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eSun Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 571)



LAI FUNG HOLDINGS

Lai Fung Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1125)

MAJOR TRANSACTION

DISCLOSEABLE TRANSACTION

JOINT ANNOUNCEMENT

SUPPLEMENTAL AGREEMENT INVOLVING SWAP OF PROPERTIES

THE SUPPLEMENTAL AGREEMENT

On 23 November 1993, Grand Wealth, an indirect wholly-owned subsidiary of Lai Fung, and Guangzhou Light Industry entered into the JVA to form a co-operative joint venture company, 廣州麗興房地產開發有限公司 (Guangzhou Grand Wealth Properties Limited) in relation to a property development project in Guangzhou, the PRC known as Guangzhou Eastern Place.

Guangzhou Eastern Place is a multi-phase project. Phases I to IV of Guangzhou Eastern Place have been completed and Guangzhou Eastern Place Phase V is currently under development. In accordance with the original terms of the JVA, upon completion of Guangzhou Eastern Place Phase V, certain residential and office units of Guangzhou Eastern Place Phase V will be allocated and transferred to Guangzhou Light Industry.

On 15 January 2015, Grand Wealth and Guangzhou Light Industry entered into the Supplemental Agreement to, among other things, amend the above arrangement whereby the Parties conditionally agreed that in lieu of allocating the Original Property to Guangzhou Light Industry as contemplated under the JVA and the Supplemental Agreement, Grand Wealth would procure the transfer of the Substituted Property (i.e. the Guangzhou Paramount Centre with an aggregate floor area of 12,395 sq.m.) to Guangzhou Light Industry.

IMPLICATIONS UNDER THE LISTING RULES

Lai Fung

The Transaction is by its nature a property swap and involves the acquisition of the Original Property and the disposal of the Substituted Property by the Lai Fung Group. As one of the applicable percentage ratios in respect of the Transaction is more than 5% but all of the applicable percentage ratios are less than 25%, the Transaction constitutes a discloseable transaction for Lai Fung and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

eSun

Lai Fung is a 51.39%-owned subsidiary of eSun as at the date of this joint announcement. As one of the applicable percentage ratios in respect of the Transaction is more than 25% but all of the applicable percentage ratios are less than 75%, the Transaction constitutes a major transaction for eSun and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. The Transaction is hence subject to the approval of the eSun Shareholders at the eSun SGM by way of poll. eSun expects to despatch to the eSun Shareholders a circular containing, among other things, further details of the Transaction and the notice convening the eSun SGM on or before 5 February 2015.

INTRODUCTION

On 23 November 1993, Grand Wealth, an indirect wholly-owned subsidiary of Lai Fung, and Guangzhou Light Industry entered into the JVA to form a co-operative joint venture company, 廣州麗興房地產開發有限公司 (Guangzhou Grand Wealth Properties Limited) in relation to a property development project in Guangzhou, the PRC known as Guangzhou Eastern Place.

Guangzhou Eastern Place is a multi-phase project. Phases I to IV of Guangzhou Eastern Place have been completed and Guangzhou Eastern Place Phase V is currently under development. In accordance with the original terms of the JVA, upon completion of Guangzhou Eastern Place Phase V, certain residential and office units of Guangzhou Eastern Place Phase V will be allocated and transferred to Guangzhou Light Industry.

On 15 January 2015, Grand Wealth and Guangzhou Light Industry entered into the Supplemental Agreement to, among other things, amend the above arrangement with regard to the office units of Guangzhou Eastern Place Phase V to be transferred to Guangzhou Light Industry.

THE SUPPLEMENTAL AGREEMENT

Date:

15 January 2015

Parties:

1. Grand Wealth, an indirect wholly-owned subsidiary of Lai Fung
2. Guangzhou Light Industry

Assets to be swapped:

Subject to the conditions disclosed in the paragraph headed "Conditions" below, the Parties agreed that in lieu of allocating the Original Property to Guangzhou Light Industry as contemplated under the JVA and the Supplemental Agreement, Grand Wealth would procure the transfer of the Substituted Property (i.e. the Guangzhou Paramount Centre with an aggregate floor area of 12,395 sq.m.) to Guangzhou Light Industry, after completion of the construction work.

