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LAI SUN GARMENT

Lai Sun Garment (International) Limited
(Incorporated in Hong Kong with limited liability)

(Stock Code: 191)



eSun Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 571)



LAI SUN DEVELOPMENT

Lai Sun Development Company Limited
(Incorporated in Hong Kong with limited liability)

(Stock Code: 488)



LAI FUNG HOLDINGS

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

(Stock Code: 1125)

JOINT ANNOUNCEMENT

CONTINUING CONNECTED TRANSACTION RENEWAL OF SERVICED RESIDENCE MANAGEMENT AGREEMENT

Reference is made to the announcement of Lai Fung dated 5 May 2009 in relation to the 2009 Management Agreement pursuant to which Ascott agreed to provide certain management services to Li Xing in relation to a serviced residence property owned by and units leased to Li Xing in Shanghai. The 2009 Management Agreement will expire on 30 April 2020.

On 23 January 2020, Li Xing entered into the 2020 Management Agreement with Ascott to renew the 2009 Management Agreement.

Ascott is a wholly-owned subsidiary of CapitaLand and CapitaLand is an indirect substantial shareholder of Lai Fung. Lai Fung is a 50.53%-owned subsidiary of eSun, eSun is a 74.62%-owned subsidiary of LSD and LSD is a 56.07%-owned subsidiary of LSG. Accordingly, Ascott is a connected person of each of LSG, LSD, eSun and Lai Fung, and the transaction contemplated under the 2020 Management Agreement constitutes a continuing connected transaction for each of LSG, LSD, eSun and Lai Fung under the Listing Rules. As the highest applicable percentage ratio of each of LSG, LSD, eSun and Lai Fung in respect of the transaction contemplated under the 2020 Management Agreement exceeds 0.1% but does not exceed 5%, the transaction contemplated under the 2020 Management Agreement is only subject to the reporting, announcement and annual review requirements but exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules for each of LSG, LSD, eSun and Lai Fung.

A. THE 2020 MANAGEMENT AGREEMENT

Reference is made to the announcement of Lai Fung dated 5 May 2009 in relation to the 2009 Management Agreement pursuant to which Ascott agreed to provide certain management services to Li Xing in relation to a serviced residence property owned by and units leased to Li Xing in Shanghai. The 2009 Management Agreement will expire on 30 April 2020.

On 23 January 2020, Li Xing entered into the 2020 Management Agreement with Ascott to renew the 2009 Management Agreement.

The material terms of the 2020 Management Agreement are summarised below:

Date: 23 January 2020

Parties:

- (1) Li Xing as the owner (or lessee in respect of certain units) of the Serviced Residence; and
- (2) Ascott as the management company. Ascott is principally engaged in the business of operation, management, promotion, marketing and maintenance of serviced residences.

Term:

A term of ten (10) years commencing from 1 May 2020 and renewable for two (2) successive terms of five (5) years at the option of Ascott and subject to the agreement of Li Xing.

According to Rule 14A.52 of the Listing Rules, the period for non-exempt continuing connected transactions must not, in normal cases, exceed three (3) years unless the nature of the transactions requires the contract to be of a duration longer than three (3) years. To comply with the Listing Rules, each of the LSG Board, the LSD Board, the eSun Board and the Lai Fung Board has appointed Red Sun Capital as the Independent Financial Adviser to advise it in relation to the term (or duration) of the 2020 Management Agreement. The Independent Financial Adviser considered that it was in the interest of each of LSG, LSD, eSun and Lai Fung to have a term of the 2020 Management Agreement in excess of three (3) years and it was a normal business practice for contracts of the type of the 2020 Management Agreement to be of such duration after having considered, among others, the following principal factors and reasons:

- (i) the Independent Financial Adviser concurred with the view of the management of the Lai Fung Group that it is a normal requirement for the owner of the serviced residence to renovate the serviced residence in accordance with the specific standards of the serviced residence management company including, but not limited to, quality of construction, decoration and furnishing. Therefore, replacing a serviced residence management company may lead to redecoration or refitting of the serviced residence and temporary suspension of the business of the serviced residence during the period of renovation;

