THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for independent advice.

If you have sold or transferred all your shares in **Lai Sun Garment (International) Limited**, you should at once hand this circular with the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This circular appears for information purposes only and is not intended to and does not constitute, or form part of, any offer to purchase or subscribe for or an invitation to purchase or subscribe for any securities of LSG, LSD, eSun or Lai Fung or the solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of securities of LSG, LSD, eSun or Lai Fung in any jurisdiction in contravention of applicable law or regulation.

LAI SUN GARMENT

Lai Sun Garment (International) Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 191)

(1) POSSIBLE MAJOR ACQUISITION AND CONNECTED TRANSACTION

(2) CONDITIONAL VOLUNTARY GENERAL CASH OFFERS BY HSBC ON BEHALF OF THE OFFEROR, A WHOLLY-OWNED SUBSIDIARY OF LSD, TO ACQUIRE ALL OF THE ISSUED SHARES OF LAI FUNG (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY LSD, THE OFFEROR OR THE OTHER WHOLLY-OWNED SUBSIDIARIES OF LSD) AND TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF LAI FUNG

(3) NOTICE OF GENERAL MEETING

Financial Adviser to LSD and the Offeror

HSBC

Independent Financial Adviser to LSG, LSD and the Offeror

Gram Capital Limited
嘉林資本有限公司

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

A letter from the board of directors of Lai Sun Garment (International) Limited (“**Company**”) is set out on pages 11 to 44 of this circular.

The notice convening the general meeting of the Company (“**General Meeting**”) to be held at the Meeting Rooms, Level B, Hong Kong Ocean Park Marriott Hotel, 180 Wong Chuk Hang Road, Aberdeen, Hong Kong on Wednesday, 13 May 2020 at 10:30 a.m. (or, if later, immediately following the conclusion of the relevant special general meeting of eSun) is set out on pages GM-1 to GM-3 of this circular.

Shareholders of the Company are advised to read the notice of the General Meeting and if you are not able to attend the General Meeting or any adjournment thereof (as the case may be) in person but wish to exercise your right as a shareholder of the Company, please complete, sign and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Company’s share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for holding the General Meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof (as the case may be) should you so wish.

Considering the outbreak of the novel coronavirus (COVID-19), certain measures will be implemented at the General Meeting with a view to addressing the risk to attendees of infection, including the following:

a) all attendees will be required to undergo body temperature check;

b) all attendees will be required to complete a health declaration form (a copy of the form is enclosed with this circular), which may be used for contact tracing, if required;

c) any attendees who are subject to health quarantine prescribed by the Government of the HKSAR will not be admitted to the venue of the General Meeting;

d) all attendees will be required to wear surgical face masks throughout the General Meeting;

e) each attendee will be assigned a designated seat at the time of registration to ensure social distancing;

f) any person who does not comply with the measures above may be denied entry into, or be required to leave, the venue of the General Meeting;

g) no refreshments or beverages will be provided, and there will be no corporate gifts.

The Company reminds Shareholders that they should carefully consider the risks of attending the General Meeting, taking into account their own personal circumstances. The Company would like to remind Shareholders that physical attendance in person at the General Meeting is not necessary for the purpose of exercising their voting rights and **strongly recommends that Shareholders appoint the Chairman of the General Meeting as their proxy** and submit their form of proxy as early as possible. In light of the risks posed by the COVID-19 Pandemic, the Company **strongly encourages Shareholders NOT to attend the General Meeting in person**.

The Company will keep the evolving COVID-19 situation under review and may implement additional measures (which it will announce closer to the date of the General Meeting.)

Hong Kong, 24 April 2020

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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 expressions have the following meanings unless the context requires otherwise:

