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If you have sold or transferred all your shares in **Lai Fung Holdings Limited** (“**Company**”), you should at once hand this circular 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 transferee(s).

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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 BUY BACK SHARES AND TO ISSUE SHARES**

The notice convening the annual general meeting of the Company (“**AGM**”) to be held at Harbour View Rooms I & II, 3rd Floor, The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong on Friday, 15 December 2017 at 9:00 a.m. (“**2017 AGM**” and “**AGM Notice**”, respectively) is contained in the 2016-2017 Annual Report of the Company (“**Annual Report**”). Shareholders are advised to read the AGM Notice and if you are not able to attend the 2017 AGM but wish to exercise your right as a shareholder, please complete and sign the form of proxy enclosed with the Annual Report in accordance with the instructions printed thereon and deposit the same with the Company’s branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for holding the 2017 AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the 2017 AGM or any adjournment thereof should you so wish.

16 November 2017

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. Lee Tze Yan, Ernest
Madam U Po Chu

Non-executive Directors:

Mr. Lucas Ignatius Loh Jen Yuh
Mr. Puah Tze Shyang
(*also alternate director to Mr. Lucas Ignatius Loh Jen Yuh*)

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
Grand Cayman
KY1-1104
Cayman Islands

*Principal Place of Business
in Hong Kong:*

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

16 November 2017

*To the Shareholders and for information only,
the holders of share options granted under the
Company's share option schemes adopted on
21 August 2003 and 18 December 2012, respectively*

Dear Sir or Madam,

PROPOSED GENERAL MANDATES TO BUY BACK SHARES AND TO ISSUE SHARES

1. INTRODUCTION

At the last AGM held on 16 December 2016, general mandates (“**2016 General Mandates**”) were granted by the shareholders of the Company (“**Shareholders**”) to the directors of the Company (“**Directors**”) to exercise the powers of the Company to buy back the ordinary share(s) of HK\$0.10 each in the share capital of the Company and to issue shares. At the extraordinary general meeting held on 14 August 2017, the Shareholders approved to consolidate every fifty (50) issued and unissued ordinary shares of HK\$0.10 each in the share capital of the Company into one (1) ordinary share of HK\$5.00 each in the share capital of the

LETTER FROM THE BOARD

Company (“**Share(s)**”) which became effective on 15 August 2017 (“**Share Consolidation**”). Pursuant to the provisions of the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”), the 2016 General Mandates will lapse at the conclusion of the 2017 AGM unless renewed at that meeting.

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 2017 AGM to grant general mandates to the Directors to (i) exercise the powers of the Company to buy back Shares; (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 bought back.

2. GENERAL MANDATE TO BUY BACK SHARES

At the 2017 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 buy back not exceeding 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the resolution (i.e. the date of the 2017 AGM), for the period from the said date until the conclusion of the next AGM or such other period as stated in the resolution (“**Buy-back Mandate**”).

An explanatory statement, as required by the Listing Rules to be given to the Shareholders concerning the Buy-back 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 Buy-back Mandate.

3. GENERAL MANDATE TO ISSUE SHARES

It will be proposed at the 2017 AGM two ordinary resolutions respectively granting to the Directors a general and unconditional mandate to issue, allot and deal with Shares representing up to 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the resolution (i.e. the date of the 2017 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 bought back by the Company under the Buy-back Mandate.

LETTER FROM THE BOARD

4. 2017 AGM

The AGM Notice is contained in the Annual Report. Shareholders are advised to read the AGM Notice and if you are not able to attend the 2017 AGM or any adjournment thereof but wish to exercise your right as a Shareholder, please complete and sign the form of proxy enclosed with the Annual Report in accordance with the instructions printed thereon and deposit the same with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for holding the 2017 AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the 2017 AGM or any adjournment thereof should you so wish.

5. VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, save for resolutions which relate purely to procedural or administrative matter to be voted by a show of hands, 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 2017 AGM will be voted by way of a poll by the Shareholders. Article 85 of the Articles of Association of the Company ("**Articles of Association**") 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 2017 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" after the conclusion of the 2017 AGM.

6. RECOMMENDATION

The Directors consider that the proposed Buy-back Mandate and the granting of general mandate to issue new Shares and the extension of such general mandate as mentioned above are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders should vote in favour of the relevant resolutions to be proposed at the 2017 AGM.

Yours faithfully,
For and on behalf of the Board of
Lai Fung Holdings Limited
Chew Fook Aun
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 Buy-back Mandate.

(I) SHARE CAPITAL

As at 10 November 2017, being the latest practicable date prior to the printing of this circular (“**Latest Practicable Date**”), the share capital of the Company comprised 325,921,734 issued and fully-paid up Shares.

Subject to the passing of the relevant ordinary resolution, the Company would be allowed under the Buy-back Mandate to buy back Shares up to a maximum of 32,592,173 Shares on the basis that there will be no change in the issued share capital of the Company prior to the date of the 2017 AGM.