- (ii) the 2020 Management Agreement provides Lai Fung with a long-term binding contractual relationship with Ascott which helps Lai Fung in limiting the chance of unexpected costly renovation and rebranding expenses and potential loss of profit in the event of replacement of management company;
- (iii) as noted from the report titled “Trends and Insights in Hotel Management Contracts - Asia Pacific” published by Jones Lang LaSalle Hotels & Hospitality Group and Baker McKenzie in 2018, the term of the 2020 Management Agreement is in line with the market practices in Asia Pacific; and
- (iv) as noted from various announcements issued by companies listed on the Stock Exchange, it is a common market practice for other listed companies to enter into agreements which involved the provision of hotel management services to the subject listed company with a proposed term of more than three (3) years and in the range of six (6) years to twenty (20) years.

If the parties decide to renew the 2020 Management Agreement after the term of ten (10) years, Lai Fung will comply with the then requirements under the Listing Rules.

Services to be provided:

Pursuant to the 2020 Management Agreement, Ascott shall provide certain management services to Li Xing in relation to the Serviced Residence including, but not limited to:

- (i) recruitment, training and supervision of all personnel required to properly operate and maintain the Serviced Residence;
- (ii) planning, initiation, supervision and control of the maintenance and repairs to the Serviced Residence as may be reasonably necessary for the proper maintenance and operation thereof;
- (iii) negotiation and execution of licences and concessions for Serviced Residence units or other space (as may be applicable) at the Serviced Residence on such terms as may be determined by Ascott to be appropriate;
- (iv) establishment of all rental, licence fees and rates (including, where appropriate, discount or complimentary services) and, in connection therewith, the supervision, direction and control of collection, receipt and giving of receipts for all rental, licence fees or income of any nature;
- (v) planning, preparation of and contracting for advertising and promotional programmes for the Serviced Residence;
- (vi) arranging, planning, initiating and supervising security measures for the Serviced Residence including implementing a security plan for the Serviced Residence; and
- (vii) generally, the performance, supervision, direction and control of all acts reasonably necessary in connection with the operation, management, promotion, marketing and maintenance of the Serviced Residence in an efficient and proper manner.

Base management fees:

Ascott shall be entitled to receive, for each fiscal year during and throughout the term of the 2020 Management Agreement, a base management fee of X% of the Total Revenue + Y% of GOP,

where:

- (i) if the budgeted Total Revenue is achieved, X = 2.0%, otherwise X = 1.5%;
- (ii) “Total Revenue” means all income accruing or resulting from the operation of the Serviced Residence for that fiscal year;
- (iii) if the budgeted GOP is achieved:
 - Y = 3 if GOP Margin is less than 50%;
 - Y = 4 if GOP Margin is less than 55% but more than or equal to 50%;
 - Y = 4.5 if GOP Margin is less than 60% but more than or equal to 55%; and
 - Y = 5 if GOP Margin is more than or equal to 60%;
- (iv) if the budgeted GOP is not achieved:
 - Y = 2 if GOP Margin is less than 50%;
 - Y = 3 if GOP Margin is less than 55% but more than or equal to 50%;
 - Y = 3.5 if GOP Margin is less than 60% but more than or equal to 55%; and
 - Y = 4 if GOP Margin is more than or equal to 60%;
- (v) “GOP” means the gross operating profit accruing or resulting from the operation of the Serviced Residence for that fiscal year;
- (vi) “GOP Margin” means GOP expressed as a percentage of Total Revenue; and
- (vii) for the avoidance of doubt, if GOP is negative, the base management fee shall exclude the component of “Y% of GOP”.

The base management fees shall be payable monthly within thirty (30) days after receipt by Li Xing of the computation from Ascott.