"Announcement Date"	means 21 February 2020, being the date of the Joint Announcement;
"associate"	has the meaning ascribed to it under the Takeovers Code;
"Board"	means the board of Directors;
"Business Day"	has the meaning ascribed to it under the Takeovers Code;
"close associate"	has the meaning ascribed to it under the Listing Rules;
"Companies Law"	means the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands;
"Companies Ordinance"	means the Companies Ordinance (Chapter 622 of the Laws of Hong Kong);
"Composite Document"	means the composite offer and response document dated 24 April 2020 issued by LSD, the Offeror and Lai Fung to the LF Shareholders and the LF Optionholders in accordance with the Takeovers Code in relation to the LF Offers;
"Conditions"	means the conditions to the LF Offers, as set out under section 7 "Conditions to the LF Offers" of the Letter from the Board in this circular;
"core connected person"	has the meaning ascribed to it under the Listing Rules;
"CT Resolution"	means the ordinary resolution to be proposed at the General Meeting to approve the making of the LF Share Offer to the Yu Shareholders as a connected transaction;
"Directors"	means the directors of LSG;
"disclosures of interests"	means disclosures of interests pursuant to Part XV of the SFO or otherwise and the disclosures of dealings pursuant to Rule 22 of the Takeovers Code;

"Disinterested Shareholders"	means the holders of the Disinterested Shares. For the avoidance of doubt, the Disinterested Shareholders include any member of the HSBC Group in respect of LF Shares of its non-discretionary investment clients where such client (a) has control over whether to tender acceptances to the LF Share Offer in respect of those LF Shares, (b) if acceptances of the LF Share Offer in respect of those LF Shares are to be tendered, gives instructions to tender them, and (c) is not the Offeror, LSD or any of the other Offeror Concert Parties;
"Disinterested Shares"	means the LF Shares other than those owned by the Offeror or any of the Offeror Concert Parties;
"Dr. Peter Lam"	means Dr. Lam Kin Ngok, Peter, an Offeror Director, a deputy chairman and an executive director of LSG, the chairman and an executive director of LSD and the ultimate controlling shareholder of LSG, LSD and the Offeror;
"eSun"	means eSun Holdings Limited (豐德麗控股有限公司), an exempted company incorporated in Bermuda with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 571);
"eSun Board"	means the board of directors of eSun;
"eSun Circular"	means the circular of eSun dated 24 April 2020 in respect of the eSun Disposal;
"eSun Disposal"	means eSun's disposal of all the LF Shares owned by it as a result of its acceptance of the LF Share Offer;
"eSun Group"	means eSun and its subsidiaries (including, for the avoidance of doubt, the Lai Fung Group before completion of the eSun Disposal);
"eSun Options"	means the share options, each relating to one eSun Share, granted and outstanding under the share option scheme adopted by eSun on 11 December 2015 from time to time, whether such options are vested or not;
"eSun Shareholders"	means the holders of the eSun Shares;
"eSun Shares"	means the shares in the capital of eSun;
"Executive"	means the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;

"General Meeting"	means the general meeting of the Company to be held to consider and, if thought fit, to approve (by way of separate resolutions) (a) the LF Offers as a major acquisition and (b) the making of the LF Share Offer to the Yu Shareholders as a connected transaction;
"Group"	means LSG and its subsidiaries (including, for the avoidance of doubt, the LSD Group);
"HK$"	means Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong" or "HKSAR"	means the Hong Kong Special Administrative Region of the PRC;
"HSBC"	means The Hongkong and Shanghai Banking Corporation Limited, being the financial adviser to LSD and the Offeror in relation to the LF Offers, a registered institution under the SFO, registered to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong);
"HSBC Facility"	means the loan facility granted by HSBC (in its capacity as the lender) to the Offeror to finance part of the LF Offers;
"HSBC Group"	means HSBC and persons controlling, controlled by or under the same control as HSBC;
"Independent Board Committee"	means the independent board committee of LSG established by the Board. Such independent board committee comprises all the independent non-executive Directors;
"Independent eSun Shareholders"	means the eSun Shareholders other than (a) Transtrend, (b) Dr. Peter Lam and Mr. Lester Lam, who, on the basis of their disclosures of interests in LSG, LSD and eSun as at the Latest Practicable Date, will be required under the Listing Rules to abstain from voting on the resolutions to be proposed at the special general meeting of eSun to approve the eSun Disposal as a very substantial disposal, and their respective close associates and (c) any other eSun Shareholder who has a material interest in such very substantial disposal and will be required under the Listing Rules to abstain from voting on the same resolutions and his close associates. For the avoidance of doubt, the Independent eSun Shareholders include the Yu Shareholders;

