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If you have sold or transferred all your shares in **Lai Sun Development Company Limited**, you should at once hand this circular to the purchaser(s) or the transferee(s), or to the licensed securities dealer, registered institutions in securities, bank or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or the transferee(s).

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LAI SUN DEVELOPMENT

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

(Stock Code: 488)

**MAJOR TRANSACTION
DISPOSAL OF 50% INTEREST OF THE PROPERTIES
BY WAY OF SALE OF THE SALE SHARES I**

Capitalised terms used in the lower position of this cover page will have the same respective meanings as those defined in the section headed “Definitions” in this circular.

A letter from the Board is set out on pages 7 to 15 of this circular.

24 August 2018

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This circular in both English and Chinese is available in printed form and published on the respective websites of the Company at “<http://www.laisun.com>” and Hong Kong Exchanges and Clearing Limited at “<http://www.hkexnews.hk>”. The English version will prevail in case of any inconsistency between the English and the Chinese versions of this circular.

DEFINITIONS

In this circular, the following words and expressions shall have the following meanings unless the context requires otherwise:

“Best Value”	Best Value International Limited (顯中國際有限公司), a company incorporated in Hong Kong with limited liability and the registered and beneficial owner of Property I;
“Board”	the board of Directors;
“Business Day”	means a day (not being a Saturday, Sunday, public holiday or any day on which typhoon signal No. 8 or above or black rainstorm warning is hoisted in Hong Kong at any time from 9:00 a.m. to 5:00 p.m.) on which licensed banks are generally open for business in Hong Kong;
“BVI”	the British Virgin Islands;
“Company”	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);
“Completion”	the completion of the Disposal;
“Completion Date”	(i) 27 March 2019; or (ii) such earlier date as designated by the Purchaser by no less than 35 days’ written notice to the Sellers provided that such notice shall not be given prior to the satisfaction of the conditions set out in the SPA; or (iii) such other date as the Sellers and the Purchaser may agree in writing on which Completion takes place;
“Completion Payment”	an amount equal to the balance of the Consideration after deducting the Earnest Money as initial deposit, the Further Deposit and the Part Payment;
“Consideration”	the consideration to be paid by the Purchaser for the Sale Shares and for assuming the obligation of full repayment of the existing loans owed by Best Value to certain financing parties (after repayment);
“CPO”	the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong);
“Deed of Tax Indemnity”	the deed of tax indemnity to be entered into among the Sellers, the Guarantors, the Purchaser and Best Value upon Completion;

DEFINITIONS

“ Directors ”	the directors of the Company;
“ Disposal ”	the transactions contemplated under the Offer Letter and the SPA, being the disposal of the Sale Shares by the Sellers to the Purchaser at the Consideration;
“ Earnest Money ”	the earnest money in the sum of HK\$205,000,000 paid by the Purchaser to the Sellers’ Solicitor upon signing of the Offer Letter;
“ Financial Express ”	Financial Express International Limited (豐越國際有限公司), a company incorporated in Hong Kong with limited liability;
“ Further Deposit ”	the further deposit in the sum of HK\$205,000,000 paid by the Purchaser upon execution of the SPA;
“ Group ”	the Company and its subsidiaries;
“ Guarantors ”	(i) the Company, being the guarantor of Luck Reach; and (ii) Millap Limited (敬新有限公司), a company incorporated in Hong Kong with limited liability, being the guarantor of Financial Express, each the “Guarantor”;
“ HK\$ ”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“ Hong Kong ”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“ Independent Third Party(ies) ”	third party(ies) independent of and not connected with each of LSG and the Company (as the case maybe) and connected persons (as defined under the Listing Rules) of each of LSG and the Company (as the case maybe);
“ Intermediate Holding Company ”	Fu Ying Development Limited (富盈發展有限公司), a company incorporated in the BVI, a wholly-owned subsidiary of Best Value and the registered and beneficial owner of Property II;
“ Joinsmart ”	Joinsmart Corporation Limited (駿群有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Intermediate Holding Company, being the registered and beneficial owner of Property III;
“ Latest Practicable Date ”	21 August 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;

DEFINITIONS

“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“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), the ultimate holding company of the Company;
“LSG Board”	the board of LSG Directors;
“LSG Directors”	the directors of LSG;
“LSG GM”	a general meeting of LSG to be convened and held on 12 September 2018 for considering, and, if thought fit, approving the sale of the Sale Shares I;
“LSG Group”	LSG and its subsidiaries, including the Group;
“LSG Shareholders”	the shareholders of LSG;
“LSG Shareholders Undertaking”	the undertaking given or to be given by the LSG Shareholders holding no less than 41% of the total issued shares in LSG in a form specified in the SPA to vote in favour of the sale of the Sale Shares I at the LSG GM;
“Luck Reach”	Luck Reach Limited (瑞達有限公司), a company incorporated in the BVI, an indirect non-wholly-owned subsidiary of LSG (through its shareholding in the Company) and a wholly-owned subsidiary of the Company;
“Lucky Castle”	Lucky Castle Development Limited (福堡發展有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Intermediate Holding Company, being the registered and beneficial owner of Property IV;
“Material Damage”	means damage to any of the Properties (or any part(s) thereof) resulting in more than 15% of the total gross floor area of the Properties being damaged and/or the aggregate costs of rectifying such damage exceeds or would reasonably be expected to exceed an amount of HK\$150,000,000, in each case, as certified by an independent loss adjustor to be jointly agreed and engaged by the Sellers and the Purchaser;

DEFINITIONS

“Offer Letter”	the offer letter dated 27 June 2018 with a term sheet in relation to sale and purchase of the Sale Shares, issued by a holding company of the Purchaser and accepted and acknowledged by the Sellers on 27 June 2018;
“Part Payment”	the part payment in the sum of HK\$205,000,000 to be paid on or before 26 October 2018 by the Purchaser;
“Percentage Ratios”	the percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules;
“Properties”	collectively, Property I, Property II, Property III, Property IV and Property V, each the “Property”;
“Property I”	ALL THOSE 3,889 equal undivided 10,000 th parts or shares of and in ALL THAT piece of parcel of land registered in the Land Registry as INLAND LOT NO. 11231 together with the messuages erections and buildings thereon now known as No. 8 Observatory Road, Kowloon, Hong Kong, legally and beneficially owned by Best Value;
“Property II”	ALL THOSE 4,980 equal undivided 10,000 th parts or shares of and in ALL THAT piece of parcel of land registered in the Land Registry as INLAND LOT NO. 11231 together with the messuages erections and buildings thereon now known as No. 8 Observatory Road, Kowloon, Hong Kong, legally and beneficially owned by the Intermediate Holding Company;
“Property III”	ALL THOSE 714 equal undivided 10,000 th parts or shares of and in ALL THAT piece of parcel of land registered in the Land Registry as INLAND LOT NO. 11231 together with the messuages erections and buildings thereon now known as No. 8 Observatory Road, Kowloon, Hong Kong, legally and beneficially owned by Joinsmart;
“Property IV”	ALL THOSE 278 equal undivided 10,000 th parts or shares of and in ALL THAT piece of parcel of land registered in the Land Registry as INLAND LOT NO. 11231 together with the messuages erections and buildings thereon now known as No. 8 Observatory Road, Kowloon, Hong Kong, legally and beneficially owned by Lucky Castle;

DEFINITIONS

“Property V”	ALL THOSE 139 equal undivided 10,000 th parts or shares of and in ALL THAT piece of parcel of land registered in the Land Registry as INLAND LOT NO. 11231 together with the messuages erections and buildings thereon now known as No. 8 Observatory Road, Kowloon, Hong Kong, legally and beneficially owned by Supermate;
“Purchaser”	Treasure Ascend Global Limited (寶登環球有限公司), a company incorporated in the BVI, being an Independent Third Party of each of LSG and the Company;
“Registered Owners”	collectively, the registered owners of the Properties, namely, the Target Companies;
“Sale Shares”	Sale Shares I and Sale Shares II, being the entire issued share capital of Best Value;
“Sale Shares I”	5,000 ordinary shares in the capital of Best Value, being 50% of the entire issued share capital of Best Value, owned by Luck Reach as at the Latest Practicable Date;
“Sale Shares II”	5,000 ordinary shares in the capital of Best Value, being 50% of the entire issued share capital of Best Value, owned by Financial Express as at the Latest Practicable Date;
“Sellers”	Luck Reach and Financial Express, each the “Seller”;
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholders”	the shareholders of the Company;
“Share(s)”	share(s) in the issued share capital of the Company;
“SPA”	the sale and purchase agreement dated 27 July 2018 in relation to the Disposal entered into between the Sellers, the Purchaser and the Guarantors;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supermate”	Supermate Development Limited (信萬發展有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Intermediate Holding Company, being the registered and beneficial owner of Property V;

DEFINITIONS

“Target Companies”	Best Value, the Intermediate Holding Company, Joinsmart, Lucky Castle and Supermate, each the “Target Company”;
“Written Shareholders Approval”	the written approval to be signed by a majority of the Shareholders, approving the sale of the Sale Shares I, the transactions contemplated under the SPA and other transaction documents as described in the SPA, as required by the Listing Rules in the form specified in the SPA; and
“%”	per cent.

