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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
IN RELATION TO THE ACQUISITION OF A PROPERTY
IN LONDON, UNITED KINGDOM**

A letter from the Board is set out on pages 3 to 7 of this circular.

2 December 2014

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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:

“Acquisition”	the acquisition of the Property by the Purchaser from the Vendor pursuant to the terms and conditions of the Agreement;
“Agreement”	the agreement dated 8 November 2014 entered into by the Purchaser and the Vendor in respect of the Acquisition;
“Board”	the board of Directors;
“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 Acquisition;
“connected person(s)”	has the meaning as ascribed thereto in the Listing Rules;
“Deposit”	a deposit in the sum of £5,350,000 (approximately HK\$65,858,500);
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Latest Practicable Date”	26 November 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining information contained herein;
“Lease”	the lease in respect of the Property;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	12 February 2015;
“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), which owns approximately 51.97% of the total issued shares of the Company as at the date of the Latest Practicable Date;

DEFINITIONS

“LSG Group”	LSG and its subsidiaries, including the Group;
“LSG Shareholders”	the shareholders of LSG;
“LSG Shareholders’ Approval”	LSG Shareholders’ approval for the Acquisition;
“PRC”	the People’s Republic of China excluding, for the purpose of this circular, Hong Kong, Special Administrative Region of Macau of the PRC and Taiwan;
“Property”	the freehold property at 100 Leadenhall Street, London EC3, United Kingdom;
“Purchaser”	Frontier Dragon Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	share(s) in the issued share capital of the Company;
“Shareholder(s)”	the shareholder(s) of the Company;
“Shareholders’ Approval”	the Shareholders’ approval for the Acquisition;
“Stipulated Date”	31 December 2014;
“Stipulated Sum”	£350,000 (approximately HK\$4,308,500);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Vendor”	Nordcapital Immobilienfonds London 1 GMBH & Co. KG;
“£”	Pounds Sterling, the lawful currency of the United Kingdom; and
“%”	per cent.

For the purpose of this circular, £ has been translated into HK\$ at the rate of £1 = HK\$12.31, being the medium rate on 8 November 2014 set by The Hong Kong Association of Banks, for reference purposes only.

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

2 December 2014

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF A PROPERTY IN LONDON, UNITED KINGDOM

INTRODUCTION

Reference is made to the joint announcement issued by the Company and LSG dated 9 November 2014 in relation to the Acquisition.

The purpose of this circular is to provide you with, among other things, further details of the Acquisition and the valuation report on the Property.

LETTER FROM THE BOARD

THE ACQUISITION

The principal terms of the Agreement are summarised below:

Date:	8 November 2014
Parties:	
(i) Vendor:	Nordcapital Immobilienfonds London 1 GMBH & Co. KG
(ii) Purchaser:	Frontier Dragon Limited, a wholly-owned subsidiary of the Company
Property:	100 Leadenhall Street, London EC3, United Kingdom.
Consideration and Deposit:	<p>The consideration for the Acquisition is £107,000,000 (approximately HK\$1,317,170,000).</p> <p>The Purchaser has paid a Deposit of £5,350,000 (approximately HK\$65,858,500), being 5% of the consideration, as part payment of the consideration. The balance of the consideration will be paid upon Completion and is subject to deduction of any rent received by the Vendor under the Lease attributable to a period after Completion.</p>
Completion:	Completion is conditional upon approval from the Vendor's investors, LSG Shareholders' Approval and the Shareholders' Approval in each case on or before the Long Stop Date.
Default:	<p><u>Vendor's default</u></p> <p>If the Vendor fails to obtain its investors' approval for the Acquisition by 2 p.m. on 30 November 2014 (London time), either party to the Agreement may give written notice to the other party to terminate the Agreement. In such event, the Deposit will be returned to the Purchaser together with any accrued interest.</p> <p>The Purchaser has been notified that the Vendor's investors have given approval for the Acquisition.</p>

LETTER FROM THE BOARD

Purchaser's default

- (a) If any or both of the Shareholders' Approval and LSG Shareholders' Approval is/are not obtained by 2 p.m. on the Stipulated Date (London time), subject to (b) below, either party to the Agreement may give written notice to the other party to terminate the Agreement. In such event, the Deposit will be returned to the Purchaser together with any accrued interest and the Purchaser will pay to the Vendor the Stipulated Sum as liquidated damages; and
- (b) the Purchaser may give written notice to the Vendor before, on or immediately after the Stipulated Date to proceed with Completion on the basis that both Shareholders' Approval and LSG Shareholders' Approval will be obtained on or before the Long Stop Date. If any or both of the Shareholders' Approval and LSG Shareholders' Approval is/are not obtained by 2 p.m. on the Long Stop Date (London time), either party to the Agreement may immediately give written notice to the other party to terminate the Agreement. In such event, the entire Deposit together with any accrued interest will be forfeited by the Vendor as liquidated damages.

The consideration was arrived at after taking into account factors including, among others, the prevailing market price of comparable properties, the location of the Property and the redevelopment potentials of the Property, and will be satisfied by internal resources and bank financing. It is currently expected that about 20% of the consideration will be settled by internal resources and about 80% of the consideration will be settled by bank financing. The actual split between the internal resources and bank financing may vary depending on the financing arrangements finally put in place.

The terms and conditions of the Agreement and the consideration for the Acquisition are on normal commercial terms and are determined after arm's length negotiations between the Purchaser and the Vendor.

INFORMATION ON 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 51.97% of the total issued shares of the Company as at the date of the Latest Practicable Date.

LETTER FROM THE BOARD

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.

INFORMATION ON THE VENDOR

The Vendor is a German limited partnership organised under the laws of the Federal Republic of Germany. To the best of the Directors' knowledge and information, the Vendor is an investment by Nordcapital Real Estate, a Hamburg based German closed ended fund manager which creates syndicated commercial property funds. Nordcapital Real Estate is part of the Nordcapital Group which invests in shipping, real estate, private equity and energy.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Property is located in the heart of the financial district within the City of London. The Property comprises a basement, a lower ground floor and nine upper floors and provides approximately 126,539 square feet (approximately 11,755.8 square meters) of offices and ancillary accommodation.

