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If you have sold or transferred all your shares in Lai Fung Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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L A I F U N G H O L D I N G S

Lai Fung Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1125)

DISCLOSEABLE TRANSACTION

**ACQUISITION OF INTERESTS IN HANKEY DEVELOPMENT LIMITED
WITH INDIRECT PROPERTY INTERESTS IN ZHABEI DISTRICT IN SHANGHAI**

A letter from the board of directors of Lai Fung Holdings Limited is set out on pages 3 to 7 of this circular.

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	3
Appendix — General Information	8

DEFINITIONS

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

“Acquisition”	the Group’s acquisition of the Hankey (Sale) Interests under the SP (Hankey (HK)) Agreement
“Board”	the board of Directors
“Company”	Lai Fung Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition under the SP (Hankey (HK)) Agreement
“connected person”	has the meaning ascribed to such term in the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hankey (HK)”	Hankey Development Limited (漢基百樂發展有限公司), which is a limited liability company incorporated in Hong Kong
“Hankey (HK) Group”	Hankey (HK) together with the Subject (PRC) Companies
“Hankey (Sale) Interests”	50% of the entire issued share capital of Hankey (HK) and the entire shareholder loan due from Hankey (HK) to the Vendor as at Completion
“Hankey Shanghai Real Estate”	上海漢基房地產發展有限公司 (Shanghai Hankey Real Estate Development Co., Ltd.*), which is an equity joint venture between Hankey (HK) and three other Independent Third Parties in the PRC
“Hankey Zhabei”	上海閘北廣場房地產發展有限公司 (Shanghai Zhabei Plaza Real Estate Development Co., Ltd.*), which is an equity joint venture between Hankey (HK) and another Independent Third Party in the PRC

DEFINITIONS

“Independent Third Party(ies)”	a party who, together with its ultimate beneficial owner(s), to the best knowledge, information and belief of the Directors after having made all reasonable enquiry, is not a connected person of the Company and is also a third party independent of the Company and its connected persons
“Latest Practicable Date”	Monday, 12 November 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the Mainland of China
“Purchaser”	Nicetronic Investments Limited, which is a limited liability company incorporated in the British Virgin Islands and indirect wholly-owned subsidiary of the Company
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share”	ordinary share, currently of HK\$0.10 each, in the share capital of the Company
“Shareholder”	shareholder of the Company
“SP (Hankey (HK)) Agreement”	the sale and purchase agreement dated 29 October 2007 between the Vendor and the Purchaser in respect of the sale and purchase of the Hankey (Sale) Interests
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject (PRC) Companies”	Hankey Zhabei and Hankey Shanghai Real Estate
“Vendor”	Pilkington Investments Limited, which is a limited liability company incorporated in the British Virgin Islands and an Independent Third Party

* *The informal English translation or transliterations of Chinese formal names are for reference purposes.*

For the purpose of this circular, the translation of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 = HK\$1.02 and the translation of US\$ into HK\$ is based on the approximate exchange rate of US\$1.00 = HK\$7.80.

LETTER FROM THE BOARD



LAI FUNG HOLDINGS

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

(Stock Code: 1125)

Executive Directors:

Mr. Lam Kin Ngok, Peter (*Chairman*)
Mr. 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
Mr. Tam Kin Man, Kraven
Mr. Cheung Sum, Sam
Ms. Leung Churk Yin, Jeanny
Mr. Cheng Shin How

Non-Executive Directors:

Mr. Lim Ming Yan
Mr. Cheong Kwok Mun[#]

Independent Non-Executive Directors:

Mr. Wong Yee Sui, Andrew
Mr. Lam Bing Kwan
Mr. Ku Moon Lun

[#] *Alternate Director to Mr. Lim Ming Yan*

Registered Office:

Ugland House
South Church Street
P.O. Box 309
George Town
Grand Cayman
Cayman Islands
British West Indies

*Principal place of
business in Hong Kong:*

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

14 November 2007

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

ACQUISITION OF INTERESTS IN HANKEY DEVELOPMENT LIMITED WITH INDIRECT PROPERTY INTERESTS IN ZHABEI DISTRICT IN SHANGHAI

INTRODUCTION

The Board announced on 30 October 2007 that, on 29 October 2007, Nicetronic Investments Limited (a wholly-owned subsidiary of the Company) as the Purchaser and Pilkington Investments Limited as the Vendor entered into the SP (Hankey (HK)) Agreement. The Vendor is an Independent Third Party.

LETTER FROM THE BOARD

Under the SP (Hankey (HK)) Agreement, the Vendor agreed to sell and assign to the Purchaser 50% of the issued share capital of Hankey (HK), and the entire shareholder's loan outstanding from Hankey (HK) to the Vendor at completion of the Acquisition, at a total price of HK\$424 million.