LETTER FROM THE BOARD



LAI SUN DEVELOPMENT

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

(Stock Code: 488)

Executive Directors:

Dr. Lam Kin Ngok, Peter (*Chairman*)
Mr. Chew Fook Aun (*Deputy Chairman*)
Mr. Lau Shu Yan, Julius (*Chief Executive Officer*)
Mr. Lam Hau Yin, Lester

Registered office/Principal office:

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

Non-executive Directors:

Dr. Lam Kin Ming
Madam U Po Chu

Independent Non-executive Directors:

Mr. Ip Shu Kwan, Stephen
Mr. Lam Bing Kwan
Mr. Leung Shu Yin, William
Mr. Leung Wang Ching, Clarence

24 August 2018

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
DISPOSAL OF 50% INTEREST OF THE PROPERTIES
BY WAY OF SALE OF THE SALE SHARES I**

INTRODUCTION

Reference is made to the joint announcements issued by the Company and LSG dated 27 July 2018 and 17 August 2018 in relation to, among other things, the sale of the Sale Shares I.

The sale of the Sale Shares I constitutes a major transaction for the Company as the relevant Percentage Ratios are more than 25% but less than 75% and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The purpose of this circular is to provide you with, among other things, further details of the sale of the Sale Shares I, the valuation report on the Properties and other information as required under the Listing Rules.

LETTER FROM THE BOARD

THE SALE OF THE SALE SHARES I

THE SPA

The principal terms of the SPA are summarised below:

- Date: 27 July 2018 (after trading hours)
- The Sellers:
- (1) Luck Reach, a wholly-owned subsidiary of the Company and an indirect non-wholly-owned subsidiary of LSG; and
 - (2) Financial Express
- The Purchaser: Treasure Ascend Global Limited, an Independent Third Party
- The Guarantors:
- (1) the Company (being the guarantor of Luck Reach); and
 - (2) Millap Limited (being the guarantor of Financial Express)
- Transaction structure: The Disposal comprises (i) the sale of the Sale Shares I (representing 50% of the entire issued share capital of Best Value) by Luck Reach to the Purchaser; and (ii) the sale of the Sale Shares II (representing 50% of the entire issued share capital of Best Value) by Financial Express to the Purchaser.
- The Sale Shares represent the entire issued share capital of Best Value, which in turn owns the entire issued share capital of the Intermediate Holding Company. The Intermediate Holding Company is the sole legal and beneficial owner of the entire issued share capital of Joinsmart, Lucky Castle and Supermate, respectively.
- The Sale Shares represent the entire issued share capital of Best Value, which, together with the Intermediate Holding Company, Joinsmart, Lucky Castle and Supermate, in turn own all of the Properties.
- The Consideration: HK\$4,100,000,000, being the consideration to be paid by the Purchaser for the Sale Shares, and for assuming the obligation of full repayment of the existing mortgage loans owed by Best Value to certain financing parties (after repayment). As at the Latest Practicable Date, the outstanding amount of such loans was approximately HK\$1.3 billion.

LETTER FROM THE BOARD

The consideration attributable to the Group is HK\$2,050 million, being 50% of the Consideration.

Subject to the payment terms and adjustment, the amount to be paid by the Purchaser to each of the Sellers shall be 50% of the balance of the Consideration after deducting the existing loans owed by Best Value to certain financing parties (after repayment).

The Board considers that the terms of the SPA are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole.

The Consideration was determined based on arm's length negotiations between the Sellers and the Purchaser after taking into account the Sellers' estimation on the market value of the Properties.

Payment terms:

Subject to adjustment, the Consideration shall be paid by the Purchaser to the Sellers in the following manner:

- (i) the Earnest Money in the sum of HK\$205,000,000 was paid by the Purchaser to the Sellers' Solicitors upon signing of the Offer Letter on 27 June 2018, and such Earnest Money was converted into the initial deposit upon signing of the SPA;
- (ii) upon execution of the SPA, the Further Deposit, being HK\$205,000,000, has been paid by the Purchaser;
- (iii) on or before 26 October 2018, the Part Payment, being HK\$205,000,000, is payable by the Purchaser; and
- (iv) the Completion Payment (being the balance of Consideration after deducting the Earnest Money, the Further Deposit and the Part Payment) shall be paid by the Purchaser at Completion in the following manner:
 - (a) the Purchaser shall, at its own costs, procure the repayment of certain existing loan owing by Best Value by refinancing it with a new loan arranged and procured by the Purchaser; and
 - (b) the remainder of the Completion Payment shall be paid to each Seller in accordance with the SPA.

LETTER FROM THE BOARD

Conditions precedent:

The Disposal is subject to the following terms and conditions:

- (i) subject to release of certain existing security documents and satisfactory completion of due diligence review and title requisition, Luck Reach being the sole legal and beneficial owner of the Sale Shares I free from all encumbrances and having the capacity and power to sell the Sale Shares I to the Purchaser free from all encumbrances;
- (ii) subject to release of certain existing security documents and satisfactory completion of due diligence review and title requisition, Financial Express being the sole legal and beneficial owner of the Sale Shares II free from all encumbrances and having the capacity and power to sell the Sale Shares II to the Purchaser free from all encumbrances;
- (iii) subject to release of certain existing security documents and satisfactory completion of due diligence review and title requisition, Best Value being the sole legal and beneficial owner of the entire issued share capital of the Intermediate Holding Company free from all encumbrances;
- (iv) subject to release of certain existing security documents and satisfactory completion of due diligence review and title requisition, the Intermediate Holding Company being the sole legal and beneficial owner of the entire issued share capital of each of Joinsmart, Lucky Castle and Supermate, in each case, free from all encumbrances;
- (v) subject to release of certain existing security documents and satisfactory completion of due diligence review and title requisition, Best Value, the Intermediate Holding Company, Joinsmart, Lucky Castle, Supermate being the sole registered and beneficial owner of Property I, Property II, Property III, Property IV and Property V, respectively, and having good title to each Property, respectively, in accordance with sections 13 and 13A of the CPO;
- (vi) having obtained the approval of the SPA and the transactions contemplated thereunder by each of the LSG Shareholders and the Shareholders, respectively, as required by the Listing Rules; and

LETTER FROM THE BOARD

- (vii) there being no Material Damage to the Properties or any part(s) thereof prior to and at all times up to Completion.

Default:

If the respective obligations of the Sellers and the Purchaser at Completion are not complied with on the Completion Date, the Purchaser may by notice to the Sellers (in the event that any Seller is unable or unwilling to comply with its obligation) or the Seller(s) may by notice to the Purchaser (in the event that the Purchaser is unable or unwilling to comply with its obligation) to:

- (i) postpone Completion to a date (being a Business Day) falling not more than 10 Business Days after the date originally set for Completion, provided that such right to postpone Completion shall not be exercised more than once by either party to the SPA; or
- (ii) proceed to Completion as far as practicable (without limiting its rights and remedies under the SPA); or
- (iii) terminate the SPA.

Guarantee:

the Company has agreed to guarantee to the Purchaser as principal obligator the due and punctual performance of Luck Reach in accordance with the SPA and other transaction documents and to pay, on demand, any sum which Luck Reach fails to pay to the Purchaser in accordance with the SPA and the other transaction documents as described in the SPA.

