidiaries
"Guangzhou Besto Real Estate"	Guangzhou Besto Real Estate Development Co., Ltd.* (廣州市百淘房地產開發有限公司), which is a wholly foreign-owned enterprise established in the PRC

"Guangzhou New Wave Culture"	Guangzhou New Wave Culture Plaza* (廣州新浪淘文化廣場), which is co-operative joint venture enterprise between Besto Investments and another Independent Third Party in the PRC
"Guangzhou Tianhe Baitao Culture"	Guangzhou Tianhe Baitao Culture and Entertainment Square Co., Ltd.* (廣州市天河百淘文化娛樂廣場有限公司), which is a co-operative joint venture enterprise between Besto Investments and another Independent Third Party in the PRC
"Independent Third Party(ies)"	a party who, together with its ultimate beneficial owner(s), to the best knowledge, information and belief of the Directors after having made all reasonable enquiry, is not a connected person of the Company and is also independent of the Company and its connected persons
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Perfect Mark"	Perfect Mark Worldwide Limited, which is a company incorporated in the British Virgin Islands and wholly owned by the Vendor
"Perfect Mark (Sale) Interests"	the entire issued share capital of Perfect Mark and the entire shareholder loan outstanding from it to the Vendor as at Completion
"PRC"	the Mainland of China
"Purchaser"	Right Rich Investments Limited, which is an Independent Third Party and the existing 75% shareholder of Besto Investments
"SP (Perfect Mark) Agreement"	the sale and purchase agreement dated 22 November 2007 between the Vendor and the Purchaser for the sale and purchase of the Perfect Mark (Sale) Interests
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subject (PRC) Companies"	Guangzhou Besto Real Estate, Guangzhou New Wave Culture and Guangzhou Tianhe Baitao Culture
"Tianhe Entertainment Plaza"	Tianhe Entertainment Plaza (East Tower)* (天河娛樂廣場(東塔)) and Tianhe Entertainment Plaza (West Tower & Podium)* (天河娛樂廣場(西塔及商場)) at Shipaigangding, Tianhe District, Guangzhou, Guangdong Province (廣東省廣州市天河區石牌崗頂) in the PRC

"Vendor"

Lai Fung Company Limited, which is company incorporated in Hong Kong and a wholly-owned subsidiary of the Company

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

Hong Kong, 23 November 2007

As at the date of this announcement, the executive directors of the Company are Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Mr. Lam Kin Hong, Matthew, Mr. Lam Hau Yin, Lester, Madam U Po Chu, Mr. Lau Shu Yan, Julius, Mr. Tam Kin Man, Kraven, Mr. Cheung Sum, Sam, Ms. Leung Churk Yin, Jeanny and Mr. Cheng Shin How; the non-executive director is Mr. Lim Ming Yan (Alternate Director: Mr. Cheong Kwok Mun), and the independent non-executive directors are Mr. Wong Yee Sui, Andrew, Mr. Lam Bing Kwan and Mr. Ku Moon Lun.

** The informal English translation or transliterations of Chinese formal names are for reference purposes.*

For the purpose of this announcement, the translation of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 = HK\$1.02 and the translation of US\$ into HK\$ is based on the approximate exchange rate of US\$1.00 = HK\$7.80.