The Acquisition constitutes a discloseable transaction for the Company under the Listing Rules. The purpose of this circular is to provide you with further information on the Acquisition and other information in respect of the Group.

THE SP (HANKEY (HK)) AGREEMENT

Date: 29 October 2007

Parties:

- (1) Pilkington Investments Limited as the Vendor; and
- (2) Nicetronic Investments Limited, which is an indirect wholly-owned subsidiary of the Company, as the Purchaser.

The Vendor and its beneficial shareholder(s) are all Independent Third Parties. To the best of the knowledge of the Company after making reasonable enquiry, the principal business activity of the Vendor is investment holding. The Purchaser and the Vendor are existing shareholders of Hankey (HK), each holding 50% of the issued share capital of Hankey (HK).

Assets to be acquired:

The Vendor agreed to sell and assign to the Purchaser the Hankey (Sale) Interests, which comprise 50% of the issued share capital of Hankey (HK) and the entire shareholder loan outstanding from Hankey (HK) to the Vendor as at the completion of the Acquisition. As at the date of the SP (Hankey (HK)) Agreement, the total amount of the shareholder loan outstanding from Hankey (HK) to the Vendor was about HK\$229.5 million.

Hankey (HK) is the majority shareholder of each of the Subject (PRC) Companies, that is, Hankey Shanghai Real Estate and Hankey Zhabei. These Subject (PRC) Companies are equity joint ventures with other Independent Third Parties to develop and own properties in Zhabei Plaza (Plot 130-3), portion of Hui Gong Tower (滙貢大廈) and Zhabei Plaza (Plot 130-5), all situate in Shanghai, the PRC. Hankey (HK) and the Subject (PRC) Companies are associated companies of the Group. After completion of Acquisition, they will become indirect subsidiaries of the Group.

LETTER FROM THE BOARD

The registered capital of Hankey Shanghai Real Estate is US\$10.8 million (about HK\$84.24 million), and has been fully contributed. It is held as to 96.5949% (about US\$10.43 million or HK\$81.35 million) by Hankey (HK) and 3.4051% (about US\$368,000 or HK\$2,870,000) by three other Independent Third Parties, respectively. Hankey Shanghai Real Estate is holding property interests in Zhabei Plaza (Plot 130-3), which is a 22-storey commercial/office building, and portion of Hui Gong Tower, which is an 11-storey commercial/office tower. They share a common podium (levels 1 to 6) plus two levels of basement underneath constructed over two plots of land (comprising Plot 130-3 owned by Hankey Shanghai Real Estate and another adjacent plot of land owned by a third party) in about 2001. The land use rights granted for the property is for composite use (arcade shops/restaurant/entertainment/office). The total gross floor area of Zhabei Plaza (Plot 130-3) and portion of Hui Gong Tower (levels 1 to 5 plus two levels of basement underneath) owned by Hankey Shanghai Real Estate is about 36,525 sq. m. The corresponding site area attributable to the property is about 4,665.28 sq. m. Portions of the property are currently subject to various tenancies.

The registered capital of Hankey Zhabei is US\$12 million (about HK\$93.6 million), and has been fully contributed. It is held as to 99% (about US\$11.88 million or HK\$92.66 million) by Hankey (HK) and 1% (about US\$120,000 or HK\$936,000) by another Independent Third Party, respectively. Hankey Zhabei is holding property interests in a site, with about 4,115 sq. m. site area, in Zhabei Plaza (Plot 130-5). The site is planned to be developed into a commercial/office apartment building with about 22 storeys plus three levels of basement with approved total gross floor area of about 34,000 sq. m. The land use rights granted for the property is for composite use (commercial/office/entertainment). This property development project is still in planning stage.

Consideration and completion of the Acquisition:

The total purchase price for the Hankey (Sale) Interests is HK\$424 million. On the date of the SP (Hankey (HK) Agreement), a sum of HK\$42.4 million, representing 10% of the purchase price, had been paid to the Vendor in cash as deposit. The remaining 90% of the purchase price will be settled in cash on completion of the Acquisition. Under the SP (Hankey (HK)) Agreement, the Acquisition will be completed on 25 January 2008 (or such other date as the Vendor and the Purchaser may agree in writing).

LETTER FROM THE BOARD

The purchase price for the Hankey (Sale) Interests was negotiated on arm's length basis between the Group and the Vendor. As at 31 July 2007, the unaudited consolidated net asset value of Hankey (HK) Group was about HK\$257 million. The aggregate market value of the underlying property interests in Zhabei Plaza (Plot 130-3), portion of Hui Gong Tower and Zhabei Plaza (Plot 130-5) assessed by an independent professional valuer commissioned by the Group was about HK\$972 million as at 31 July 2007. The Group agreed to the purchase price primarily with reference to (a) 50% (i.e. HK\$195 million) of the unaudited consolidated net asset value of Hankey (HK) Group as adjusted to HK\$390 million (to take into account such property valuation and provision of about HK\$136 million for the related deferred tax liability) and (b) the shareholder loan, currently of about HK\$229.5 million, due from Hankey (HK) to the Vendor subject to the Acquisition.