Other service fees:

In addition, Ascott will provide the following services to Li Xing at fees as more particularly set out below:

Services	Fees
(i) Provision of computer modular programs for use in connection with the management and operation of a serviced apartment	RMB150 (equivalent to approximately HK\$169) per Serviced Residence unit per month
(ii) Centralised reservation fee	RMB 24,000 (equivalent to approximately HK\$27,000) per month
(iii) All remaining service fees	RMB2,000,000 (equivalent to approximately HK\$2,248,000) per annum

These service fees shall be payable monthly within thirty (30) days after receipt by Li Xing of the computation from Ascott.

B. ANNUAL CAP ON FEES PAYABLE UNDER THE 2020 MANAGEMENT AGREEMENT

The maximum amount of total fees payable by Li Xing to Ascott during the term of the 2020 Management Agreement will not exceed RMB15 million (equivalent to approximately HK\$16.86 million) per annum (“**Annual Cap**”), based on the contracted rates of management fees as set out in the 2020 Management Agreement and the best estimates of the Lai Fung Directors on the revenues and profits of the Serviced Residence during the term of the 2020 Management Agreement by reference to: (i) the average daily rate per unit of serviced apartment in Shanghai with similar ratings to Ascott; (ii) the number of units in the Serviced Residence; (iii) the expected occupancy rate of the Serviced Residence; and (iv) the expected annual growth in the average daily rate per unit of the Serviced Residence by reference to the Consumer Price Index of the PRC.

C. INFORMATION OF THE PARTIES

The Ascott Group is one of the leading international lodging owner-operators with about 69,000 operating units in Asia Pacific, Central Asia, Europe, the Middle East, Africa and the United States of America, as well as more than 46,000 units which are under development, making a total of about 115,000 units. Its portfolio spans more than 180 cities in over 30 countries. The Ascott Group boasts over thirty (30) years of industry track record and award-winning brands that enjoy recognition worldwide.

Li Xing is a wholly-owned subsidiary of Lai Fung. The principal activities of the Lai Fung Group include property development for sale and property investment, and development and operation of and investment in cultural, leisure, entertainment and related facilities in the PRC.

eSun is an exempted company incorporated in Bermuda with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange. eSun acts as an investment holding company and the principal activities of the eSun Group include the development, operation of and investment in media and entertainment, music production and distribution, the investment in and production and distribution of television programmes, films and video format products, cinema operation, property development for sale and property investment as well as the development and operation of and investment in cultural, leisure, entertainment and related facilities. eSun owns approximately 50.53% of the total issued shares of Lai Fung as at the date of this joint announcement.

LSD is a company incorporated in Hong Kong with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange. The principal activities of the LSD Group include property investment, property development, investment in and operation of hotels and restaurants, media and entertainment, music production and distribution, films, video format products and television programmes production and distribution, cinema operation, cultural, leisure, entertainment and related facilities and investment holding. LSD owns approximately 74.62% of the total issued shares of eSun as at the date of this joint announcement.

LSG is a company incorporated in Hong Kong with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange. The principal activities of the LSG Group include property investment, property development, investment in and operation of hotels and restaurants, media and entertainment, music production and distribution, films, video format products and television programmes production and distribution, cinema operation, cultural, leisure, entertainment and related facilities and investment holding. LSG owns approximately 56.07% of the total issued shares of LSD as at the date of this joint announcement.

D. REASONS FOR, AND BENEFITS OF, ENTERING INTO THE 2020 MANAGEMENT AGREEMENT

Pursuant to the 2009 Management Agreement, Ascott has managed the Serviced Residence for the Lai Fung Group since May 2010. Each of the LSG Board, the LSD Board, the eSun Board and the Lai Fung Board is of the view that Ascott has offered competitive quality of services in respect of the Serviced Residence during the term of the 2009 Management Agreement, and wishes to continue to maintain the established cooperation relationship with Ascott.

The entering into of the 2020 Management Agreement will enable the Lai Fung Group to continue to leverage on the Ascott Group's extensive experience and expertise in operating serviced residences and establish a high-end brand image for the Serviced Residence, which will in turn enhance the value of the Serviced Residence to the Lai Fung Group.

