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LAI FUNG HOLDINGS

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

CONTINUING CONNECTED TRANSACTION

PRE-EXISTING MANAGEMENT AGREEMENT

May Flower entered into the Management Agreement with Media Idea on 19 September 2005, pursuant to which Media Idea agreed to manage the Cinema for May Flower for a ten-year period from 1 September 2005 to 31 August 2015. The Management Agreement provides for Media Idea to receive a fixed fee of RMB60,000 per month and a variable fee equivalent to 20% of the annual net profit of the Cinema.

May Flower is a wholly-owned subsidiary of Lai Fung and Media Idea is a wholly-owned subsidiary of eSun. eSun became a substantial shareholder of Lai Fung with effect from 1 October 2010 following the completion of a corporate restructuring exercise on 30 September 2010. Accordingly, eSun is a connected person of Lai Fung and its associates as at the date of this announcement.

The Management Agreement has, with effect from 1 October 2010, become a continuing connected transaction for Lai Fung pursuant to Rule 14A.41 of the Listing Rules. It is, accordingly, a transaction in respect of which the reporting, annual review and disclosure requirements of Chapter 14A of the Listing Rules now apply.

THE MANAGEMENT AGREEMENT

On 19 September 2005, May Flower entered into the Management Agreement with Media Idea in respect of the right to manage the Cinema. Major terms of the Management Agreement are as follows:-

- Date : 19 September 2005
- Parties : May Flower (as operator of the Cinema); and
Media Idea (as manager of the Cinema)
- Cinema : The cinema complex located at 6th and 7th Floor, May Flower Plaza, No. 68 Zhongshanwu Road, Yuexiu District, Guangzhou, the PRC

Management fee : A fixed fee of RMB60,000 (approximately HK\$69,480) per calendar month and a variable fee equivalent to 20% of the annual net profit of the Cinema

Term : Expires on 31 August 2015

REASONS FOR THE TRANSACTION

Media Idea, a company within the eSun Group (being a group whose core businesses include media and entertainment activities) has been managing the Cinema since September 2005. May Flower has a lease agreement for the Cinema at May Flower Plaza (a prime property directly above the Gongyuanqian Metro Station in Guangzhou). May Flower wished to exploit the experience of Media Idea in managing cinemas, hence the reason why it retained Media Idea for this purpose.

The Directors of Lai Fung (including the independent non-executive directors) are of the opinion that the Management Agreement (i) was entered into in the ordinary and usual course of business of the Lai Fung Group; (ii) reflects normal commercial terms that were agreed after arm's length negotiations between the parties; and (iii) represents terms that are fair and reasonable and in the interests of Lai Fung and its shareholders as a whole.

LISTING RULES REQUIREMENTS

May Flower is a wholly-owned subsidiary of Lai Fung and Media Idea is a wholly-owned subsidiary of eSun. eSun became a substantial shareholder of Lai Fung with effect from 1 October 2010 following the completion of a corporate restructuring exercise on 30 September 2010. Accordingly, eSun is a connected person of Lai Fung and its associates as at the date of this announcement.

Although the Management Agreement was not a connected transaction for Lai Fung at the time it was entered into in September 2005, it has, with effect from 1 October 2010, become a continuing connected transaction for Lai Fung pursuant to Rule 14A.41 of the Listing Rules. It is, accordingly, a transaction in respect of which the reporting, annual review and disclosure requirements of Chapter 14A of the Listing Rules now apply.

In the event that the Management Agreement is varied or amended in the future, Lai Fung will be obliged to comply in full, at that time, with all applicable reporting, annual review, disclosure and independent shareholders' approval requirements under the Listing Rules.

GENERAL

The principal business activities of the eSun Group comprise the development and operation of, and investment in, media and entertainment, production and distribution of music and films and video format products, the provision of advertising agency services and the development of Macao Studio City, an integrated leisure resort comprising theatre, concert and live entertainment, retail and gaming facilities and hotels in Cotai, Macau Special Administrative Region of the PRC.

The principal business activities of the Lai Fung Group include property development for sale and property investment for rental purposes in the PRC.

DEFINITIONS

“Cinema”	the cinema complex located at 6th and 7th Floor, May Flower Plaza, No. 68 Zhongshanwu Road, Yuexiu District, Guangzhou, the PRC;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of Lai Fung;
“eSun”	eSun Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange (Stock Code: 571);
“eSun Group”	eSun and its subsidiaries;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Lai Fung”	Lai Fung Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange (Stock Code: 1125);
“Lai Fung Group”	Lai Fung and its subsidiaries;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“May Flower”	廣東五月花電影城有限公司(Guangdong May Flower Cinema Limited), a company incorporated in the PRC and a wholly-owned subsidiary of Lai Fung;
“Media Idea”	Media Idea International Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of eSun;
“Management Agreement”	the Management Agreement dated 19 September 2005 between May Flower and Media Idea (as has been amended from time to time) pursuant to which Media Idea has agreed to manage the Cinema for May Flower;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“%”

per cent.

By Order of the Board
Lai Fung Holdings Limited
Goh Soon Khian
Company Secretary

Hong Kong, 4 October 2010

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, Miss Leung Churk Yin, Jeanny and Mr. Cheng Shin How; the non-executive directors are Mr. Leow Juan Thong, Jason and Mr. Lucas Ignatius Loh Jen Yuh (also alternate to Mr. Leow Juan Thong, Jason); and the independent non-executive directors are Mr. Lam Bing Kwan, Mr. Ku Moon Lun and Mr. Law Kin Ho.

For the purpose of this announcement, the translation of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 = HK\$1.158.