Based on the information provided by the Vendor, the Property is currently let to ACE Global Markets Limited pursuant to the Lease which is for a term of 16 years expiring on 17 January 2018 generating gross rental income of £6,250,000 (approximately HK\$76,937,500) per annum. Taking such rental income against the consideration of £107,000,000 (approximately HK\$1,317,170,000), the gross rental income would have given a historical gross rental yield of approximately 5.8%.

The Directors consider that the terms of the Acquisition are fair and reasonable and that the Acquisition is in the interests of the Company and the Shareholders as a whole as it will enhance and enlarge the Group's strategic property investment portfolio in the City of London, United Kingdom.

FINANCIAL EFFECTS OF THE ACQUISITION

The Property is currently fully let to ACE Global Markets Limited under the Lease for a term of 16 years expiring on 17 January 2018. Based on the Lease, the gross rental income is £6,250,000 (approximately HK\$76,937,500) per annum. Based on currently available information, the Acquisition will have positive effects on the Group's earnings.

Assuming completion had taken place on 31 July 2014, and 20 % of the Consideration was funded by internal resources and 80% of the Consideration was funded by bank borrowings and taking into account the incidental costs, the unaudited pro forma consolidated total assets and total liabilities of the Group as at 31 July 2014 would be increased by approximately HK\$1,043 million.

LETTER FROM THE BOARD

VALUATION

Based on the valuation report, the value of the Property is £107,000,000 (HK\$1,317,170,000) as at 31 October 2014. For details, please refer to the valuation report in Appendix IV to this circular.

LISTING RULE IMPLICATIONS

The Acquisition constitutes a major transaction for the Company as one of the applicable percentage ratios is greater than 25% but less than 100% and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Shareholders' approval pursuant to Rule 14.44 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 Acquisition. 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 Acquisition.

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 10,425,699,353 Shares, representing approximately 51.97% of all the issued shares of the Company. Pursuant to Rule 14.44 of the Listing Rules, LSG, Joy Mind Limited and Zimba International Limited have given written approvals for the Acquisition subject to LSG Shareholders' Approval being obtained, in lieu of holding a general meeting. Accordingly, no general meeting will be convened by the Company to approve the Acquisition.

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 2012, 2013 and 2014 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 2012 published on 16 November 2012 (pages 55 to 156);
- annual report of the Company for the year ended 31 July 2013 published on 23 October 2013 (pages 57 to 147); and
- annual report of the Company for the year ended 31 July 2014 published on 7 November 2014 (pages 58 to 152).

2. INDEBTEDNESS

As at 31 October 2014, the Group had bank borrowings of approximately HK\$3,255.3 million and guaranteed notes of approximately HK\$2,700.9 million.

As at 31 October 2014, certain investment properties with carrying amounts of approximately HK\$12,502.8 million (being their carrying amounts as at 31 July 2014 as disclosed in the annual report of the Company for the year ended 31 July 2014) and certain bank balances and time deposits with a bank of approximately HK\$160.9 million were pledged to banks to secure banking facilities granted to the Group. In addition, certain shares in subsidiaries held by the Group were also pledged to banks to secure loan facilities granted to the Group. Certain shares in joint ventures held by the Group were pledged to banks to secure loan facilities granted to joint ventures of the Group. Certain shares of an investee company held by the Group were pledged to a bank to secure a loan facility granted to this investee company. The Group's secured bank borrowings were also secured by floating charges over certain assets held by the Group.

As at 31 October 2014, the Group had the following material contingent liability:

Pursuant to an indemnity deed ("**Lai Fung Tax Indemnity Deed**") dated 12 November 1997 entered into between the Company and Lai Fung Holding Limited ("**Lai Fung**"), the Company has undertaken to indemnify Lai Fung in respect of certain potential PRC income tax and land appreciation tax ("**LAT**") payable or shared by Lai Fung in consequence of the disposal of any of the property interests attributable to Lai Fung through its subsidiaries and its associates as at 31 October 1997 ("**Property Interests**"). These tax indemnities given by the Company apply in so far as such tax is applicable to the difference between (i) the value of the Property Interests in the valuation thereon by Chesterton Petty Limited (currently known as "**Knight Frank Petty Limited**"), independent chartered surveyors, as at 31 October 1997 ("**Valuation**"); and (ii) the aggregate costs of such Property Interests incurred up to 31 October 1997, together with the amount of unpaid land costs, unpaid land premium and unpaid

costs of resettlement, demolition and public utilities and other deductible costs in respect of the Property Interests. The Lai Fung Tax Indemnity Deed assumes that the Property Interests are disposed of at the values attributed to them in the Valuation, computed by reference to the rates and legislation governing PRC income tax and LAT prevailing at the time of the Valuation.

The indemnities given by the Company do not cover (i) new properties acquired by Lai Fung subsequent to the listing of the shares of Lai Fung on the Stock Exchange (“**Listing**”); (ii) any increase in the relevant tax which arises due to an increase in tax rates or changes to the legislation prevailing at the time of the Listing; and (iii) any claim to the extent that provision for deferred tax on the revaluation surplus has been made in the calculation of the adjusted net tangible asset value of Lai Fung as set out in Lai Fung’s prospectus dated 18 November 1997.

After taking into account the Property Interests currently held by Lai Fung as at 31 October 2014 which are covered under the Lai Fung Tax Indemnity Deed and the prevailing tax rates and legislation governing PRC income tax and LAT, the total amount of tax indemnity given by the Company is estimated to be approximately HK\$1,350.0 million.

As at 31 October 2014, after taking into account the plan and status of the Property Interests and the prevailing tax rates and legislation governing PRC income tax and LAT, the Group recorded an aggregate provision for tax indemnity of HK\$729.4 million.