Millap Limited has agreed to guarantee to the Purchaser as principal obligator the due and punctual performance of Financial Express in accordance with the SPA and other transaction documents and to pay, on demand, any sum which Financial Express fails to pay to the Purchaser in accordance with the SPA and the other transaction documents as described in the SPA.

The guarantee of each Guarantor under the SPA is several.

Completion:

Completion shall take place at the Hong Kong office of the Sellers' Solicitors at or before 3:00 p.m. on the Completion Date, subject to all of the conditions set out in the SPA being satisfied (or waived by the Purchaser).

LETTER FROM THE BOARD

DEED OF TAX INDEMNITY

The Deed of Tax Indemnity will be entered into upon Completion.

Parties to the Deed of Tax Indemnity

- (a) the Sellers;
- (b) the Guarantors;
- (c) the Purchaser; and
- (d) Best Value.

Principal terms of the Deed of Tax Indemnity

Pursuant to the Deed of Tax Indemnity and the SPA, the Sellers will severally covenant and agree with the Purchaser and Best Value (for itself and as agent of each other Target Companies) that they will fully and effectually indemnify and at all times keep fully and effectually indemnified Best Value (for itself and as agent of each other Target Companies) and the Purchaser from and against, amongst others, the amount of any taxation liabilities made against any Target Company, up to Completion.

INFORMATION OF BEST VALUE AND THE PROPERTIES

Best Value, together with the other Target Companies, are the legal and beneficial owners of the Properties.

Best Value is a company incorporated in Hong Kong with limited liability. It is an investment holding company. Each of the other Target Companies, namely the Intermediate Holding Company, Joinsmart, Lucky Castle and Supermate, is a wholly owned subsidiary of Best Value. Best Value is holding the Properties through itself and the other Target Companies as Best Value, the Intermediate Holding Company, Joinsmart, Lucky Castle and Supermate are holding 3,889/10,000, 4,980/10,000, 714/10,000, 278/10,000 and 139/10,000 shares in the Properties respectively as tenants in common.

The Properties comprise all shares in the piece of parcel of land registered in the Land Registry as Kowloon Inland Lot No.11231, together with the 19-storey commercial building over a 3-storey basement known as 8 Observatory Road, Kowloon, Hong Kong thereon. The total gross floor area of such building, excluding car parking spaces is approximately 15,344.652 sq. m. (165,170 sq. ft.) with approximately 8,419.107 sq. m. (90,623 sq. ft.) for retail and restaurant uses and approximately 6,925.545 sq. m. (74,547 sq. ft.) for office uses. Except for the 7th floor of the building which is vacant, the retail and restaurant portion, the office portion and the car parking spaces of such building are let under various tenancies or licences.

LETTER FROM THE BOARD

Based on the audited consolidated financial statements of Best Value, the consolidated net loss (before and after taxation) for the financial year ended 30 June 2016 were approximately HK\$58 million and HK\$58 million, respectively. The audited consolidated net asset value as at 30 June 2016 was approximately HK\$1,656 million.

Based on the audited consolidated financial statements of Best Value, the consolidated net profit (before and after taxation) for the financial year ended 30 June 2017 were approximately HK\$87 million and HK\$82 million, respectively. The audited consolidated net asset value as at 30 June 2017 was approximately HK\$1,738 million.

The turnaround from a net loss in the financial year ended 30 June 2016 to a net profit in the financial year ended 30 June 2017 was mainly due to (i) the fact that there was a fair value loss on the Properties recorded in the financial year ended 30 June 2016 and a fair value gain on the Properties recorded in the financial year ended 30 June 2017, and (ii) the increase in rental income from the leasing of the Properties. The Properties were not fully leased until November 2016 as the occupation permits for the Properties were only issued in June 2015. Following the issue of the occupation permits, the occupancy rate of the Properties has gradually increased, resulting in the increase in the rental income from the leasing of the Properties in the financial year ended 30 June 2017.

Prior to Completion, the Company's investment in Best Value is accounted for as interests in joint ventures in the consolidated accounts of the Company.

Upon Completion, LSG and the Company will cease to have the joint venture interests in Best Value and will cease to hold any shareholding in Best Value and the other Target Companies.

INFORMATION OF THE PURCHASER

Treasure Ascend Global Limited, a company incorporated in the BVI, is principally engaged in property and other investments.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties of the Company and its connected persons.

INFORMATION OF LSG AND THE COMPANY

LSG

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 and investment holding. LSG owns approximately 56.10% of the total issued shares of the Company as at the Latest Practicable Date.

The Company

The Company 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 Group include property investment, property development, investment in and operation of hotels and restaurants and investment holding.

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE DISPOSAL ON THE GROUP

Earnings

The valuation of the Properties as at 31 January 2018 was HK\$3,630 million. The Company is expected to record an unaudited estimated gain (before deducting relevant expenses and taxation) of approximately HK\$235 million. Such gain is determined with reference to 50% of the total amount of the Consideration of HK\$2,050 million net of 50% of the valuation of the Properties as at 31 January 2018 of HK\$1,815 million.

Assets and liabilities

Given that the completion of the sale of the Sale Shares I is expected to generate an estimated net gain of approximately HK\$235 million to the Company, the consolidated net asset value of the Company is expected to increase by approximately HK\$235 million upon Completion.

VALUATION

Based on the valuation report, the value of 8 Observatory Road, Kowloon, Hong Kong, is HK\$4,100,000,000 as at 31 July 2018. For details of the valuation of 8 Observatory Road, Kowloon, Hong Kong, please refer to the valuation report in Appendix II to this circular.

REASONS FOR AND BENEFITS OF THE DISPOSAL OF ITS 50% INTEREST OF THE PROPERTIES

The Directors undertake strategic reviews of the Group's assets from time to time with a view to maximizing returns to the Shareholders.

In view of the appreciation of value of the Properties and the expected proceeds from the sale of the Sale Shares I, the Board considers that it is in the interests of the Company and the Shareholders as a whole to dispose its interests in the Properties by the sale of the Sale Shares I to realise the value of property investment, enhance the Company's financial position and working capital, and pursue other growth opportunities.

The Board considers that the sale of the Sale Shares I and the transactions contemplated thereunder are on an arm's length basis, are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The Company intends to apply the net proceeds from the sale of the Sale Shares I for funding its working capital and other general corporate purposes.

LETTER FROM THE BOARD

LISTING RULES IMPLICATION

The sale of the Sale Shares I constitutes a major transaction for the Company as the relevant Percentage Ratios are more than 25% but less than 75% and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors having made all necessary enquiries, no Shareholders or any of their respective associates have any material interest in the sale of the Sale Shares I. Therefore, no Shareholders would be required to abstain from voting under the Listing Rules if the Company were to convene a general meeting for obtaining shareholders' approval for the sale of the Sale Shares I.

As at the Latest Practicable Date, LSG owns, and controls through its wholly-owned subsidiaries (namely Joy Mind Limited and Zimba International Limited) a total of 340,023,572 Shares, representing approximately 56.10% of the total issued shares of the Company. Pursuant to Rule 14.44(2) of the Listing Rules, Joy Mind Limited and Zimba International Limited will give their Written Shareholders Approval in lieu of holding a general meeting; accordingly, no general meeting will be convened by the Company to approve the sale of the Sales Shares I. However, as Completion is conditional upon, among others, the approval of the sale of Sale Shares I also by the LSG Shareholders, the Written Shareholders Approval shall be effective upon the approval by the LSG Shareholders at the LSG GM, which is convened to be held on 12 September 2018. Pursuant to the SPA, as part of the conduct of business pending Completion, Luck Reach shall provide the Purchaser with, amongst others, the LSG Shareholders Undertaking to vote in favour of the sale of the Sale Shares I in the LSG GM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
Lai Sun Development Company Limited
Lam Kin Ngok, Peter
Executive Director and Chairman

1. SUMMARY OF FINANCIAL RESULTS AND CONDITIONS OF THE GROUP

Financial information of the Group for each of the three years ended 31 July 2015, 2016 and 2017 and the six months ended 31 January 2018 are disclosed in the following documents which have been published on the websites of the Stock Exchange at “<http://www.hkexnews.hk>” and the Company at “<http://www.laisun.com>”:

- annual report of the Company for the year ended 31 July 2015 published on 11 November 2015 (pages 65 to 152);
- annual report of the Company for the year ended 31 July 2016 published on 16 November 2016 (pages 69 to 163);
- annual report of the Company for the year ended 31 July 2017 published on 15 November 2017 (pages 85 to 183); and
- interim report of the Company for the six months ended 31 January 2018 published on 19 April 2018 (pages 2 to 17).