Conditions:

The Transaction is subject to the satisfaction of the following conditions:

- (a) the transfer of the Substituted Property to Guangzhou Light Industry having completed before the registration of completion of the construction work of office units of Guangzhou Eastern Place Phase V, failing that Guangzhou Light Industry is entitled to require the Original Property to be allocated and transferred to it; and
- (b) the eSun Shareholders having approved the Transaction.

Consideration:

Given that the Transaction is by its nature a property swap, the consideration for the acquisition of the Original Property by the Lai Fung Group shall be satisfied by the transfer of the Substituted Property to Guangzhou Light Industry. The consideration was determined after arm's length negotiations between Grand Wealth and Guangzhou Light Industry after having taken into account the valuations of the Original Property and the Substituted Property upon completion of the construction conducted by Knight Frank Petty Limited, an independent valuer, which were approximately RMB263.9 million (equivalent to approximately HK\$334.4 million) and approximately RMB265.4 million (equivalent to approximately HK\$336.3 million), respectively, as at 31 December 2014.

The Board of each of Lai Fung and eSun takes the view that the consideration for the Transaction is fair and reasonable.

INFORMATION ABOUT THE ORIGINAL PROPERTY AND THE SUBSTITUTED PROPERTY

The Original Property

As disclosed on page 20 of the annual report of Lai Fung for the year ended 31 July 2014, Guangzhou Eastern Place Phase V comprises two residential blocks, an office block and ancillary retail spaces. Construction work is expected to complete in the third quarter of 2015.

In accordance with the original terms of the JVA, Grand Wealth and Guangzhou Light Industry agreed that upon completion of Guangzhou Eastern Place Phase V, the following residential and office units would be allocated and transferred to Guangzhou Light Industry:

- (a) certain residential units comprising an aggregate floor area of approximately 1,305 sq.m.; and
- (b) certain office units with an aggregate floor area of approximately 7,539 sq.m..

As at 31 December 2014, the valuation of the Original Property upon completion of construction was RMB263.9 million (equivalent to approximately HK\$334.4 million).

The Substituted Property

The Substituted Property is a property under development of the Lai Fung Group in Guangzhou known as Guangzhou Paramount Centre located at a site with land use rights granted for commercial use. It was previously intended to be developed as a serviced apartment tower namely "STARR Xin Hotel" with an aggregate floor area of 12,395 sq.m.. Construction is completed and pending completion of interior works.

The Substituted Property was under construction during the years ended 31 July 2014 and 31 July 2013 and the net profit (both before and after taxation) attributable to the Substituted Property for both years as included in the audited consolidated financial statements of Lai Fung was nil.

The unaudited carrying amount of the Substituted Property as at 31 December 2014 included in the books of accounts of Lai Fung Group and eSun Group was RMB239.4 million (equivalent to approximately HK\$303.3 million) and RMB240.6 million (equivalent to approximately HK\$304.9 million), respectively. As at 31 December 2014, the valuation of the Substituted Property upon completion of construction including interior renovation work was RMB265.4 million (equivalent to approximately HK\$336.3 million).

REASONS FOR, AND BENEFITS OF, THE TRANSACTION

The terms of the Supplemental Agreement were arrived at after arm's length negotiation between Grand Wealth and Guangzhou Light Industry. The Transaction will enable the Lai Fung Group to consolidate its ownership of the office units in Guangzhou Eastern Place Phase V. Guangzhou Eastern Place Phase V is an integrated property development comprising residential and office units and ancillary retail spaces. After completion of the Transaction, the Lai Fung Group will own the entire Guangzhou Eastern Place Phase V office block. This will provide additional flexibility and strategic value to the Lai Fung Group and will hence enhance the value of the respective shares of Lai Fung and eSun.

For the above reasons, the Board of each of Lai Fung and eSun considers that the terms of the Supplemental Agreement are on normal commercial terms, the terms of which are fair and reasonable and the entering into of the Supplemental Agreement is in the interest of Lai Fung and eSun and their respective shareholders as a whole.