Save as disclosed above and any intra-group liabilities and normal trade payables in the ordinary course of the business, as at 31 October 2014, the Group did not have any debt securities authorised or created but unissued, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

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 2014, 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 Group is engaged in property investment, property development, investment in and operation of hotels and restaurants and investment holding.

The year ended 31 July 2014 may be summarised as a year of consolidation for the Company. Notwithstanding robust equity and debt capital markets, the global economic fundamentals remain on a delicate recovery path. Despite continuous support from central banks around the world, major economies such as the United States and the Euro Zone continue to struggle.

Geopolitical tensions around the world such as those in the Middle East and between Russia and Ukraine shroud the already uncertain outlook. As a global financial centre, Hong Kong's economic performance is not immune from the challenges faced by the major economies around the world.

The property sector in Hong Kong generally continues to perform well notwithstanding the challenging conditions. The retail market is supported by low unemployment with steady visitor arrivals and the office leasing market is stabilising with some improvements. The residential market continues to be slow due to the introduction of control measures in late 2012 and early 2013 but new launches report robust prices being achieved and arguably reflects strong underlying demand. It is very likely that these control measures, barring any unforeseen circumstances, are here to stay until land supply has caught up, which is likely to take some years notwithstanding the government's emphasis and effort. Labour supply shortage in the construction industry is driving wage inflation and continues to pose a challenge on the cost management side.

Property Investment

The Group performed admirably against this challenging environment. The rental portfolio of approximately 1.6 million square feet generated steady rental income at high occupancy rates. During the year ended 31 July 2014, the Group's rental operations recorded a turnover of about HK\$502.3 million (2013: HK\$434.2 million), representing about a 15.7% increase over last year. Rental income increased through tenant mix adjustments, rental reversion and full year contribution from the CCB Tower since it was fully leased last year the latter of which is recognised as share of profits from joint ventures.

Property Development

For the year ended 31 July 2014, recognised turnover from sales of properties was about HK\$1,046.9 million (2013: HK\$100.3 million), representing an increase of about 943.8% over last year. The exceptional performance was due to the sale of residential units in Ocean One. Sale of the majority of remaining units in Ocean One were completed at the intended average selling price and substantially boosted the revenue and profit of the Group compared to last year. The sale of the 339 Tai Hang Road project, comprising 9 units and gross floor area ("GFA") of 30,400 square feet, commenced in July 2014 and is expected to make a contribution in the coming financial years.

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 LSG Group. Further to securing the Tseung Kwan O site in November 2012 and being awarded the hotel tender at Ocean Park in May 2014, the Group continued to participate in government tenders to grow the pipeline. In April 2014, the Group successfully secured the Urban Renewal Authority project in Ma Tau Kok which will be developed into middle class residential units for sale with permitted GFA of approximately 113,400 square feet and this project will complete in 2018. The completion of the Observatory Road project will add an attributable rental GFA of approximately 82,600 square feet in the prime Tsim Sha Tsui area of Hong Kong when it is completed in the third quarter of 2015.

The acquisition of 107 Leadenhall during the year bolstered our portfolio in London, United Kingdom which is a freehold commercial property located in the heart of the City of London. It consists of a basement, ground floor, a mezzanine and seven upper floors with total area of approximately 146,600 square feet and provides office accommodation above retail shops on the ground floor and is fully leased out. The historical rental income with the relevant rental guarantee equated to about a 6% yield on cost of investment and expected to generate good rental income to the Group in the long run. The renovation work for 36 Queen Street has been completed and is being leased out. It is now almost fully leased out and we expect steady rental income contribution for the coming financial year.

The Group's strong cash position of about HK\$1,809.5 million of cash on hand with a net debt to equity ratio of about 17% as at 31 July 2014 provides the Group full confidence and the means to review opportunities more actively. However, the Group 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 internal resources and the presently available banking facilities, the Group has sufficient working capital for its requirements for at least 12 months from the date of this circular.

PROFIT AND LOSS STATEMENT OF THE PROPERTY

Pursuant to Rule 14.67(6)(b)(i) of the Listing Rules, a profit and loss statement for the three preceding financial years on the identifiable income stream (“**Profit and Loss Statement**”) in relation to the Property, which must be reviewed by the reporting accountants to ensure that such information has been properly compiled and derived from the underlying books and records, is required to be included in this circular.

The Company is unable to gain access to the underlying books and records or other information of the Vendor in respect of the Property for the preparation of a Profit and Loss Statement in respect of the Property in order to comply with the requirement under Rule 14.67(6)(b)(i) of the Listing Rules. The Vendor is a private partnership and its financial information regarding the Property is not in the public domain.

The Company therefore applied for, and was granted by the Stock Exchange, a waiver from strict compliance with Rule 14.67(6)(b)(i) of the Listing Rules. The unaudited financial information of the Property for each of the three years ended 31 July 2012, 2013 and 2014 (“**Relevant Financial Period**”) as set out in this appendix has been prepared by the Directors based on a review of the Lease provided to the Company by the Vendor and may not give a true picture of the performance of the Property during the Relevant Financial Period.

The Property is fully let to Ace Global Markets Limited for a term of 16 years from 18 January 2002 and expiring on 17 January 2018 at an annual rent of £6,250,000 (approximately HK\$76,937,500) per annum payable by equal quarterly payments (“**Leasing Agreement**”).

Based on the Lease, the gross rental income of the Property during the Relevant Financial Period is set out below:

	For the year ended 31 July		
	2012	2013	2014
	<i>HK\$ (Note)</i>	<i>HK\$ (Note)</i>	<i>HK\$ (Note)</i>
Gross rental income:	76,937,500	76,937,500	76,937,500

Note: Based on the exchange rate of £1 = HK\$12.31, being the medium rate on 8 November 2014 set by The Hong Kong Association of Banks, on £6,250,000 for reference purposes only.