"Independent LSD Shareholders"	means the LSD Shareholders other than (a) Mr. FA Chew and Mr. Julius Lau, who, on the basis of their disclosures of interests in LSG, LSD and Lai Fung as at the Latest Practicable Date, will be required under the Listing Rules to abstain from voting on the resolution to be proposed at the general meeting of LSD to approve the LF Offers as a major acquisition, and their respective close associates, (b) the Yu Shareholders, who, on the basis of their disclosures of interests in Lai Fung as at the Latest Practicable Date, will be required under the Listing Rules to abstain from voting on the same resolution, and their close associates and (c) any other LSD Shareholder who has a material interest in such major acquisition and will be required under the Listing Rules to abstain from voting on the same resolution and his close associates. For the avoidance of doubt, the Independent LSD Shareholders include LSG and Dr. Peter Lam;
"Independent LSG Shareholders"	means the LSG Shareholders other than (a) Mr. FA Chew, who, on the basis of his disclosures of interests in LSG, LSD and Lai Fung as at the Latest Practicable Date, will be required under the Listing Rules to abstain from voting on the MA Resolution, and his close associates and (b) any other LSG Shareholder who has a material interest in such major acquisition and will be required under the Listing Rules to abstain from voting on the MA Resolution and his close associates. For the avoidance of doubt, the Independent LSG Shareholders include Dr. Peter Lam, Mr. Lester Lam and the Yu Shareholders;
"Joint Announcement"	means the announcement dated 21 February 2020 jointly made by LSG, LSD, the Offeror, eSun and Lai Fung in relation to the LF Offers;
"Knight Frank"	means Knight Frank Petty Limited, the independent property valuer appointed by Lai Fung;
"Lai Fung"	means Lai Fung Holdings Limited (麗豐控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 1125);
"Lai Fung Board"	means the board of directors of Lai Fung;

"Lai Fung Group"	means Lai Fung and its subsidiaries;
"Laisun Creative Culture Subscription Agreement"	means the agreement dated 19 January 2020 entered into between 珠海大橫琴置業有限公司 (Zhuhai Da Hengqin Real Estate Co., Ltd.*) ("**Zhuhai Da Hengqin**", a company established in the PRC with limited liability and a wholly-owned subsidiary of 珠海大橫琴集團有限公司 (Da Hengqin Group Co., Ltd.*)), Zhuhai Hengqin Laisun Creative Culture City Co., Ltd* (珠海橫琴麗新文創天地有限公司) ("**Laisun Creative Culture**", a wholly-owned subsidiary of Winfield (defined later)) and Winfield Concept Limited (永輝基業有限公司) ("**Winfield**", an indirect non-wholly-owned subsidiary of Lai Fung) in relation to, among other things, the subscription of 16.68% equity interest in and capital injection into Laisun Creative Culture by Zhuhai Da Hengqin in the amount of approximately RMB948.4 million, and the grant of a put option and a call option in relation to shares issued in the capital of Laisun Creative Culture (details of which were disclosed in the joint announcement of LSG, LSD, eSun and Lai Fung dated 19 January 2020);
"Last Trading Date"	means 21 February 2020, being (a) the last trading day which ended before the publication of the Joint Announcement and (b) the date of the Joint Announcement;
"Latest Practicable Date"	means 21 April 2020;
"LF Offer Shareholders"	means the holders of the LF Offer Shares;
"LF Offer Shares"	means the LF Shares which are subject to the LF Share Offer;
"LF Offers"	means the LF Share Offer and the LF Option Offer;
"LF Option Offer"	means the offer made by HSBC on behalf of the Offeror to the LF Optionholders in compliance with Rule 13 of the Takeovers Code to cancel all the LF Options;
"LF Option Offer Price"	means, in relation to any LF Option, the price at which the LF Option Offer is made;
"LF Optionholders"	means the holders of the LF Options;
"LF Options"	means the share options, each relating to one LF Share, granted and outstanding under the Share Option Schemes from time to time, whether such options are vested or not;