The fees payable by Li Xing to Ascott under the 2020 Management Agreement were determined after arm's length negotiation between the parties with reference to the terms of the 2009 Management Agreement, and the current market levels of management fees chargeable by other similar management companies for similar serviced residences in the region.

Each of the LSG Board, the LSD Board, the eSun Board and the Lai Fung Board (including the independent non-executive directors of each of them) is of the view that the 2020 Management Agreement is on normal commercial terms and the transactions contemplated therein are in the ordinary and usual course of business of the LSG Group, the LSD Group, the eSun Group and the Lai Fung Group respectively. Each of the LSG Board, the LSD Board, the eSun Board and the Lai Fung Board considers the terms and conditions of the 2020 Management Agreement and the Annual Cap to be fair and reasonable and in the interests of LSG, LSD, eSun and Lai Fung and their respective shareholders as a whole.

Each of Mr. Lucas Ignatius Loh Jen Yuh and Mr. Puah Tze Shyang (also alternate to Mr. Lucas Ignatius Loh Jen Yuh), non-executive directors of Lai Fung, had declared his interest in the 2020 Management Agreement by virtue of his relationship with CapitaLand and hence with Ascott, and had abstained from voting on the relevant Lai Fung Board resolutions in respect of the 2020 Management Agreement. Save as disclosed above, none of the LSG Directors, the LSD Directors, the eSun Directors and the Lai Fung Directors has an interest in the 2020 Management Agreement, and therefore no other LSG Director, LSD Director, eSun Director or Lai Fung Director had abstained from voting on the relevant board resolutions in respect of the 2020 Management Agreement of each of LSG, LSD, eSun and Lai Fung.

E. LISTING RULES IMPLICATIONS

Ascott is a wholly-owned subsidiary of CapitaLand and CapitaLand is an indirect substantial shareholder of Lai Fung. Lai Fung is a 50.53%-owned subsidiary of eSun, eSun is a 74.62%-owned subsidiary of LSD and LSD is a 56.07%-owned subsidiary of LSG. Accordingly, Ascott is a connected person of each of LSG, LSD, eSun and Lai Fung, and the transaction contemplated under the 2020 Management Agreement constitutes a continuing connected transaction for each of LSG, LSD, eSun and Lai Fung under the Listing Rules. As the highest applicable percentage ratio of each of LSG, LSD, eSun and Lai Fung in respect of the transaction contemplated under the 2020 Management Agreement exceeds 0.1% but does not exceed 5%, the transaction contemplated under the 2020 Management Agreement is only subject to the reporting, announcement and annual review requirements but exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules for each of LSG, LSD, eSun and Lai Fung.

F. DEFINITIONS

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

“2009 Management Agreement”	the serviced residence management agreement dated 5 May 2009 between Li Xing and Ascott in relation to the management of the Serviced Residence;
“2020 Management Agreement”	the serviced residence management agreement dated 23 January 2020 between Li Xing and Ascott in relation to the management of the Serviced Residence;
“Annual Cap”	the maximum amount of total fees payable by Li Xing to Ascott during the term of the 2020 Management Agreement, being RMB15 million (equivalent to approximately HK\$16.86 million) per annum;
“Ascott”	Ascott Property Management (Shanghai) Co., Ltd. (雅詩閣物業管理(上海)有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of CapitaLand;
“Ascott Group”	Ascott, its subsidiaries and associated companies;
“CapitaLand”	CapitaLand Limited (凱德置地有限公司), a company established in Singapore with limited liability and an indirect substantial shareholder of Lai Fung;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;

“eSun”	eSun Holdings Limited (豐德麗控股有限公司), an exempted company incorporated in Bermuda with limited liability and the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 571);
“eSun Board”	the board of eSun Directors;
“eSun Directors”	the directors of eSun;
“eSun Group”	eSun and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Financial Adviser” or “Red Sun Capital”	Red Sun Capital Limited (紅日資本有限公司), a corporation licensed under the Securities and Futures Ordinance to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, and the independent financial adviser appointed to advise the LSG Board, the LSD Board, the eSun Board and the Lai Fung Board regarding the term (or duration) of the 2020 Management Agreement;
“Lai Fung”	Lai Fung Holdings Limited (麗豐控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 1125);
“Lai Fung Board”	the board of Lai Fung Directors;
“Lai Fung Directors”	the directors of Lai Fung;
“Lai Fung Group”	Lai Fung and its subsidiaries;
“Li Xing”	Shanghai Li Xing Real Estate Development Co., Ltd. (上海麗興房地產有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Lai Fung;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“LSD”	Lai Sun Development Company Limited (麗新發展有限公司), a company incorporated in Hong Kong with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 488);