The Lease provides that tax duties, outgoings (electricity, water and other services), maintenance and repair for shared structure and insurance premium in respect of certain risks (that one would usually expect to see insured against) should be borne or would be reimbursed by the tenant. As such, such expenses have not been included in the financial information of the Property set out in this appendix.

To the best of the Directors’ knowledge and information, the Property was not subject to any ground rent, business rate or value-added tax during the Relevant Financial Period.

To the best of the Directors' knowledge and information, during the Relevant Financial Period, the Vendor incurred asset management fees, building management fees, loan interests and amortization of arrangement fees in respect of the Property. In the absence of relevant information from the Vendor, such expenses are not included in the financial information of the Property as set out above. The management of the Company estimates that the asset management fees and building management fees in respect of the Property would be about £20,000 (approximately HK\$246,200) and £10,000 (approximately HK\$123,100) per annum, respectively, based on the Company's recent enquiries with an independent asset and property management company in the United Kingdom; and the loan interests and amortization of arrangement fees would be about £2,568,000 (approximately HK\$31,612,080) per annum assuming an interest rate of 3% per annum, based on the Company's recent enquiries with a bank in relation to the Property. Such estimated expenses are based only on the management's experience and assessment and may not give a true and accurate picture of the expenses in respect of the Property during the Relevant Financial Period.

As far as the Directors are aware, they have no reasons to believe that the omission of a Profit and Loss Statement in respect of the Property would render the circular materially incomplete, misleading or deceptive.

In accordance with the Listing Rule, the Company has engaged Ernst & Young, the auditors of the Company, to perform certain factual finding procedures on the compilation of the gross rental income of the Property in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have agreed the gross rental income to certain information set out in the Leasing Agreement in accordance with the agreed-upon procedures set out in the relevant engagement letter between the Company and the auditors and reported its factual findings based on the agreed-upon procedures to the Directors. Pursuant to the terms of the relevant engagement letter between the Company and the auditors, the reported factual findings should not be used or relied upon by any other parties for any purposes. In the opinion of the Directors, the gross rental income has been properly compiled and derived from certain information set out in the Leasing Agreement.

INTRODUCTION

The unaudited pro forma financial information of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group at any future date.

The following is the unaudited pro forma financial information of the Group illustrating how the Acquisition might have affected the unaudited pro forma statement of assets and liabilities of the Group if the Acquisition had been completed as at 31 July 2014. The unaudited pro forma statement of assets and liabilities of the Group as at 31 July 2014 is prepared based on the audited consolidated statement of financial position of the Group as at 31 July 2014 as extracted from the published annual report of the Company for the year ended 31 July 2014, after making such pro forma adjustments relating to the Acquisition.

Unaudited Pro Forma Statement of Assets and Liabilities of the Group as at 31 July 2014

	The Group <i>HK\$ '000</i> <i>Note (1)</i>	Pro forma adjustments for the Acquisition <i>HK\$ '000</i>	<i>Notes</i>	The Group after the Acquisition <i>HK\$ '000</i>
NON-CURRENT ASSETS				
Property, plant and equipment	554,635			554,635
Prepaid land lease payments	22,955			22,955
Investment properties	12,669,295	1,382,782	(2), (3)	14,052,077
Properties under development for sale	109,158			109,158
Interests in associates	3,841,870			3,841,870
Interests in joint ventures	6,018,543			6,018,543
Available-for-sale financial assets	1,232,466			1,232,466
Pledged bank balances and time deposits	138,049			138,049
Deposits paid and other receivables	727,468			727,468
	25,314,439			26,697,221
CURRENT ASSETS				
Completed properties for sale	832,633			832,633
Equity investments at fair value through profit or loss	2,159			2,159
Inventories	8,106			8,106
Debtors, deposits paid and other receivables	134,032			134,032
Cash and cash equivalents	1,671,478	(339,583)	(4)	1,331,895
	2,648,408			2,308,825

APPENDIX III**UNAUDITED PRO FORMA STATEMENT
OF ASSETS AND LIABILITIES OF THE GROUP**

	The Group <i>HK\$'000</i> <i>Note (1)</i>	Pro forma adjustments for the Acquisition <i>HK\$'000</i>	<i>Notes</i>	The Group after the Acquisition <i>HK\$'000</i>
CURRENT LIABILITIES				
Creditors, deposits received and accruals	299,723			299,723
Tax payable	132,825			132,825
Bank borrowings	416,808	15,129	(4)	431,937
	<u>849,356</u>			<u>864,485</u>
NET CURRENT ASSETS	<u>1,799,052</u>			<u>1,444,340</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>27,113,491</u>			<u>28,141,561</u>
NON-CURRENT LIABILITIES				
Bank borrowings	2,274,414	1,028,070	(4)	3,302,484
Guaranteed notes	2,698,122			2,698,122
Deferred tax	111,620			111,620
Provision for tax indemnity	729,387			729,387
Long term rental deposits received	71,087			71,087
Deferred rental	4,366			4,366
	<u>5,888,996</u>			<u>6,917,066</u>
	<u>21,224,495</u>			<u>21,224,495</u>

Notes:

- (1) The audited consolidated statement of assets and liabilities of the Group as at 31 July 2014 are extracted from the published annual report of the Company for the year ended 31 July 2014.*
- (2) The adjustment represents the acquisition cost of the Property of £107,000,000 (approximately HK\$1,317,170,000) and the incidental costs estimated to be approximately £5,330,000 (approximately HK\$65,612,000), which includes stamp duty of £4,280,000 (approximately HK\$52,687,000) and estimated legal and professional fee and other direct costs of approximately £1,050,000 (approximately HK\$12,925,000) payable in connection with the Acquisition, as if the Acquisition was completed on 31 July 2014.*
- (3) In accordance with the Group's accounting policy, property held to earn rental income is accounted for as an investment property in the Group's financial statements.*
- (4) The Group intends to fund the Acquisition partly by internal resources and partly by bank borrowings. In preparing the unaudited pro forma statement of assets and liabilities, based on the Directors' current plan, the Directors had assumed that the Group will settle 20% of the consideration and the incidental costs of approximately £27,586,000 (approximately HK\$339,583,000) by internal resources and 80% of the consideration of £85,600,000 (approximately HK\$1,053,736,000) by mortgage bank loan. The actual split between the borrowings and internal resources may vary depending on the financing arrangements finally put in place. It is also assumed that unamortised front-end fee for the mortgage bank loan of £856,000 (approximately HK\$10,537,000) will be settled by internal resources. The mortgage bank loan will be classified as both a current and a non-current liability. As such, the apportionment of the above financing at the date of Completion could be different from the amounts presented above.*
- (5) No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 July 2014.*
- (6) Exchange rate £/HK\$ of 12.31, being the medium rate on 8 November 2014 set by The Hong Kong Association of Banks, is used for illustrative purpose only.*