The purchase price will be funded out of the internal resources of the Group.

REASONS FOR, AND BENEFITS OF, THE ACQUISITION

The Group is an existing 50% shareholder of Hankey (HK). The Acquisition of the remaining 50% shareholding interests in Hankey (HK) enables the Group to consolidate controlling interests in the entire Hankey (HK) Group. The Group expects that it would provide full autonomy in the formulation and enhanced efficiency in implementation of the Group's business and marketing strategies for the underlying property interests in Zhabei Plaza. In addition, the enlarged share of the rental income stream from the various leases of Zhabei Plaza (Plot 130-3) would immediately contribute to the cash flow of the Group. In the long term, the Company expects that the enlarged stake held in Zhabei Plaza would also strengthen the Group's land bank, and enhance the strategic investments at a prime location in Shanghai which is one of the PRC's most promising and fast growing property markets.

Based on the audited consolidated financial statements of Hankey (HK) Group for the financial year ended 31 July 2005, the audited consolidated net profit before and after taxation and extraordinary items and minority interest of Hankey (HK) Group for the financial year ended 31 July 2005 were approximately HK\$4 million and HK\$6 million, respectively. Based on the audited consolidated financial statements of Hankey (HK) Group for the financial year ended 31 July 2006, the audited consolidated net profit before and after taxation and extraordinary items and minority interest of Hankey (HK) Group for the financial year ended 31 July 2006 were approximately HK\$12 million and HK\$5 million, respectively.

LETTER FROM THE BOARD

The Directors consider that the terms and conditions of the terms of the Acquisition, including the amount of the purchase price, are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

FINANCIAL EFFECTS ON THE EARNINGS, AND ASSETS AND LIABILITIES OF THE GROUP

After completion of Acquisition, Hankey (HK), Hankey Shanghai Real Estate and Hankey Zhabei will be 100%, 96.5949% and 99% owned indirect subsidiaries of the Company respectively, and their post-acquisition earnings and assets and liabilities will be included in the Company's consolidated financial statements. As the purchase price under the Acquisition will be funded out of the internal resources of the Group, upon completion of the Acquisition there will not be material impact on the assets, liabilities and earnings of the Group as a whole.

GENERAL

The Group is principally engaged in property development for sale and property investment for rental purposes in Mainland China. The Group's core businesses include investment and development of service apartments, residential, office and commercial properties in prime locations in major gateway cities in China with excellent accessibility and infrastructure. The Acquisition is also consistent with the principal property development and investment business of the Group.

Some of the percentage ratios of the Acquisition exceed 5% but all of them are less than 25%. As such, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
Lai Fung Holdings Limited
Lam Kin Ngok, Peter
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (iii) were required, pursuant to the Code of Practice for Securities Transactions by Directors adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in the Shares

Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Capacity	Total	Percentage
Lam Kin Ngok, Peter	Nil	Nil	3,265,688,037 (Note)	Nil	Owner of controlled corporation	3,265,688,037	40.58%
Lau Shu Yan, Julius	2,258,829	Nil	Nil	Nil	Beneficial owner	2,258,829	0.03%
Tam Kin Man, Kraven	Nil	Nil	Nil	40,000,000 (under share option)	Beneficial owner	40,000,000	0.50%
Cheung Sum, Sam	Nil	Nil	Nil	30,000,000 (under share option)	Beneficial owner	30,000,000	0.37%

Note: These interests in the Company represent the shares beneficially owned by Lai Sun Garment (International) Limited (“LSG”) (1,869,206,362 shares) and Silver Glory Securities Limited (“SGS”) (1,396,481,675 shares), a wholly-owned subsidiary of LSG. Mr. Lam Kin Ngok, Peter was deemed to be interested in the 3,265,688,037 shares in the Company held by LSG and SGS since he held (1) a 50% interest in Wisdoman Limited which held 484,991,750 shares in LSG and (2) a personal interest of 124,644,319 shares in LSG, representing in aggregate approximately 37.69% of the issued share capital of LSG.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares of equity derivatives and debentures of the Company or its associated corporation which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or were required, pursuant to the Code of Practice for Securities Transactions by Directors adopted by the Company, to be notified to the Company and the Stock Exchange.

3. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the following persons or corporations (not being Directors or chief executive of the Company), had an interest in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Shareholder	Nature of interests	Capacity	Number of Shares held	Approximate percentage
Lai Sun Garment (International) Limited (“LSG”)	Corporate	Beneficial owner	3,265,688,037 <i>(Note 1)</i>	40.58%
CapitaLand China Holdings Pte Ltd.	Corporate	Owner of controlled corporation	1,610,000,000	20.00%
CapitaLand LF (Cayman) Holdings Co., Ltd	Corporate	Beneficial owner	1,610,000,000	20.00%

Name of Shareholder	Nature of interests	Capacity	Number of Shares held	Approximate percentage
CapitaLand Limited	Corporate	Owner of controlled corporation	1,610,000,000	20.00%
CapitaLand Residential Limited	Corporate	Owner of controlled corporation	1,610,000,000	20.00%
Temasek Holdings (Private) Limited	Corporate	Owner of controlled corporation	1,610,000,000	20.00%
Silver Glory Securities Limited (“SGS”)	Corporate	Beneficial owner	1,396,481,675	17.35%
Allianz SE	Corporate	Owner of controlled corporation	554,944,711	6.90%
Dresdner Bank Aktiengesellschaft	Corporate	Owner of controlled corporation	554,944,711	6.90%
Veer Palthe Voute NV	Corporate	Investment manager	554,944,711	6.90%

Notes:

- (1) These interests in the Company represented the shares beneficially owned by LSG (1,869,206,362) and SGS (1,396,481,675 shares), a wholly-owned subsidiary of LSG. SGS’s interest constituted part of the interest held by LSG.
- (2) Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Mr. Lam Kin Hong, Matthew, Mr. Lam Hau Yin, Lester, Madam U Po Chu, Mr. Tam Kin Man, Kraven and Ms. Leung Churk Yin, Jeanny are directors of Lai Sun Garment (International) Limited. Mr. Lam Hau Yin, Lester is also an alternate director to Madam U Po Chu in Lai Sun Garment (International) Limited.

Mr. Lam Kin Ngok, Mr. Lam Hau Yin, Lester and Ms. Leung Churk Yin, Jeanny are directors of Silver Glory Securities Limited.

Mr. Lim Ming Yan is a director of CapitaLand China Holdings Pte Ltd and CapitaLand LF (Cayman) Holdings Co., Ltd. Mr. Cheng Shin How is a director of CapitaLand China Holdings Pte. Ltd. Mr. Cheong Kwok Mun is the General Manager, Corporate Management of CapitaLand China Holdings Pte. Ltd.

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following party (other than Directors or chief executive of the Company) was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including any options in respect of such capital) carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of member of the Group	Name of the shareholder	Approximate percentage
Farron Assets Limited	Goldmark Pacific Limited	22.5%

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any other person who had an interest or short position in the shares or 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 who was directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital.

5. LITIGATION

As at the Latest Practicable Date and so far as the Directors are aware, no member of the Group is engaged in any litigation or arbitration proceedings of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any member of the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, the following Directors are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group:

Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Mr. Lam Kin Hong, Matthew, Madam U Po Chu and Mr. Lau Shu Yan, Julius held interests and/or directorships in certain private companies (“Private Companies”) engaged in the businesses of property investment and development in the PRC.

In view of the scale of operations of the Private Companies, the locations of the properties owned by the Private Companies compared to those of the investment properties and properties under development of the Group, and the different target market segments, the Directors do not consider the aforesaid personal interests held by the abovementioned Directors to compete in practice with the business of the Group.

Mr. Lim Ming Yan, Mr. Cheng Shin How and Mr. Cheong Kwok Mun hold directorships in a number of subsidiaries of CapitaLand Limited (“CapitaLand”), one of the largest listed real estate companies in Asia, which is headquartered in Singapore. CapitaLand’s core businesses are real estate, hospitality and real estate financial services in gateway cities in Asia Pacific, Europe and the Middle East. Its real estate portfolio in China spans more than 30 cities with projects worth over RMB40 billion. Since 1994, CapitaLand group has completed more than 8,000 homes across the Mainland. It has also entered into partnerships with other prominent local developers in Sichuan Province and Henan Province.

As the Board and the management of the Group are independent from those of the aforesaid Private Companies and CapitaLand group, and none of the above Directors of the Company who may have interests in a competing business with the Group can control the Board, the Group is capable of carrying on its business independently of, and at arm’s length from, the businesses of the aforesaid companies.

7. GENERAL

- (a) The secretary of the Company is Mr. Yeung Kam Hoi, who is an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries and a member of Hong Kong Securities Institute.
- (b) The qualified accountant of the Company is Mr. Hui Hon Pong, who is a fellow of Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.
- (c) The registered office of the Company is situated at Uglan House, South Church Street, P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies. The principal place of business of the Company in Hong Kong is situated at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong.
- (d) The principal share registrar and transfer office of the Company is Butterfield Fund Services (Cayman) Limited of Butterfield House, 68 Fort Street, P.O. Box 705, George Town, Grand Cayman, Cayman Islands. The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited of 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in case of inconsistency.