2. INDEBTEDNESS

Indebtedness of the Group

As at 30 June 2018, the Group had total borrowings of approximately HK\$11,976 million. Details of the total borrowings were summarised below:

	<i>HK\$'million</i>
Guaranteed notes — unsecured	3,117
Bank borrowings — secured	8,859
	<hr/>
	11,976
	<hr/> <hr/>

Pledge of Assets

As at 30 June 2018, certain properties (including investment properties, property, plant and equipment, properties under development and construction in progress) and certain bank balances were pledged to banks to secure bank loan facilities granted to the Group. Equity interests in certain subsidiaries and a joint venture were also pledged to banks to secure certain bank loan facilities granted to the Group.

Contingent Liabilities

As at 30 June 2018, the Group also had guarantees given to a bank in connection with the facilities granted to and utilised by a joint venture of HK\$650 million.

Save as disclosed above and apart from intra-group liabilities and normal trade payables in the ordinary course of business of the Group, as at 30 June 2018, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages, charges or other material contingent liabilities or guarantees.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there was no material adverse change in the financial or trading position or prospects of the Group since 31 July 2017, the date to which the latest published audited financial statements of the Group were made up.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The property sector in Hong Kong as a whole has shown resilience and robustness after an extended period of softening. During the year ended 31 July 2017, the slowdown in the luxury end of the retail market has been recovering due to improving visitor numbers. The office leasing market continues to stabilise due to tight supply and demand to consolidate office space in Central, but a slight softening of rent in areas outside the Central area was observed. The residential market was robust, underpinned by a lack of supply with record prices being achieved in recent land tenders, as well as a sustained period of low interest rates. The effect of the recent rate hike earlier in 2017 has yet to be seen, however, interest rates remain low relative to recent history. Labour supply shortages in the construction industry continue to drive wage inflation and pose a challenge on the cost management side.

The management believes it is paramount to prepare the Group for the challenges and opportunities ahead. The Group completed a series of corporate activities as part of the new strategy to improve funding sources, execution capabilities and overall coordination with the wider Lai Sun Group since refocusing the strategy in 2012.

Since 31 July 2017, the Group as a whole performed steadily against a challenging environment. As at 31 January 2018, the Group's rental portfolio comprised a gross floor area ("GFA") of approximately 1.8 million square feet attributable to the Group, of which about 1.3 million square feet was located in Hong Kong. Despite the softened economic sentiment and weakened retail activity, the Group's Hong Kong properties performed steadily at nearly full occupancy levels.

The London properties weathered the uncertainties of Brexit well during the year ended 31 July 2017. As at 31 January 2018, over 70% of the floor area of 106 Leadenhall Street in London has been leased out. This multi-tenanted property located adjacent to the Group's other two wholly-owned properties, namely 100 and 107 Leadenhall Street, is expected to enhance and enlarge the Group's strategic property investment portfolio in the City of London. All leases of 100, 106 and 107 Leadenhall Street in London has been aligned to expire in 2023. The Group has appointed DP9, one of the leading professional consultancies in planning, development and regeneration in the United Kingdom to advise on the redevelopment of the site comprising 100, 106 and 107 Leadenhall Street. Skidmore, Owings & Merrill LLP has also been engaged as architect for project. A planning application was submitted to the City of London Corporation in February 2018 and the proposed new building will rise to 263 meters above ordnance datum, made up of basement storeys, a ground floor and 56 floors above and is expected to provide up to 1.2 million square feet gross external area of high quality, flexible office accommodation to meet forecast demands in the City of London.

The Hong Kong Ocean Park Marriott Hotel, to be operated by the Marriott group, is expected to provide a total of 471 rooms and approximately 365,974 square feet of attributable rental space to the existing rental portfolio of the Group upon completion. The sales of 93 Pau Chung Street, Alto Residences and Novi will be recognised in coming financial years. The Sai Wan Ho Street project from the Urban Renewal Authority in Shau Kei Wan, Hong Kong is planned to provide about 144 residential units upon completion with a total GFA of 59,799 square feet. The Group intends to continue to participate in government tenders to grow the pipeline. The management believes it is paramount to prepare the Group for the challenges and opportunities ahead and will continue its prudent and flexible approach in growing the landbank and managing its financial position.

5. WORKING CAPITAL

The Directors are of the opinion that, in the absence of any unforeseen circumstances and after taking into account the financial resources available to the Group, including but not limited to internally generated funds, existing bank and other borrowings and available banking facilities, the working capital available to the Group will be sufficient for its requirements for at least 12 months from the date of this circular.

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Savills Valuation and Professional Services Limited, an independent valuer, in connection with their valuation of the subject property as at 31 July 2018.



The Board of Directors
Lai Sun Development Company Limited
11th Floor
Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon

Savills Valuation and
Professional Services Limited
23/F Two Exchange Square
Central, Hong Kong

T : (852) 2801 6100
F : (852) 2530 0756

EA LICENCE: C-023750
savills.com

24 August 2018

Dear Sirs,

RE: 8 OBSERVATORY ROAD, TSIM SHA TSUI, KOWLOON, HONG KONG

We are instructed by Lai Sun Development Company Limited (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) to value the subject property held for investment purposes, we confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the Market Value of the subject property on a 100% interest basis as at 31 July 2018 (“**Valuation Date**”) for the purposes of inclusion in a public circular to be issued by the Company on 24 August 2018 in relation to the disposal of the subject property.

Basis of Valuation

Our valuation is our opinion of the Market Value of the subject property which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Moreover, Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

Our valuation has been undertaken in accordance with the HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors (“**HKIS**”), which incorporates the International Valuation Standards (“**IVS**”), and (where applicable) the relevant HKIS or jurisdictional supplement. We have also complied with Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”).

Identification and Status of the Valuer

The subject valuation exercise is handled by Mr. Charles Chan and Mr. Freddie Ling. Mr. Charles Chan is the Managing Director of Savills Valuation and Professional Services Limited (“SVPSL”) and a Fellow of HKIS with over 34 years’ experience in valuation of properties in Hong Kong. Mr. Freddie Ling is the Senior Director of SVPSL and a Member of HKIS with over 33 years’ experience in valuation of properties in Hong Kong. Both of them have sufficient knowledge of the relevant market, skills and understanding to handle the subject valuation exercise competently.

Prior to your instructions for us to provide this valuation services in respect of the subject property, SVPSL had been involved in valuations of the subject property for accounting purposes in the past 12 months. Mr. Charles Chan and Mr. Freddie Ling have continuously been the signatories to valuations of the subject property since 2011. The valuers responsible for valuations of the subject property are rotated at an appropriate time interval.

We are independent of the Group. The proportion of the total fee payable by the Company during the preceding year relative to the total fee income of SVPSL during the preceding year is minimal. We are not aware of any instances which would give rise to potential conflict of interest from SVPSL or Mr. Charles Chan or Mr. Freddie Ling in the subject exercise. We confirm SVPSL, Mr. Charles Chan and Mr. Freddie Ling are in the position to provide objective and unbiased valuation for the subject property.

Valuation Methodology

In preparing our valuation of the subject property, we have adopted the income capitalization approach whereby the rental incomes of contractual tenancies for the unexpired terms and the reversionary market rents after expiry of tenancies are capitalized.

Title Investigations

We have not been provided with any title documents relating to the subject property but we have caused searches to be made at the Land Registry. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. As advised by the Company and to the best of its knowledge, there are no significant investigations, notices, pending litigation, breaches of law or title defects against the subject property. In the course of our valuation, we have assumed that the subject property has good legal title and is freely transferable in the market. We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of your legal advisers.

Valuation Consideration and Assumptions

We have relied to a very considerable extent on information given by the Company and have accepted information given to us on such matters as planning approvals or statutory notices, easements, tenure, lettings, incomes, floor plans, floor areas and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by the Company, and have been advised by the Company that no material facts have been omitted from the information provided.