The following is the text of a report received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma statement of assets and liabilities for the purpose of this circular.



22/F CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of Lai Sun Development Company Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Lai Sun Development Company Limited (“**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (“**Directors**”) for illustrative purposes only. The pro forma financial information consists of the pro forma statement of assets and liabilities as at 31 July 2014 and related notes as set out in Appendix III of the circular issued by the Company dated 2 December 2014 (“**Circular**”) (“**Pro Forma Financial Information**”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix III.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the acquisition of a property in London, United Kingdom (“**Acquisition**”) on the Group's assets and liabilities as at 31 July 2014 as if the transaction had taken place at 31 July 2014. As part of this process, information about the Group's assets and liabilities has been extracted by the Directors from the Group's financial statements for the year ended 31 July 2014, on which an annual report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Reporting Accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

2 December 2014

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from CBRE Limited, an independent valuer, in connection with their valuation as at 31 October 2014 of property interests to be acquired by the Group.

CBRE
CBRE Limited
Henrietta House
Henrietta Place
London W1G 0NB

Switchboard +44 20 7182 2000
Fax +4420 7182 2001

2 December 2014

Lai Sun Development Company Limited

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

Attn: The Board of Directors

Dear Sirs,

In accordance with your instruction to us to value the property interests in London, United Kingdom to be acquired by a subsidiary of Lai Sun Development Company Limited (“**Company**” or “**Group**”) for the purpose of public circular, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary to provide you with our opinion of the capital value of such property interests as at 31 October 2014 (“**date of valuation**”).

Our valuation is our opinion of Market Value which is defined by the International Valuation Standards to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

Unless otherwise stated, our valuation is prepared in accordance with RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors as well as the International Valuation Standards published by the International Valuation Standards Council. We have also complied with all the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”).

Our valuation has been made on the assumption that the owner sell the property on the open market without any benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the values of the property interests.

The property interests are valued by the Capitalisation Approach on the assumption that the property being sold subject to existing tenancies.

The Capitalisation Approach is a comparative approach by which the property net income is converted to Value. This approach is predicated on the basis of constant (static) cash flows and whereby the property growth and risk assumptions are implicit within the adopted Capitalisation Rate (also known as the Yield).

In undertaking this approach, the passing gross income is adjusted to reflect contracted and other anticipated deductions for (for example) operating costs, service charge recovery shortfalls, management costs and on-going vacancy and bad debts. Further adjustments are made for potential future income from existing vacancies to produce a net passing income on a fully leased basis.

The adopted fully leased net income is capitalised, at the market derived Capitalisation Rate, over the remaining term of the leases from the valuation date. The present value of the reversions to Market Rent upon lease expiries are also calculated, capitalised either to perpetuity for freehold or to the expiry of the leasehold interest.

The adopted Capitalisation Rate is derived from the analysis of available sales of similar investment grade properties. The adopted Market Rent is derived from the analysis of available leasing evidence from within similar investment grade properties. Analysis of both Capitalisation Rate and Market Rent considers the relative physical and financial characteristics of the transactional evidence comparatively to those of the subject property.

The capitalised income streams are summed to produce a Gross Value, thereafter various capital adjustments are made. These adjustments are one off, or non-recurring expense items which include, but are not restricted to letting up and associated allowances for existing vacancies, and capital expenditure. Finally, allowances for Stamp Duty and normal purchaser's costs of acquisition are deducted to arrive at the Market Value.

We have been provided with extracts from title documents relating to such property interests. We have not, however, searched the original documents to verify ownership or any amendment which did not appear on the copies handed to us. All documents have been used for reference only.

We have relied to a considerable extent on information given by the Group, in particular, but not limited to planning approvals, statutory notices, easements, tenancies and floor areas. No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificate are only approximations. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided to us.

We have inspected the property to such extent as for the purpose of this valuation. In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey or any tests on the building services. Therefore, we are not able to report whether the property is free of rot, infestation or any other structural defects. We have not carried out investigations on the site to determine the suitability of the ground conditions and the services etc. for the existing structures or any future development. We do not commission site surveys and a site survey has not been provided to us. We have assumed there are no encroachments by or on the property.

Unless otherwise disclosed, there is no unauthorised structure or alteration on the property which is apparent from our inspection. If an unauthorised structure or alteration exists, it may render the title to the property defective. It is suggested that appropriate professional consultants should be instructed to carry out building survey and check if there is any illegal/unauthorised structure/alteration in the property and whether the actual use of the property complies with the local ordinances/regulations.

No allowance has been made in our valuation neither for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free of encumbrances, restrictions and outgoings of onerous nature which could affect their values.

The monetary amounts are stated in British Pounds (“**GBP £**”).

This report and valuation shall be used only in its entirety and no part shall be used without making reference to the whole report. Our report is to be used only for the specific purpose stated herein and any other use is invalid. No reliance may be made by any third party without our prior written consent.

The liability of CBRE Limited and its directors and employees is limited to the addressee of this report only. No accountability, obligation or liability to any third parties is accepted.