“LSD Board”	the board of LSD Directors;
“LSD Directors”	the directors of LSD;
“LSD Group”	LSD and its subsidiaries;
“LSG”	Lai Sun Garment (International) Limited (麗新製衣國際有限公司), a company incorporated in Hong Kong with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 191);
“LSG Board”	the board of LSG Directors;
“LSG Directors”	the directors of LSG;
“LSG Group”	LSG and its subsidiaries;
“PRC”	the People’s Republic of China and for the purpose of this joint announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Serviced Residence”	units of serviced apartments owned by and units leased to the Lai Fung Group and situated at 282 Huaihaizhong Road, Huangpu District, Shanghai, the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

By order of the board
Lai Sun Garment (International) Limited
Chew Fook Aun
*Executive Director and
Deputy Chairman*

By order of the board
eSun Holdings Limited
Lui Siu Tsuen, Richard
*Executive Director and
Chief Executive Officer*

By order of the board
Lai Sun Development Company Limited
Lau Shu Yan, Julius
*Executive Director and
Chief Executive Officer*

By order of the board
Lai Fung Holdings Limited
Chew Fook Aun
Chairman

Hong Kong, 23 January 2020

As at the date of this joint announcement,

- (a) the LSG Board comprises six executive directors, namely Dr. Lam Kin Ming (Chairman), Dr. Lam Kin Ngok, Peter (Deputy Chairman), Mr. Chew Fook Aun (Deputy Chairman), Madam U Po Chu, Mr. Lam Kin Hong, Matthew and Mr. Lam Hau Yin, Lester (also alternate to Madam U Po Chu); and three independent non-executive directors, namely Messrs. Leung Shu Yin, William, Lam Bing Kwan and Chow Bing Chiu;*
- (b) the LSD Board comprises five executive directors, namely Dr. Lam Kin Ngok, Peter (Chairman) and Messrs. Chew Fook Aun (Deputy Chairman), Lau Shu Yan, Julius (Chief Executive Officer), Lam Hau Yin, Lester and Tham Seng Yum, Ronald; two non-executive directors, namely Dr. Lam Kin Ming and Madam U Po Chu; and four independent non-executive directors, namely Messrs. Lam Bing Kwan, Leung Shu Yin, William, Ip Shu Kwan, Stephen and Leung Wang Ching, Clarence;*
- (c) the eSun Board comprises four executive directors, namely Messrs. Lui Siu Tsuen, Richard (Chief Executive Officer), Chew Fook Aun, Lam Hau Yin, Lester and Yip Chai Tuck; one non-executive director, namely Madam U Po Chu; and four independent non-executive directors, namely Messrs. Low Chee Keong (Chairman), Lo Kwok Kwei, David and Alfred Donald Yap and Dr. Ng Lai Man, Carmen; and*
- (d) the Lai Fung Board comprises eight executive directors, namely 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), Madam U Po Chu and Messrs. Cheng Shin How, Lee Tze Yan, Ernest and Tham Seng Yum, Ronald; two non-executive directors, namely Mr. Lucas Ignatius Loh Jen Yuh and Mr. Puah Tze Shyang (also alternate to Mr. Lucas Ignatius Loh Jen Yuh); and five independent non-executive directors, namely Messrs. Lam Bing Kwan, Ku Moon Lun, Law Kin Ho, Mak Wing Sum, Alvin and Shek Lai Him, Abraham.*

For the purpose of this joint announcement, the translation of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 = HK\$1.124.