We have not carried out on-site measurements to verify the correctness of the floor areas in respect of the subject property but have assumed that the floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in this report are based on information contained in the documents provided to us and are therefore only approximations.

We have inspected the exterior of the subject property valued and, where possible, we have also inspected the interior of the subject property. Our inspection was carried out by Mr. Henry Au, BCom, in August 2018. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report that the subject property is free of rot, infestation or any other structural defect. No tests were carried out to any of the services. No environmental study for the subject property has been made. In undertaking our valuation, we have assumed that the interior of the subject property is finished and maintained in reasonable conditions commensurate with its age and use and the subject property is in its original / approved layouts without any unauthorised structures, extensions and alterations. We have also assumed in our valuation that the subject property is provided with normal and satisfactory building services for its existing uses as at the Valuation Date.

As advised by the Company and to the best of its knowledge, there were no plans for substantial construction, renovation, improvement, development or change of uses of the subject property as at the Valuation Date.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the subject property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the subject property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Except for the purpose of disclosure in the public circular to be issued by the Company in connection with the disposal of the subject property, neither the whole nor any part of the valuation report nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it may appear.

We enclose herewith our valuation report.

Yours faithfully

For and on behalf of

Savills Valuation and Professional Services Limited

Charles C K Chan

MSc FRICS FHKIS MCI Arb RPS(GP)

Managing Director

Freddie Ling

MRICS MHKIS RPS(GP)

Senior Director

Note: Mr. Charles C K Chan is a professional surveyor who has over 34 years' experience in valuation of properties in Hong Kong.

Mr. Freddie Ling is a professional surveyor who has over 33 years' experience in valuation of properties in Hong Kong.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2018
8 Observatory Road, Tsim Sha Tsui, Kowloon, Hong Kong. Kowloon Inland Lot No. 11231.	<p>The subject property is situated on the northeastern side of Observatory Road in Tsim Sha Tsui district of Kowloon Peninsula. The locality is a well-established commercial and tourist area. Developments in the vicinity comprise commercial buildings, hotels and shopping arcades.</p> <p>The subject property comprises a rectangular site with a registered site area of approximately 1,278.80 sq m (13,765 sq ft).</p> <p>Currently erected on the subject property is 19-storey commercial building over a 3-storey basement with 52 private car parking spaces, 7 goods vehicle parking spaces and 6 motor cycle parking spaces. The building is of reinforced concrete construction with curtain walling exterior elevation and completed in 2015.</p> <p>The Ground, 1st, 8th, 9th and 21st Floors of the subject property are designed for retail uses. The 2nd to 7th Floors are designed for restaurant uses and the remaining floors are offices.</p> <p>According to the building plans approved by the Buildings Department, the total gross floor area of the building, excluding car parking spaces, is approximately 15,344.652 sq m (165,170 sq ft) with approximately 8,419.107 sq m (90,623 sq ft) for retail and restaurant uses and approximately 6,925.545 sq m (74,547 sq ft) for office uses.</p> <p>Kowloon Inland Lot No. 11231 is held from the Government under Conditions of Exchange No. 20208 for a term of 50 years commencing on 10 January 2014 at an annual Government Rent of 3% of the rateable value for the time being of the lot.</p>	<p>Except for 7th Floor which is vacant, the retail and restaurant portion of the subject property is let under various tenancies or licences mostly for terms of three years with the last expiring in September 2021 at a total monthly rental or licence income of approximately HK\$4,150,000 exclusive of management fees, rates and Government rent.</p> <p>The office portion of the subject property is let under various tenancies mainly for terms of three years with the last expiring in October 2019 at a total monthly rental income of approximately HK\$3,300,000 exclusive of management fees, rates and Government rent.</p> <p>The car parking spaces are let to a single operator for a term of 2 years from 1 October 2017 at a monthly rent of HK\$400,000 inclusive of management fees, and rates.</p> <p>In addition, miscellaneous incomes such as the LED signboards and antennae are subject to various licences at a total monthly licence fee of \$17,000.</p>	<p>HK\$4,100,000,000 (Hong Kong Dollars Four Billion and One Hundred Million) (100% interest)</p> <p>(50% interest attributable to the Group: HK\$2,050,000,000 (Hong Kong Dollars Two Billion and Fifty Million))</p>

Notes:

- (1) The current registered owners of the subject property are Best Value International Limited, Fu Ying Development Limited, Joinsmart Corporation Limited, Lucky Castle Development Limited and Supermate Development Limited holding as tenants in common in the shares of 3,889/10,000, 4,980/10,000, 714/10,000, 278/10,000 and 139/10,000 respectively. As advised by the Company, the Group has a 50% attributable interest in the subject property as at 31 July 2018.
- (2) The subject property is subject to a Legal Charge to the extent of all moneys dated 18 November 2016 in favour of United Overseas Bank Limited as Security Agent and Trustee for the finance parties vide memorial no. 16120501930345.
- (3) The subject property is also subject to an Assignment of Leases, Rentals and Sale Proceeds dated 18 November 2016 in favour of United Overseas Bank Limited as Security Agent.
- (4) The subject property lies within an area zoned “Commercial” under Tsim Sha Tsui Outline Zoning Plan No. S/K1/28 dated 3 December 2013.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' and chief executive's interests and short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (ii) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO (“**Register of Directors and Chief Executive**”); or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company (“**Securities Code**”); or (iv) as known by the Directors were as follows:

(1) The Company

Long positions in the ordinary shares and the underlying shares in the Company

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued LSD shares
Dr. Lam Kin Ngok, Peter ("Dr. Peter Lam")	Beneficial owner/ Owner of controlled corporations	429,232 (Note 1)	Nil	340,023,572 (Note 1)	417,308 (Note 5)	340,870,112	56.24%
Mr. Chew Fook Aun ("Mr. FA Chew")	Beneficial owner/ Owner of controlled corporations	Nil	Nil	400,000 (Note 3)	3,773,081 (Note 5)	4,173,081	0.69%
Mr. Lau Shu Yan, Julius ("Mr. Julius Lau")	Beneficial owner	263,500 (Note 4)	Nil	Nil	2,086,540 (Note 5)	2,350,040	0.39%
Mr. Lam Han Yin, Lester ("Mr. Lester Lam") (Note 6)	Beneficial owner	Nil	Nil	Nil	4,173,081 (Note 5)	4,173,081	0.69%
Madam U Po Chu ("Madam U") (Note 2)	Beneficial owner	26,919 (Note 2)	Nil	Nil	Nil	26,919	0.01%

Notes:

- (1) LSG and two of its wholly-owned subsidiaries, namely Zimba International Limited ("**Zimba International**") and Joy Mind Limited ("**Joy Mind**"), beneficially owned 340,023,572 Shares, representing approximately 56.10% of the issued share capital of the Company. Dr. Peter Lam was deemed to be interested in the same 340,023,572 Shares by virtue of, in aggregate, his personal and deemed interests of approximately 42.05% in the issued share capital of LSG. LSG is approximately 12.68% owned by Dr. Peter Lam and is approximately 29.37% owned by Wisdoman Limited which in turn is 100% beneficially owned by Dr. Peter Lam.

On 15 August 2017, the Company implemented the share consolidation on the basis that every fifty (50) issued shares in the share capital of the Company were consolidated into one (1) consolidated share in the share capital of the Company (“**Share Consolidation**”). The issued share capital of the Company was decreased from 30,251,304,984 to 605,026,099 as a result of the Share Consolidation.

During the six months ended 31 January 2018 under review, 60,000 ordinary shares were issued in respect of share options exercised under the Company’s share option scheme increasing the number of issued shares from 605,026,099 to 605,086,099.

On 15 December 2017, the Shareholders approved a final dividend of HK\$0.10 per share payable in cash with a scrip dividend alternative (the “**Scrip Dividend Scheme**”) for the year ended 31 July 2017.

On 30 January 2018, the Company allotted and issued 990,515 new ordinary shares pursuant to its Scrip Dividend Scheme in relation to the final dividend for the year ended 31 July 2017, increasing the total number of issued shares in the Company from 605,086,099 to 606,076,614.

LSG placed up to 50,934,000 Shares under the secondary block trade agreement dated 16 August 2017 which was completed on 21 August 2017 (“**Placing**”).