The Company agrees to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses, or liabilities, including reasonable attorneys’ fees, to which we may become subjects in connection with this engagement. The Company’s obligation for indemnification and reimbursement shall extend to any controlling person of CBRE Limited, including any director, officer, employee, subcontractor, affiliate or agent. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to a maximum cap is 30% of the valuation up to US\$10 million.

We enclose herewith our valuation certificate.

Yours faithfully,
For and on behalf of
CBRE Limited

Daniel Hayden B.Com B.Bus(Prop) AAPI MRICS
RICS Registered Valuer
Director
Valuation & Advisory Services — International

Encl.

Note: Mr. Daniel Hayden is a member of the Australian Property Institute and the Royal Institution of Chartered Surveyors and is a RICS Registered Valuer. He has over 13 years valuation experience in Europe, Middle East, Asia and Pacific, including over 3 years valuation experience in the United Kingdom.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value as at 31 October 2014
100 Leadenhall Street, London EC3, United Kingdom.	<p>100 Leadenhall Street is a freehold office building with 9 levels above ground, 1 lower ground and 1 basement level. It has a total lettable area of 126,539 sq ft (11,755.8 sqm) plus 15 basement car parks.</p> <p>The building was originally completed in 1972 and a major refurbishment undertaken in 2001.</p> <p>The property is located within the insurance district of the City of London and has frontages to both Leadenhall Street and Bury Street. It is adjacent to 30 St Mary's Axe ("Gherkin") and in immediate proximity to 122 Leadenhall Street ("Cheesegrater") and 1 Lime Street ("Lloyd's Building"), all of which are considered landmark City buildings.</p> <p>The property is Freehold tenure and as such no Ground/Government rent is payable.</p>	<p>The property is let in its entirety on a full repairing and insuring (FRI) basis to ACE Global Markets Limited, with a guarantee provided by ACE Bermuda Insurance Limited.</p> <p>A FRI lease imposes full repairing and insuring obligations on the tenant, relieving the landlord from all liability for insurance, repairs, operational and occupational costs of the building.</p> <p>The lease term is 16 years expiring on 17 January 2018 at a current rent passing of £6,250,000 per annum.</p> <p>Generally the Lease is on institutionally acceptable terms.</p> <p>Parts of the 1st, 2nd & 3rd floors are currently sub-leased on durations which do not exceed the expiry date of the head lease.</p>	<p>GBP £107,000,000</p> <p>(BRITISH POUNDS STERLING ONE HUNDRED AND SEVEN MILLION)</p>

Notes:

- a) According to the Report on Title dated 21 November 2014, prepared by Clyde & Co LLP and provided by the Group:
- i. The title to the Property is registered at the Land Registry with title absolute under title number NGL786311. Title Absolute is the best form of title available from the Land Registry.
 - ii. The registered proprietor of the Property is Nordcapital Immobilienfonds London 1 GMBH & Co KG (a company incorporated in Germany) of 10th Floor, Beaufort house, 15 St Botolph Street, London EC3 7EE ("**Seller**"). As informed by the Group, the Tenants, the Seller and the Group are independent. The building is a Non-Designated Heritage Asset and there is no formal "listing" of the Building for architectural or historical interest. Nor is the Building within a Conservation Area.
 - iii. Various searches have been provided to or undertaken by Clyde & Co LLP, none of which reveal any matters adverse to the Group's interest in the Property. We note that not all typically investigated searches had been returned as at the date of the Report on Title.
 - iv. Specifically in relation to planning matters, the report notes that Clyde & Co LLP await the results of the local authority search from the Seller and the replies to their further enquiries. Our valuation naturally assumes that the current use is permitted and that no adverse matters concerning the current planning or zoning use will arise from the returned enquiries.
 - v. The Seller has not opted to tax the Property and therefore VAT is not currently payable on the purchase price for the Property nor on the rents paid by the Tenant to the Landlord. If the Landlord does voluntarily opt to tax the Property then the Tenant need not pay any VAT in addition to the rents due under the Lease, but rather the rents stated in the Lease effectively become inclusive of VAT. The Tenant is an insurance company and therefore unable to recover VAT currently under English law and so these special provisions effectively protect the Tenant from having to pay irrecoverable VAT.
 - vi. Stamp duty land tax at the current rate of 4% will be payable on the purchase price (exclusive of VAT) of £107,000,000. This will mean that the stamp duty land tax currently payable will be £4,280,000.

- b) As per market practice in the UK, the valuation has been calculated net of purchaser's costs and VAT.
- c) An internal site inspection was carried out by Mr. Daniel Hayden (B.Com B.Bus (Prop) AAPI MRICS, RICS Registered Valuer) on 19 November 2014.

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; 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**”) were as follows:

(a) The Company

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

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued Shares
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	14,307,745	Nil	10,425,699,353 (Note 1)	20,062,893 (Note 3)	10,460,069,991	52.14%
Chew Fook Aun	Beneficial owner	Nil	Nil	Nil	200,628,932 (Note 3)	200,628,932	1.00%
Lau Shu Yan, Julius	Beneficial owner	8,783,333	Nil	Nil	100,314,466 (Note 3)	109,097,799	0.544%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	Nil	200,628,932 (Note 3)	200,628,932	1.00%
U Po Chu (Note 2)	Beneficial owner	897,316	Nil	Nil	Nil	897,316	0.004%

Notes:

- (1) LSG and two of its wholly-owned subsidiaries, namely Zimba International Limited (“**Zimba International**”) and Joy Mind Limited (“**Joy Mind**”), beneficially owned a total of 10,425,699,353 Shares, representing approximately 51.97% of the issued share capital of the Company. Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 10,425,699,353 Shares by virtue of, in aggregate, his personal and deemed interests of approximately 42.74% in the issued share capital of LSG. LSG is approximately 12.75% owned by Dr. Lam Kin Ngok, Peter and is approximately 29.99% owned by Wisdoman Limited which is in turn 100% beneficially owned by Dr. Lam Kin Ngok, Peter.