(II) REASONS FOR BUY-BACKS

Although the Directors have no present intention of buying back any Shares, they believe that the flexibility afforded by the Buy-back Mandate will be in the best interests of the Company and the Shareholders as a whole. Such buy-backs 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 buy-backs 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 BUY-BACKS

Pursuant to the Buy-back Mandate, the Company may only apply funds legally available for buy-backs 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 buy-backs 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 consolidated financial statements of the Company for the year ended 31 July 2017) in the event that the Buy-back Mandate was to be carried out in full at any time during the proposed buy-back period. However, the Directors do not propose to exercise the Buy-back Mandate to such an extent as would, in the circumstances, have a material adverse impact on the working capital of the Company or the gearing position which is, in the opinion of the Directors, appropriate for the Company from time to time.

(IV) SHARE PRICES

The highest and lowest prices per Share 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 (the prices of the Shares during the period from 1 November 2016 to 14 August 2017 were adjusted as a result of the Share Consolidation):

| Month | Highest <i>HK\$</i> | Lowest <i>HK\$</i> |
|----------------------------------------------|-------------------------------|------------------------------|
| 2016 | | |
| November | 8.5000 | 7.5000 |
| December | 8.7000 | 7.7000 |
| 2017 | | |
| January | 9.7000 | 7.7500 |
| February | 10.7000 | 9.3000 |
| March | 11.7000 | 10.1000 |
| April | 11.0000 | 10.4000 |
| May | 11.2000 | 10.5000 |
| June | 12.2000 | 10.5000 |
| July | 12.1000 | 10.0500 |
| August | 13.1600 | 11.5500 |
| September | 13.5000 | 12.0200 |
| October | 13.4000 | 12.8800 |
| November (up to the Latest Practicable Date) | 13.2000 | 12.5400 |

(V) BUY-BACKS MADE BY THE COMPANY

The Company had not bought back any 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 close associates (as defined under the Listing Rules) have any present intention to sell any Shares held by them to the Company under the Buy-back Mandate if such Buy-back 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 Buy-back Mandate in accordance with the Listing Rules, the Articles of Association and the laws of the Cayman Islands applicable to the Company.

No core 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 Buy-back 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 buy-back by the Company, such increase will be treated as an acquisition of voting rights for the purpose of Rule 32 of the Code on Takeovers and Mergers ("**Takeovers Code**") and Rule 6 of the Code on Share Buy-backs issued by the Securities and Futures Commission in Hong Kong. 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 | Approximate percentage of total issued Shares |
|-------------------------------------------------|----------------------------------|---------------------|-------------------------|-----------------------------------------------|
| Lam Kin Ngok, Peter ("Dr. Lam") | Owner of controlled corporations | Corporate | 165,485,406 (Note 1) | 50.77% |
| eSun Holdings Limited ("eSun") | Owner of controlled corporations | Corporate | 165,485,406 (Note 2) | 50.77% |
| Lai Sun Development Company Limited ("LSD") | Owner of controlled corporations | Corporate | 165,485,406 (Note 3) | 50.77% |
| Lai Sun Garment (International) Limited ("LSG") | Owner of controlled corporations | Corporate | 165,485,406 (Note 3) | 50.77% |

Notes:

- (1) Dr. Lam was deemed to be interested in 165,485,406 Shares owned by eSun in the issued share capital of the Company by virtue of his personal and deemed shareholding interests in approximately 41.86% (excluding share option) in LSG which in turn owned approximately 53.32% shareholding interest in LSD which in turn owned approximately 36.94% 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 77,780,773 and 87,704,633 Shares respectively.
- (3) LSD and LSG were deemed to be interested in the same 165,485,406 Shares in which eSun had interest.

In the event that the Company exercises the Buy-back Mandate in full and taking no account of the issue of new Shares by the Company pursuant to any general or specific mandate given by the Shareholders at any general meeting and the share option schemes adopted by the Company on 21 August 2003 and 18 December 2012, respectively or any other scheme or otherwise, the aggregate beneficial shareholding interests and deemed shareholding interests of Dr. Lam, eSun, LSD and LSG in the Company will be (for illustration) as follows:

| Name | Approximate percentage of total issued Shares |
|-------------|------------------------------------------------------|
| Dr. Lam | 56.42% |
| eSun | 56.42% |
| LSD | 56.42% |
| LSG | 56.42% |

In the opinion of the Directors, the controlling shareholders of the Company would not be obliged to make a mandatory offer under Rule 26 and Rule 32 of the Takeovers Code as a result of such increase.

Assuming that there is no change in the issued Shares between the Latest Practicable Date and the date of buy-back, the exercise of the Buy-back Mandate whether in whole or in part might 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. However, the Directors have no present intention to exercise the Buy-back Mandate to such an extent as would result in a public shareholding of less than such prescribed minimum percentage.