FINANCIAL EFFECTS TO LAI FUNG GROUP IN RELATION TO THE TRANSACTION

Taking into account (i) the unaudited carrying amount of the Substituted Property of approximately RMB239.4 million (equivalent to approximately HK\$303.3 million) as at 31 December 2014; (ii) the estimated further costs to completion of the construction of the Substituted Property of approximately RMB14.2 million (equivalent to approximately HK\$18.0 million); (iii) the estimated transaction costs of approximately RMB38.0 million (equivalent to approximately HK\$48.2 million) in relation to the Transaction; and (iv) the valuation of the Original Property upon completion of construction of approximately RMB263.9 million (equivalent to approximately HK\$334.4 million), the Lai Fung Group expects to recognise in its consolidated income statement an estimated loss on the Transaction of approximately RMB27.7 million (equivalent to approximately HK\$35.1 million).

The calculation of the above financial effects and the related accounting treatments is subject to the review of the independent auditors of Lai Fung. Upon Completion, the actual financial effects for accounting purposes will need to be recalculated based on the actual carrying amount of the Substituted Property as at the Completion Date, the fair value of the Original Property as at the Completion Date and the actual transaction costs incurred and are expected to be different from the amounts disclosed above.

FINANCIAL EFFECTS TO eSUN GROUP IN RELATION TO THE TRANSACTION

Taking into account (i) the unaudited carrying amount of the Substituted Property of approximately RMB240.6 million (equivalent to approximately HK\$304.9 million) as at 31 December 2014; (ii) the estimated further costs to completion of the construction of the Substituted Property of approximately RMB14.2 million (equivalent to approximately HK\$18.0 million); (iii) the estimated transaction costs of approximately RMB38.0 million (equivalent to approximately HK\$48.2 million) in relation to the Transaction; and (iv) the valuation of the Original Property upon completion of construction of approximately RMB263.9 million (equivalent to approximately HK\$334.4 million), the eSun Group expects to recognise in its consolidated income statement an estimated loss on the Transaction of approximately RMB28.9 million (equivalent to approximately HK\$36.6 million).

The calculation of the above financial effects and the related accounting treatments is subject to the review of the independent auditors of eSun. Upon Completion, the actual financial effects for accounting purposes will need to be recalculated based on the actual carrying amount of the Substituted Property as at the Completion Date, the fair value of the Original Property as at the Completion Date and the actual transaction costs incurred and are expected to be different from the amounts disclosed above.

INFORMATION ABOUT GRAND WEALTH, LAI FUNG, eSUN AND GUANGZHOU LIGHT INDUSTRY

Grand Wealth is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of Lai Fung. The principal business of Grand Wealth is investment holding.

Lai Fung is an exempted company incorporated in the Cayman Islands 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 Lai Fung Group include property development for sale and property investment for rental purposes 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, entertainment, music production and distribution, the investment in and production and distribution of television programmes, film and video format products, cinema operation, the provision of advertising agency services, the sale of cosmetic products as well as property development for sale and property investment for rental purposes. eSun owns approximately 51.39% of the total issued share capital of Lai Fung as at the date of this joint announcement.

Guangzhou Light Industry is a state-owned enterprise incorporated in the PRC. Guangzhou Light Industry is principally engaged in the real estate business. Save as disclosed above, to the best of the knowledge, information and belief of the respective directors of Lai Fung and eSun having made all reasonable enquiries, Guangzhou Light Industry and its ultimate beneficial owners are independent of Lai Fung and eSun and their respective connected persons.

IMPLICATIONS UNDER THE LISTING RULES

Lai Fung

The Transaction is by its nature a property swap and involves the acquisition of the Original Property and the disposal of the Substituted Property by the Lai Fung Group. As one of the applicable percentage ratios in respect of the Transaction is more than 5% but all of the applicable percentage ratios are less than 25%, the Transaction constitutes a discloseable transaction for Lai Fung and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

eSun

Lai Fung is a 51.39%-owned subsidiary of eSun as at the date of this joint announcement. As one of the applicable percentage ratios in respect of the Transaction is more than 25% but all of the applicable percentage ratios are less than 75%, the Transaction constitutes a major transaction for eSun and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. The Transaction is hence subject to the approval of the eSun Shareholders at the eSun SGM by way of poll. eSun expects to despatch to the eSun Shareholders a circular containing, among other things, further details of the Transaction and the notice convening the eSun SGM on or before 5 February 2015.