The 10,425,699,353 shares (51.97%) held by LSG, Zimba International and Joy Mind, respectively were pledged as security by LSG pursuant to its 7.70% secured guaranteed notes due 2018 under a Share Charge dated 24 July 2014.

- (2) Madam U Po Chu is the widow of the late Mr. Lim Por Yen whose estate includes an interest of 197,859,550 Shares, representing approximately 0.99% of the issued share capital of the Company.
- (3) A share option scheme was adopted by the Company on 22 December 2006 and commenced with effect from 29 December 2006. A share option was granted to each of Dr. Lam Kin Ngok, Peter, Mr. Chew Fook Aun, Mr. Lau Shu Yan, Julius and Mr. Lam Hau Yin, Lester, 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>Lam Kin Ngok, Peter</i>	<i>18/01/2013</i>	<i>20,062,893</i>	<i>18/01/2013-17/01/2023</i>	<i>HK\$0.335 per Share</i>
<i>Chew Fook Aun</i>	<i>05/06/2012</i>	<i>200,628,932</i>	<i>05/06/2012-04/06/2022</i>	<i>HK\$0.112 per Share</i>
<i>Lau Shu Yan, Julius</i>	<i>18/01/2013</i>	<i>100,314,466</i>	<i>18/01/2013-17/01/2023</i>	<i>HK\$0.335 per Share</i>
<i>Lam Hau Yin, Lester</i>	<i>18/01/2013</i>	<i>200,628,932</i>	<i>18/01/2013-17/01/2023</i>	<i>HK\$0.335 per Share</i>

(a) 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
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	237,464,979	Nil	562,590,430 (Note 1)	1,876,211 (Note 2)	801,931,620	42.74%
Chew Fook Aun	Beneficial owner	Nil	Nil	Nil	18,762,111 (Note 2)	18,762,111	1.00%
Lam Hau Yin, Lester	Beneficial owner	60,623,968	Nil	Nil	18,762,111 (Note 2)	79,386,079	4.23%
Lam Kin Ming	Beneficial owner	5,008,263	Nil	Nil	Nil	5,008,263	0.27%
U Po Chu	Beneficial owner	4,127,625	Nil	Nil	Nil	4,127,625	0.22%

Notes:

- (1) Dr. Lam Kin Ngok, Peter was deemed to be interested in 562,590,430 shares (representing approximately 29.99% of LSG's issued share capital enlarged by the Rights Issue) by virtue of his 100% interests in the issued share capital of Wisdoman Limited.
- (2) A share option scheme was adopted by LSG on 22 December 2006 and commenced with effect from 29 December 2006. A share option was granted by LSG to each of Dr. Lam Kin Ngok, Peter, Mr. Chew Fook Aun and Mr. Lam Hau Yin, Lester, particulars of which are set out below (on 7 February 2014, the subscription price and the number of underlying shares comprised in the option have been adjusted following the completion of rights issue of LSG ("**Rights Issue**")):

Registered Name	Date of grant	Number of underlying shares comprised in the option before the Rights Issue	Number of underlying shares comprised in the option after the Rights Issue	Option period	Subscription price before the Rights Issue	Subscription price after the Rights Issue
Lam Kin Ngok, Peter	18/01/2013	1,617,423	1,876,211	18/01/2013-17/01/2023	HK\$1.41 per share	HK\$1.21 per share
Chew Fook Aun	05/06/2012	16,174,234	18,762,111	05/06/2012-04/06/2022	HK\$0.582 per share	HK\$0.501 per share
Lam Hau Yin, Lester	18/01/2013	16,174,234	18,762,111	18/01/2013-17/01/2023	HK\$1.41 per share	HK\$1.21 per share

(ii) eSun Holdings Limited (“eSun”) – an associate of the Company

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

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued shares
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	2,794,443	Nil	521,204,186 (Note 1)	1,243,212 (Note 2)	525,241,841	42.25%
Chew Fook Aun	Beneficial owner	Nil	Nil	Nil	6,216,060 (Note 2)	6,216,060	0.50%
Lam Hau Yin, Lester	Beneficial owner	2,794,443	Nil	Nil	12,432,121 (Note 2)	15,226,564	1.22%

Notes:

- (1) LSG was interested in 10,425,699,353 Shares in the Company, representing approximately 51.97% of the issued share capital of the Company. Transtrend Holdings Limited, a wholly-owned subsidiary of the Company, was interested in 521,204,186 shares in eSun, representing approximately 41.92% of the issued share capital of eSun. As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 521,204,186 shares in eSun (representing approximately 41.92% of eSun’s issued share capital) by virtue of, in aggregate, his personal and deemed interests of approximately 42.74% and 52.14% in the issued share capital of LSG and the Company, respectively.
- (2) A share option scheme was adopted by eSun on 23 December 2005 and commenced with effect from 5 January 2006. A share option was granted to each of Dr. Lam Kin Ngok, Peter, Mr. Chew Fook Aun and Mr. Lam Hau Yin, Lester, particulars of which are set out below:

Registered Name	Date of grant	Number of underlying shares comprised in the option	Option period	Subscription price
Lam Kin Ngok, Peter	18/01/2013	1,243,212	18/01/2013-17/01/2023	HK\$1.612 per share
Chew Fook Aun	05/06/2012	6,216,060	05/06/2012-04/06/2022	HK\$0.92 per share
Lam Hau Yin, Lester	18/01/2013	12,432,121	18/01/2013-17/01/2023	HK\$1.612 per share

(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
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	Nil	Nil	8,274,270,422 (Note 1)	16,095,912 (Note 2)	8,290,366,334	51.49%
Chew Fook Aun	Beneficial owner	Nil	Nil	Nil	80,479,564 (Note 2)	80,479,564	0.50%
Lau Shu Yan, Julius	Beneficial owner	12,917,658	Nil	Nil	48,287,738 (Note 2)	61,205,396	0.38%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	Nil	160,959,129 (Note 2)	160,959,129	1.00%