"LF Share Offer"	means the conditional voluntary general cash offer made by HSBC on behalf of the Offeror to acquire all of the issued shares of Lai Fung (other than those already owned or agreed to be acquired by LSD, the Offeror or the other wholly-owned subsidiaries of LSD);
"LF Share Offer Closing Date"	means the date stated in the Composite Document as the first offer closing date of the LF Share Offer or any subsequent offer closing date in the event that the LF Share Offer is extended or revised in accordance with the Takeovers Code;
"LF Share Offer Price"	means HK$8.99 per LF Offer Share;
"LF Shareholders"	means the holders of the LF Shares;
"LF Shares"	means the shares in the capital of Lai Fung;
"Listing Rules"	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"LR associate"	has the meaning ascribed to "associate" under Chapter 14A of the Listing Rules;
"LSD"	means Lai Sun Development Company Limited (麗新發展有限公司), a company incorporated in Hong Kong with limited liability under the Companies Ordinance and a subsidiary of LSG, the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 488);
"LSD Group"	means LSD and its subsidiaries (including, for the avoidance of doubt, the eSun Group);
"LSD Options"	means the share options, each relating to one LSD Share, granted and outstanding under the share option schemes adopted by LSD on 22 December 2006 and on 11 December 2015, respectively, from time to time, whether such options are vested or not;
"LSD Shareholders"	means the holders of the LSD Shares;
"LSD Shares"	means the shares in the capital of LSD;

"LSG" or "the Company"	means Lai Sun Garment (International) Limited (麗新製衣國際有限公司), a company incorporated in Hong Kong with limited liability under the Companies Ordinance, the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 191);
"LSG Shareholders"	means the holders of the LSG Shares;
"LSG Shares"	means the shares in the capital of LSG;
"MA Resolution"	means the ordinary resolution to be proposed at the General Meeting to approve the LF Offers as a major acquisition;
"Macau"	means the Macau Special Administrative Region of the PRC;
"Madam U"	means Madam U Po Chu, an executive director of LSG and Lai Fung, a non-executive director of LSD and eSun and Dr. Peter Lam's mother;
"MAGHL"	means Media Asia Group Holdings Limited (寰亞傳媒集團有限公司), an exempt company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the issued shares of which are listed and traded on GEM of the Stock Exchange (Stock Code: 8075);
"Mr. FA Chew"	means Mr. Chew Fook Aun, an Offeror Director, a deputy chairman and an executive director of LSG, the deputy chairman and an executive director of LSD, an executive director of eSun and the chairman and an executive director of Lai Fung;
"Mr. Julius Lau"	means Mr. Lau Shu Yan, Julius, an Offeror Director and the chief executive officer and an executive director of LSD;
"Mr. Lam Bing Kwan"	means Mr. Lam Bing Kwan, an independent non-executive director of LSG, LSD and Lai Fung;
"Mr. Lester Lam"	means Mr. Lam Hau Yin, Lester, an Offeror Director, an executive director of LSG (and an alternate to Madam U as an executive director of LSG), an executive director of LSD, an executive director of eSun, the chief executive officer and an executive director of Lai Fung and Dr. Peter Lam's son;
"Mr. Ronald Tham"	means Mr. Tham Seng Yum, Ronald, an executive director of LSD and Lai Fung;

"Non-Connected eSun Shareholders"	means, in respect of the eSun Disposal, which is a connected transaction of eSun subject to the independent shareholders' approval requirement under Chapter 14A of the Listing Rules, the eSun Shareholders other than (a) LSD, Transtrend and their respective LR associates and (b) any other eSun Shareholder who has a material interest in such connected transaction and will be required under the Listing Rules to abstain from voting on the resolution to be proposed at the special general meeting of eSun to approve such connected transaction. On the basis of their disclosures of interests in LSG, LSD, eSun and Lai Fung as at the Latest Practicable Date, Dr. Peter Lam, Mr. Lester Lam and their LR associates fall within (b) of this definition in respect of such connected transaction. For the avoidance of doubt, the Non-Connected eSun Shareholders include the Yu Shareholders;
"Non-Connected LSD Shareholders"	means, in respect of the making of one or more of the LF Offers to any connected person of LSD which is a connected transaction of LSD subject to the independent shareholders' approval requirement under Chapter 14A of the Listing Rules (if there is any such connected transaction), the LSD Shareholders other than (a) such connected person and his LR associates and (b) any other LSD Shareholder who has a material interest in such connected transaction and will be required under the Listing Rules to abstain from voting on the resolution to be proposed at the general meeting of LSD to approve such connected transaction;
"Non-Connected LSG Shareholders"	means, in respect of the making of one or more of the LF Offers to any connected person of LSG which is a connected transaction of LSG subject to the independent shareholders' approval requirement under Chapter 14A of the Listing Rules, the LSG Shareholders other than (a) such connected person and his LR associates and (b) any other LSG Shareholder who has a material interest in such connected transaction and will be required under the Listing Rules to abstain from voting on the CT Resolution. On the basis of their disclosures of interests in LSG and Lai Fung as at the Latest Practicable Date, the making of the LF Share Offer to the Yu Shareholders is such connected transaction and the Yu Shareholders and their LR associates fall within (a) of this definition in respect of such connected transaction;