The personal interests of Dr. Peter Lam were changed from 21,461,617 Shares to 429,232 Shares following the completion of the Share Consolidation.

LSG pledged approximately 208,513,987 Shares (10,425,699,353 issued shares of the Company before the Share Consolidation) held by LSG, Zimba International and Joy Mind as security pursuant to its 7.70% secured guaranteed notes due 2018 under a share charge dated 24 July 2014.

LSG and Joy Mind acquired in aggregate 17,319,000 Shares on the market in May, June and July 2018, thereby increasing their shareholding interests in the Company from 322,704,572 Shares to 340,023,572 Shares.

Dr. Peter Lam is also a director of LSG.

- (2) Madam U is the widow of the late Mr. Lim Por Yen whose estate includes an interest of 3,957,189 Shares (197,859,550 Shares before the Share Consolidation), representing approximately 0.65% of the issued share capital of the Company.

The personal interests of Madam U were changed from 1,345,974 Shares to 26,919 Shares following the completion of the Share Consolidation.

Madam U is also a director of LSG.

- (3) The 20,000,000 Shares owned by The Orchid Growers Association Limited changed to 400,000 Shares following the completion of the Share Consolidation. By virtue of his 100% interest in the issued share capital of The Orchid Growers Association Limited, Mr. FA Chew was deemed to be interested in these 400,000 shares.

Mr. FA Chew is also a director of LSG.

- (4) The personal interests of Mr. Julius Lau were changed from 13,175,000 Shares to 263,500 Shares following the completion of the Share Consolidation.

- (5) A share option was granted by the Company to each of Dr. Peter Lam, Mr. FA Chew, Mr. Julius Lau and Mr. Lester Lam, the particulars of which are set out below:

Registered Name	Date of grant	Number of underlying shares comprised in the option before the Share Consolidation	Number of underlying shares comprised in the option after the Share Consolidation	Option period	Subscription price before the Share Consolidation	Subscription price after the Share Consolidation
Dr. Peter Lam	18/01/2013	20,865,408	417,308	18/01/2013-17/01/2023	HK\$0.322 per Share	HK\$16.100 per Share
Mr. FA Chew	05/06/2012	188,654,089	3,773,081	05/06/2012-04/06/2022	HK\$0.107 per Share	HK\$5.350 per Share
Mr. Julius Lau	18/01/2013	104,327,044	2,086,540	18/01/2013-17/01/2023	HK\$0.322 per Share	HK\$16.100 per Share
Mr. Lester Lam	18/01/2013	208,654,089	4,173,081	18/01/2013-17/01/2023	HK\$0.322 per Share	HK\$16.100 per Share

- (6) Mr. Lester Lam is also a director of LSG.

(2) Associated Corporations

(i) LSG — the ultimate holding company of the Company

Long positions in the ordinary shares and the underlying shares in LSG

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued shares
Dr. Peter Lam	Beneficial owner/ Owner of controlled corporations	48,116,366 (Note 1)	Nil	113,127,277 (Note 1)	708,575 (Note 6)	161,952,218	42.05%
Mr. FA Chew	Owner of controlled corporations	Nil	Nil	202,422 (Note 2)	3,819,204 (Note 6)	4,021,626	1.04%
Mr. Lester Lam	Beneficial owner	12,283,938 (Note 3)	Nil	Nil	7,571,626 (Note 6)	19,855,564	5.16%
Dr. Lam Kin Ming	Beneficial owner	1,007,075 (Note 4)	Nil	Nil	Nil	1,007,075	0.26%
Madam U	Beneficial owner	825,525 (Note 5)	Nil	Nil	Nil	825,525	0.21%

Notes:

- (1) On 15 August 2017, LSG implemented the share consolidation on the basis that every five (5) issued shares in the share capital of LSG were consolidated into one (1) consolidated share in the share capital of LSG ("**LSG Share Consolidation**").

On 15 December 2017, the LSG Shareholders approved a final dividend of HK\$0.0685 per share payable in cash with a scrip dividend alternative ("**LSG Scrip Dividend Scheme**") for the year ended 31 July 2017.

On 30 January 2018, LSG allotted and issued 1,917,209 new ordinary shares ("**Scrip Shares**") pursuant to the LSG Scrip Dividend Scheme in relation to the final dividend for the year ended 31 July 2017, increasing the total number of issued shares in LSG from 383,220,448 to 385,137,657.

The interests of Wisdoman Limited were changed from 562,590,430 shares to 112,518,086 shares following the completion of the LSG Share Consolidation. On 30 January 2018, Wisdoman Limited has elected to receive a total of 609,191 Scrip Shares in lieu of cash dividend pursuant to the LSG Scrip Dividend Scheme, increasing Wisdoman Limited's interests in LSG from 112,518,086 shares to 113,127,277 shares. Dr. Peter Lam was deemed to be interested in 113,127,277 shares (representing approximately 29.37% of LSG's issued share capital) by virtue of his 100% interests in the issued share capital of Wisdoman Limited.

The personal interests of Dr. Peter Lam were changed from 239,286,305 shares to 47,857,260 shares following the completion of the LSG Share Consolidation. On 30 January 2018, Dr. Peter Lam has elected to receive a total of 259,106 Scrip Shares in lieu of cash dividend pursuant to the LSG Scrip Dividend Scheme, increasing his personal interests in LSG from 47,857,260 shares to 48,116,366 shares.

- (2) The 1,012,111 shares held by The Orchid Growers Association Limited, a company wholly-owned by Mr. FA Chew changed to 202,422 shares following the completion of the LSG Share Consolidation. Mr. FA Chew was deemed to be interested in these 202,422 shares.
- (3) The personal interests of Mr. Lester Lam were changed from 61,088,946 shares to 12,217,789 shares following the completion of the LSG Share Consolidation. On 30 January 2018, Mr. Lester Lam has elected to receive a total of 66,149 scrip shares in lieu of cash dividend pursuant to the LSG Scrip Dividend Scheme increasing his personal interests in LSG from 12,217,789 shares to 12,283,938 shares.
- (4) The personal interests of Dr. Lam Kin Ming were changed from 5,008,263 shares to 1,001,652 shares following the completion of the LSG Share Consolidation. On 30 January 2018, Dr. Lam Kin Ming has elected to receive a total of 5,423 Scrip Shares in lieu of cash dividend pursuant to the LSG Scrip Dividend Scheme increasing his personal interests in LSG from 1,001,652 shares to 1,007,075 shares.
- (5) The personal interests of Madam U were changed from 4,127,625 shares to 825,525 shares following the completion of the LSG Share Consolidation.

- (6) *Share options were granted by LSG to each of Dr. Peter Lam, Mr. FA Chew and Mr. Lester Lam, the particulars of which are set out below:*

<i>Registered Name</i>	<i>Date of grant</i>	<i>Number of underlying shares comprised in the option before the LSG Share Consolidation</i>	<i>Number of underlying shares comprised in the option after the LSG Share Consolidation</i>	<i>Option period</i>	<i>Subscription price before the LSG Share Consolidation</i>	<i>Subscription price after the LSG Share Consolidation</i>
<i>Dr. Peter Lam</i>	<i>18/01/2013</i>	<i>1,876,211</i>	<i>375,242</i>	<i>18/01/2013-17/01/2023</i>	<i>HK\$1.21 per share</i>	<i>HK\$6.05 per share</i>
	<i>19/06/2017</i>	<i>1,666,666</i>	<i>333,333</i>	<i>19/06/2017-18/06/2027</i>	<i>HK\$3.00 per share</i>	<i>HK\$15.00 per share</i>
<i>Mr. FA Chew</i>	<i>19/06/2017</i>	<i>19,096,022</i>	<i>3,819,204</i>	<i>19/06/2017-18/06/2027</i>	<i>HK\$3.00 per share</i>	<i>HK\$15.00 per share</i>
<i>Mr. Lester Lam</i>	<i>18/01/2013</i>	<i>18,762,111</i>	<i>3,752,422</i>	<i>18/01/2013-17/01/2023</i>	<i>HK\$1.21 per share</i>	<i>HK\$6.05 per share</i>
	<i>19/06/2017</i>	<i>19,096,022</i>	<i>3,819,204</i>	<i>19/06/2017-18/06/2027</i>	<i>HK\$3.00 per share</i>	<i>HK\$15.00 per share</i>