Notes:

- (1) eSun was interested in 8,274,270,422 shares in Lai Fung, representing approximately 51.39% of the issued share capital of Lai Fung. As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 8,274,270,422 issued shares in Lai Fung by virtue of, in aggregate, his personal and deemed shareholding interests of approximately 42.25% in the issued share capital of eSun.
- (2) A share option scheme was adopted by Lai Fung on 21 August 2003 and commenced with effect from 28 August 2003 (“Old Scheme”). A new share option scheme was adopted by Lai Fung on 18 December 2012 and commenced with effect from 20 December 2012 (“New Scheme”). A share option was granted to Mr. Chew Fook Aun under the Old Scheme and remains exercisable though the Old Scheme was terminated on 20 December 2012 when the New Scheme became effective. A share option was also granted to each of Dr. Lam Kin Ngok, Peter, Mr. Lau Shu Yan, Julius and Mr. Lam Hau Yin, Lester under the New Scheme, particulars of the share options granted in the above schemes are set out below:

Registered Name	Date of grant	Number of underlying shares comprised in the option	Option period	Subscription price
Lam Kin Ngok, Peter	18/01/2013	16,095,912	18/01/2013-17/01/2023	HK\$0.228 per share
Chew Fook Aun	12/06/2012	80,479,564	12/06/2012-11/06/2020	HK\$0.133 per share
Lau Shu Yan, Julius	18/01/2013	48,287,738	18/01/2013-17/01/2023	HK\$0.228 per share
Lam Hau Yin, Lester	18/01/2013	160,959,129	18/01/2013-17/01/2023	HK\$0.228 per share

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

Long positions in the ordinary shares and underlying shares in MAGHL

Name of Director	Capacity	Number of ordinary shares held	Number of underlying shares held	Total number of issued shares and underlying shares	Approximate % of total interests to total issued shares
Lam Kin Ngok, Peter	Owner of controlled corporations	842,675,225 (Note 1)	79,596,050 (Note 2)	922,271,275	68.83%

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 62.89% of the issued share capital of MAGHL. eSun is owned as to approximately 41.92% by the Company which in turn is owned as to approximately 51.97% by LSG. As LSG is approximately 12.75% owned by Dr. Lam Kin Ngok, Peter and approximately 29.99% owned by Wisdom Limited which is in turn 100% beneficially owned by Dr. Lam Kin Ngok, Peter, he was deemed to be interested in the said 842,675,225 shares in MAGHL.*
- (2) *By virtue of Dr. Lam Kin Ngok, Peter’s interests through the controlled corporations described in Note (1) above, he was also deemed to be interested in the 79,596,050 underlying shares of MAGHL comprised in the convertible notes issued to Perfect Sky by MAGHL on 9 June 2012.*

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company 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 under the SFO, recorded in the Register of Directors and Chief Executive or 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 and chief executive of the Company, the particulars of the corporations or individuals (are 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 (“**Register of Shareholders**”) 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	Approximate % of Shares in issue
LSG (<i>Note</i>)	Beneficial owner	Corporate	10,425,699,353	51.97%
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	Personal and corporate	10,460,069,991	52.14%

Note:

LSG and two of its wholly-owned subsidiaries, namely Zimba International Limited and Joy Mind Limited, beneficially owned 10,425,699,353 Shares, representing approximately 51.97% of the issued share capital of the Company. Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 10,425,699,353 Shares by virtue of, in aggregate, his personal and deemed interests of approximately 42.74% in the issued share capital of LSG. Dr. Lam Kin Ngok, Peter is an executive director of LSG.

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. Lam Kin Ngok, Peter, Dr. Lam Kin Ming, Mr. Chew Fook Aun, Madam U Po Chu and Mr. Lam Hau Yin, Lester (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 (“**CGL**”).

Dr. Lam Kin Ngok, Peter 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 its 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

Save for the interest of Dr. Lam Kin Ming, a non-executive Director, in CGL as set out below, as at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 July 2014 (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:

On 30 November 2013, Winfield Properties Limited (“**Winfield**”) as tenant entered into an Offer to Lease with Mass Energy (“**Mass Energy**”) as landlord, pursuant to which Mass Energy agreed to lease to Winfield the Carpark of Crocodile Centre, 79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong consisting of all the car parking spaces thereof for a term of two years from 1 December 2013 to 30 November 2015 at a basic monthly rent of HK\$140,000 or 52% of the monthly turnover of the tenant’s business carried on at the above premises, whichever is higher.

Winfield is a wholly-owned subsidiary of the Company and Mass Energy is owned as to 50% each by LSG and CGL, which is owned as to approximately 50.90% by Dr. Lam Kin Ming, a non-executive Director. Details of the transaction are set out in the joint announcement of the Company and LSG dated 2 December 2013.

Saved as disclosed above, there is no contract or arrangement subsisting as the Latest Practicable Date, 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 CONTRACT

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

- a subscription agreement entered into between the Company, Lai Sun International Finance (2012) Limited (a wholly-owned subsidiary of the Company) as issuer and BNP Paribas, Hong Kong Branch, The Hongkong and Shanghai Banking Corporation Limited and Standard Chartered Bank as joint lead managers dated 11 January 2013, pursuant to which the joint lead managers agreed to subscribe or procure subscribers to subscribe the guaranteed notes in principal amount of US\$350,000,000 with a maturity of five years due in 2018 bearing a fixed interest rate of 5.70% per annum issued by issuer.

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
CBRE 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 2014 (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 Articles of Association of the Company;
- (b) the annual reports of the Company for the two years ended 31 July 2013 and 31 July 2014 respectively;
- (c) the accountants' report from Ernst & Young in respect of the unaudited pro forma statement of assets and liabilities of the Group as set out in Appendix III to this circular;
- (d) the valuation report on the Property prepared by CBRE Limited, the text of which is set out in Appendix IV 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 which has been issued since the date of the latest published audited accounts; and
- (h) this circular.