DEFINITIONS

In this joint announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

"Board"	the board of directors of Lai Fung and/or eSun, as the case may be;
"Completion"	completion of the Transaction in accordance with the terms of the Supplemental Agreement;
"Completion Date"	the date on which Completion shall take place;
"connected person(s)"	has the meaning ascribed to it in the Listing Rules;
"eSun"	eSun Holdings Limited, 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 (Stock Code: 571);
"eSun Group"	eSun and its subsidiaries;
"eSun SGM"	a special general meeting of eSun to be convened and held for approving the Transaction;
"eSun Shareholder(s)"	holder(s) of the share(s) of eSun;
"Grand Wealth"	Grand Wealth Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of Lai Fung;

“Guangzhou Eastern Place”	a multi-phase property development project of the Lai Fung Group situated at 787 Dongfeng East Road, Yuexiu District, Guangzhou, the PRC;
“Guangzhou Light Industry”	廣州市輕工房地產開發公司 (Guangzhou Light Industry Real Estate Development Company*), a state-owned enterprise incorporated in the PRC;
“Guangzhou Paramount Centre”	a serviced apartment development of the Lai Fung Group known as “STARR Xin Hotel” and situated at the junction of Da Sha Tou Road and Yan Jiang Dong Road in Yuexiu District, Guangzhou, the PRC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“JVA”	the joint venture agreement dated 23 November 1993 and entered into between Grand Wealth and Guangzhou Light Industry for the establishment of a co-operative joint venture company, 廣州麗興房地產開發有限公司 (Guangzhou Grand Wealth Properties Limited), in relation to the development of Guangzhou Eastern Place, as amended by the supplemental agreements dated 3 June 1996, 31 December 1996, 3 May 1997, 5 August 1997, 14 February 2006, 10 May 2006, 2 April 2007, 10 July 2008, 8 May 2009 and 5 March 2014;
“Lai Fung”	Lai Fung Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 1125);
“Lai Fung Group”	Lai Fung and its subsidiaries;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Original Property”	all the units on the 15 th , 16 th , 17 th , 18 th Floors and units B and E on the 19 th Floor of the office block of Guangzhou Eastern Place Phase V, with an aggregate floor area of approximately 7,539 sq.m.;
“Parties”	collectively, Grand Wealth and Guangzhou Light Industry;
“percentage ratio(s)”	has the meaning ascribed to it in Rule 14.04 of the Listing Rules;
“PRC”	the People’s Republic of China and for the purpose of this joint announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“sq.m.”	square metre;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Substituted Property”	the entire Guangzhou Paramount Centre with an aggregate floor area of 12,395 sq.m.;

“Supplemental Agreement”

the supplemental agreement dated 15 January 2015 and entered into between Grand Wealth and Guangzhou Light Industry to amend certain provisions of the JVA;

“Transaction”

the conditional swap of the Original Property and the Substituted Property between Grand Wealth and Guangzhou Light Industry on the terms and conditions of the Supplemental Agreement; and

“%”

per cent.

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

By Order of the Board
Lai Fung Holdings Limited
Chew Fook Aun
Chairman

Hong Kong, 15 January 2015

As at the date of this joint announcement,

- (a) *the Board of eSun comprises four executive directors, namely Messrs. Lui Siu Tsuen, Richard (Chief Executive Officer), Chew Fook Aun, Lam Hau Yin, Lester and Yip Chai Tuck; two non-executive directors, namely Madam U Po Chu and Mr. Andrew Y. Yan; 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*
- (b) *the Board of Lai Fung comprises seven 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, Mr. Lau Shu Yan, Julius and Mr. Cheng Shin How; two non-executive directors, namely Mr. Lucas Ignatius Loh Jen Yuh and Mr. Chan Boon Seng (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.*

In this joint announcement, amounts in RMB are converted into HK\$ on the basis of RMB1 = HK\$1.2671. The conversion rate is for illustrative purpose only and should not be taken as a representation that RMB could actually be converted in HK\$ at such rate or at all.

** For identification purposes only*