(ii) *eSun Holdings Limited (“eSun”) — a subsidiary of the Company*

Long positions in the ordinary shares and the underlying shares in eSun

<i>Name of Director</i>	<i>Capacity</i>	<i>Personal interests</i>	<i>Family interests</i>	<i>Corporate interests</i>	<i>Other interests</i>	<i>Total interests</i>	<i>Approximate % of total interests to total issued shares</i>
<i>Dr. Peter Lam</i>	<i>Beneficial owner/ Owner of controlled corporations</i>	<i>2,794,443</i>	<i>Nil</i>	<i>880,632,438 (Note 1)</i>	<i>1,243,212 (Note 2)</i>	<i>884,670,093 (Note 1)</i>	<i>59.30%</i>
<i>Mr. FA Chew</i>	<i>Beneficial owner</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil (Note 2)</i>	<i>Nil</i>	<i>0%</i>
<i>Mr. Lester Lam</i>	<i>Beneficial owner</i>	<i>2,794,443</i>	<i>Nil</i>	<i>Nil</i>	<i>12,432,121 (Note 2)</i>	<i>15,226,564</i>	<i>1.02%</i>

Notes:

- (1) *Transtrend Holdings Limited, a wholly-owned subsidiary of the Company, was interested in 880,632,438 shares in eSun (“Transtrend”), representing approximately 59.03% of the issued share capital of eSun (“eSun Shares”). As such, Dr. Peter Lam was deemed to be interested in the same 880,632,438 eSun Shares by virtue of, in aggregate, his personal and deemed interests of approximately 42.05% and 56.24% in the issued share capital of LSG and the Company, respectively.*

Transtrend received acceptances in respect of 329,592,252 eSun Shares in relation to its offer for eSun Shares from 23 July 2018 to the Latest Practicable Date, which increased the total number of eSun Shares in which Dr. Peter Lam is interested or deemed to be interested to 884,670,093.

- (2) *A share option was granted by eSun to each of Dr. Peter Lam, Mr. FA Chew and Mr. Lester Lam, the particulars of which are set out below:*

<i>Registered Name</i>	<i>Date of grant</i>	<i>Number of underlying shares comprised in the option</i>	<i>Option period</i>	<i>Subscription price</i>
<i>Dr. Peter Lam</i>	<i>18/01/2013</i>	<i>1,243,212</i>	<i>18/01/2013-17/01/2023</i>	<i>HK\$1.612 per share</i>
<i>Mr. Lester Lam</i>	<i>18/01/2013</i>	<i>12,432,121</i>	<i>18/01/2013-17/01/2023</i>	<i>HK\$1.612 per share</i>

A share option comprising a total of 6,216,060 underlying eSun Shares had been granted to Mr. FA Chew at an exercise price of HK\$0.92 per eSun Share on 5 June 2012 and is exercisable during the period from 5 June 2012 to 4 June 2022. On 27 July 2018, Mr. FA Chew tendered acceptances to the offer (“eSun Option Offer”) by Transtrend to cancel all the outstanding share options of eSun (“eSun Options”) in respect of his eSun Options relating to 6,216,060 underlying eSun Shares. The eSun Option Offer has become unconditional in all respects on 8 August 2018.

*(iii) Lai Fung Holdings Limited (“Lai Fung”) — a subsidiary of eSun***Long positions in the ordinary shares and the underlying shares in Lai Fung**

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued shares
Dr. Peter Lam	Beneficial owner/ Owner of controlled corporations	Nil	Nil	165,487,416 (Note 1)	321,918 (Note 4)	165,809,334	50.70%
Mr. FA Chew	Beneficial owner/ Owner of controlled corporations	Nil	Nil	600,000 (Note 2)	1,009,591 (Note 4)	1,609,591	0.49%
Mr. Julius Lau	Beneficial owner	235 (Note 3)	Nil	Nil	965,754 (Note 4)	965,989	0.30%
Mr. Lester Lam	Beneficial owner	Nil	Nil	Nil	3,219,182 (Note 2)	3,219,182	0.98%

Notes:

- (1) *On 15 August 2017, Lai Fung implemented the Share Consolidation on the basis that every fifty (50) issued shares in the share capital of Lai Fung were consolidated into one (1) consolidated share in the share capital of Lai Fung (“Lai Fung Share Consolidation”).*

On 30 January 2018, Lai Fung allotted and issued 1,122,400 new ordinary shares pursuant to its Scrip Dividend Scheme in relation to the final dividend for the year ended 31 July 2017, increasing the total number of issued shares in Lai Fung from 325,921,734 to 327,044,134.

The 8,274,270,422 shares held by eSun were changed to 165,485,406 shares in Lai Fung following the completion of the Lai Fung Share Consolidation. Dr. Peter Lam was deemed to be interested in the same 165,485,406 issued shares in Lai Fung by virtue of, in aggregate, his personal and deemed shareholding interests of approximately 59.30% in the issued share capital of eSun.

Transtrend received acceptances in respect of 2,010 issued shares in Lai Fung in relation to its offer for Lai Fung’s issued shares from 16 August 2018 to the Latest Practicable Date, which increased the total number of issued shares of Lai Fung in which Dr. Peter Lam is interested or deemed to be interested to 165,809,334, by virtue of, in aggregate, his personal and deemed interests of approximately 42.05%, 56.24% and 59.30% in the issued share capital of LSG, the Company and eSun, respectively.

- (2) *The deemed interests of Mr. FA Chew were changed from 30,000,000 shares to 600,000 shares following the completion of the Lai Fung Share Consolidation. These shares were held by The Orchid Growers Association Limited, a company wholly-owned by Mr. FA Chew.*
- (3) *The personal interests of Mr. Julius Lau were changed from 11,772 shares to 235 shares following the completion of the Lai Fung Share Consolidation.*
- (4) *A share option was granted by Lai Fung to each of Dr. Peter Lam, Mr. FA Chew, Mr. Julius Lau and Mr. Lester Lam, the particulars of which are set out below:*

<i>Registered Name</i>	<i>Date of grant</i>	<i>Number of underlying shares comprised in the option before the Lai Fung Share Consolidation</i>	<i>Number of underlying shares comprised in the option after the Lai Fung Share Consolidation</i>	<i>Option period</i>	<i>Subscription price before the Lai Fung Share Consolidation</i>	<i>Subscription price after the Lai Fung Share Consolidation</i>
<i>Dr. Peter Lam</i>	<i>18/01/2013</i>	<i>16,095,912</i>	<i>321,918</i>	<i>18/01/2013-17/01/2023</i>	<i>HK\$0.228 per share</i>	<i>HK\$11.400 per share</i>
<i>Mr. FA Chew</i>	<i>12/06/2012</i>	<i>50,479,564</i>	<i>1,009,591</i>	<i>12/06/2012-11/06/2020</i>	<i>HK\$0.133 per share</i>	<i>HK\$6.650 per share</i>
<i>Mr. Julius Lau</i>	<i>18/01/2013</i>	<i>48,287,738</i>	<i>965,754</i>	<i>18/01/2013-17/01/2023</i>	<i>HK\$0.228 per share</i>	<i>HK\$11.400 per share</i>
<i>Mr. Lester Lam</i>	<i>18/01/2013</i>	<i>160,959,129</i>	<i>3,219,182</i>	<i>18/01/2013-17/01/2023</i>	<i>HK\$0.228 per share</i>	<i>HK\$11.400 per share</i>

(iv) Media Asia Group Holdings Limited (“MAGHL”) — a subsidiary of eSun

Long positions in the shares and underlying shares in MAGHL

<i>Name of Director</i>	<i>Capacity</i>	<i>Number of ordinary shares held</i>	<i>Number of underlying shares held</i>	<i>Total number of issued shares and underlying shares</i>	<i>Approximate % of total interests to total issued shares</i>
<i>Dr. Peter Lam</i>	<i>Owner of controlled corporations</i>	<i>1,443,156,837 (Note 1)</i>	<i>Nil</i>	<i>1,443,156,837</i>	<i>67.56%</i>

Notes:

- (1) As at the Latest Practicable Date, these interests in MAGHL represented the shares beneficially owned by Perfect Sky Holdings Limited (“**Perfect Sky**”), a wholly-owned subsidiary of eSun, representing approximately 67.56% of the issued share capital of MAGHL. eSun is owned as to approximately 59.03% by the Company which in turn is owned as to approximately 56.10% by LSG. As LSG is approximately 12.68% owned by Dr. Peter Lam and approximately 29.37% owned by Wisdoman Limited which is turn 100% beneficially owned by Dr. Peter Lam, he was deemed to be interested in the said 1,443,156,837 shares in MAGHL.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company and their respective close associates was interested or was deemed to be interested in the long and short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations, which were required to be notified to the Company and the Stock Exchange, or recorded in the Register of Directors and Chief Executive as aforesaid, notified under the Securities Code or otherwise known by the Directors.

Substantial Shareholders and Other Persons’ Interests

As at the Latest Practicable Date, so far as was known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals (being a Director), who had 5% or more interests in the following long positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company (“**Voting Entitlements**”) (i.e. within the meaning of Substantial Shareholders of the Listing Rules) were as follows:

Long positions in the Shares and the underlying Shares of the Company

Name	Capacity	Nature of interests	Number of shares and underlying shares	Approximate % of shares in issue
LSG	Beneficial owner	Corporate	340,023,572 (Note 1)	56.10%
Dr. Peter Lam	Beneficial owner/ Owner of controlled corporations	Personal and corporate	340,870,112 (Note 1)	56.24%
Yu Cheuk Yi	Beneficial owner	Personal	95,498,010 (Note 2)	15.76%
Yu Siu Yuk	Beneficial owner	Personal	95,498,010 (Note 2)	15.76%

Notes:

- (1) *As at the Latest Practicable Date, LSG and two of its wholly-owned subsidiaries, namely Zimba International and Joy Mind, beneficially owned 340,023,572 Shares, representing approximately 56.10% of the issued share capital of the Company following the completion of the Share Consolidation and the Placing. Dr. Peter Lam was deemed to be interested in the same 340,023,572 Shares by virtue of, in aggregate, his personal and deemed interests of approximately 42.05% in the issued share capital of LSG.*
- (2) *As at the Latest Practicable Date, the Yu Shareholders jointly held 95,498,010 Shares (15.76%) according to shareholding shown in last Individual Substantial Notice (Form 1) filed for an event on 21 June 2018.*

Save as disclosed above, the Directors are not aware of any other corporation or individual (other than a Director or the chief executive of the Company) who, as at the Latest Practicable Date, had the Voting Entitlements or 5% or more interests or short positions in the shares or underlying shares of the Company recorded in the Register of Shareholders.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or be determinable by the relevant member of the Group within one year without payment of compensation (other than the statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, the following Directors are considered to have interests in businesses which compete or may compete, either directly or indirectly, with the businesses of the Group (which would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder of the Company):

Dr. Peter Lam, Dr. Lam Kin Ming, Mr. FA Chew, Madam U and Mr. Lester Lam (together, "**Interested Directors**") held shareholding interests and/or directorships in companies/entities engaged in the businesses of property investment and development in Hong Kong including Crocodile Garments Limited.

Dr. Peter Lam held shareholding or other interests and/or directorships in companies or entities engaged in the business of investment in and operation of restaurants in Hong Kong.

Dr. Lam Kin Ming held shareholding or other interests and/or directorships in companies or entities engaged in the production of pop concerts, music production and distribution and management of artistes.

The Directors do not consider the interests held by the Interested Directors to be competing in practice with the relevant business of the Group in view of:

- (1) different locations and different uses of the properties owned by the above companies and those of the Group; and
- (2) different target customers of the restaurant operations as well as the concerts and albums of the above companies and those of the Group.

However, the Board is independent from the boards of directors/governing committees of the aforesaid companies/entities and none of the Interested Directors can personally control the Board. Further, each of the Interested Directors is fully aware of, and has been discharging his/her fiduciary duty to the Company and has acted and will continue to act in the best interest of the Company and the Shareholders as a whole. Therefore, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies/entities.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their respective close associates had any interest in a business which competes or may compete with the businesses of the Group (which would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder of the Company).

5. INTEREST IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 July 2017 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any of the Directors are materially interested and which is significant to the business of the Group.

6. LITIGATION

As at the Latest Practicable Date, none of the members of the Groups was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

7. MATERIAL CONTRACTS

The following contracts (being contracts entered into outside the ordinary course of business carried on by the Group) have been entered into by members of the Group within the two years immediately preceding the date of this circular:

- (a) the SPA;
- (b) a loan agreement entered into between eSun as borrower and Hibright Limited (a wholly-owned subsidiary of the Company) as lender on 27 July 2018 in respect of the term loan facility in the principal amount of up to HK\$700 million to be granted by Hibright Limited to eSun;
- (c) a share purchase and loan assignment agreement dated 28 June 2018 entered into among Vicper Holdings Limited (a wholly-owned subsidiary of the Company) as purchaser, Fincantieri S.p.A as the seller, the Company as the guarantor and Camper & Nicholson International SA (“CNI”) in relation to the sale and purchase of 607 shares of CNI and the assignment of an intercompany loan granted by Fincantieri S.p.A to CNI, for an aggregate consideration of EUR17,134,781.63;
- (d) a loan agreement entered into between MAGHL as borrower and Hibright Limited as lender on 10 May 2018 in respect of the term loan facility in the principal amount of up to HK\$200 million granted by Hibright Limited to MAGHL;
- (e) a subscription agreement dated 6 September 2017 entered into among LSD Bonds (2017) Limited (the “**Issuer**”, a company wholly-owned by the Company), the Company and BNP Paribas, DBS Bank Ltd., The Hongkong and Shanghai Banking Corporation Limited and Standard Chartered Bank (as the joint lead managers) in relation to the subscription for the 4.60% guaranteed notes due 2022 in the principal amount of U.S.\$400,000,000 issued by the Issuer (the “**Notes**”) and the offering of the Notes; and
- (f) the sale and purchase agreement dated 30 September 2016 entered into among the Action Charm Limited (a wholly-owned subsidiary of the Company) as the purchaser, 1782 Group as the vendor and Mr. Gualtiero Giori as the guarantor in relation to, among other things, the purchase of shares representing 49.92% of the issued share capital of CNI, for the consideration of EUR13,080,896. Under the sale and purchase agreement, after completion, Action Charm Limited shall also: (a) subscribe for one new share of the CNI at the price of EUR775, which increases its shareholding interest in the CNI to approximately 49.96%; and (b) advance to CNI a shareholder’s loan in proportion to its shareholding interest in the amount of EUR499,565.

8. GENERAL

- (a) The address of the registered office of the Company is 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong.
- (b) Mr. Chow Kwok Wor is the company secretary of the Company. He is a fellow member of The Institute of Chartered Secretaries and Administrators, The Hong Kong Institute of Chartered Secretaries and The Hong Kong Institute of Certified Public Accountants.
- (c) The share registrar of the Company is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) In case of inconsistency, the English text of this circular shall prevail over the Chinese text.

9. EXPERTS

The following are the qualifications of the experts which have given their opinion or advice which are contained in this circular:

Name	Qualification
Ernst & Young	Certified public accountants
Savills Valuation and Professional Services Limited	Professional valuer

As at the Latest Practicable Date, the above experts did not have:

- (a) any direct or indirect interest in any assets which have been, since 31 July 2017 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letters and reports and the references to its names in the form and context in which they appear.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during the following business hours (i.e. from 9:30 a.m. to 12:30 p.m. and from 2:30 p.m. to 5:30 p.m.) on any weekday (Saturdays and public holidays excepted) unless (i) a tropical cyclone warning signal number 8 or above is hoisted; or (ii) a black rainstorm warning signal is issued at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong for 14 days from the date of this circular:

- (a) the SPA;
- (b) the Articles of Association of the Company;
- (c) the annual reports of the Company for the two years ended 31 July 2016 and 31 July 2017 respectively;
- (d) the property valuation report prepared by Savills Valuation and Professional Services Limited, the text of which is set out in Appendix II to this circular;
- (e) the letters of consent referred to in the paragraph headed “Experts” above;
- (f) the material contracts referred to in the paragraph headed “Material Contracts” above;
- (g) a copy of each circular issued pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules which has been issued since the date of the latest published audited accounts; and
- (h) this circular.