"Offeror"	means Holy Unicorn Limited, a company incorporated in the British Virgin Islands with limited liability, being a wholly-owned subsidiary of LSD and an indirect subsidiary of LSG;
"Offeror Concert Parties"	means the persons who are acting in concert with the Offeror, as determined in accordance with the Takeovers Code (except for members of the HSBC Group which are exempt principal traders and/or exempt fund managers in their capacity as such, in each case recognised by the Executive as such for the purposes of the Takeovers Code), including, for the avoidance of doubt, (a) LSD, being the sole shareholder of the Offeror, (b) LSG, being a holding company of LSD, (c) Dr. Peter Lam, being their ultimate controlling shareholder and (d) eSun, being a subsidiary of LSD;
"Offeror Directors"	means the directors of the Offeror;
"Offeror IFA"	means Gram Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO;
"percentage ratio"	has the meaning ascribed to it under the Listing Rules;
"PRC"	means the People's Republic of China (for the purpose of this circular, excluding Hong Kong, Macau and Taiwan);
"public"	has the meaning ascribed to it under the Listing Rules;
"Reassessed NAV"	the amount determined as such by the independent financial adviser to Lai Fung and disclosed in the Composite Document, being the net asset value of the Lai Fung Group adjusted for the valuation surplus (which has not taken into account potential tax liabilities) resulting from the market value of the properties held by the Lai Fung Group determined by Knight Frank Petty Limited as set out in its reports in Appendix III to the Composite Document;
"Remaining eSun Group"	means eSun and its subsidiaries upon completion of the eSun Disposal;
"RMB"	means Renminbi, the lawful currency of the PRC;
"SFC"	means the Securities and Futures Commission;
"SFO"	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);

"Share Option Schemes"	means the share option schemes adopted by Lai Fung on 21 August 2003 (as amended on 8 August 2018) and on 18 December 2012, respectively;
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited;
"subsidiary"	has the meaning ascribed to it under the Listing Rules;
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules;
"Takeovers Code"	means the Hong Kong Code on Takeovers and Mergers;
"Transtrend"	means Transtrend Holdings Limited, a company incorporated in Hong Kong with limited liability, being a wholly-owned subsidiary of LSD;
"United States", "U.S." or "USA"	means the United States of America, its territories and possessions, any State of the United States and the District of Columbia;
"Yu Shareholders"	means Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk; and
"%"	means per cent.

* All the English translations of certain Chinese names or words in this circular are included for the purpose of information only, and should not be regarded as an official English translation of such Chinese names or words.

LAI SUN GARMENT

Lai Sun Garment (International) Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 191)

Executive Directors:
Dr. Lam Kin Ming *(Chairman)*
Dr. Lam Kin Ngok, Peter *(Deputy Chairman)*
Mr. Chew Fook Aun *(Deputy Chairman)*
Madam U Po Chu
Mr. Lam Hau Yin, Lester
(also alternate to Madam U Po Chu)
Mr. Lam Kin Hong, Matthew

Independent Non-executive Directors:
Mr. Chow Bing Chiu
Mr. Lam Bing Kwan
Mr. Leung Shu Yin, William

Registered Office/Principal Office:
11th Floor
Lai Sun Commercial Centre
680 Cheung Shan Wan Road
Kowloon
Hong Kong

24 April 2020

To the LSG Shareholders

Dear Sir or Madam,

(1) POSSIBLE MAJOR ACQUISITION AND CONNECTED TRANSACTION

(2) CONDITIONAL VOLUNTARY GENERAL CASH OFFERS BY HSBC ON BEHALF OF THE OFFEROR, A WHOLLY-OWNED SUBSIDIARY OF LSD, TO ACQUIRE ALL OF THE ISSUED SHARES OF LAI FUNG (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY LSD, THE OFFEROR OR THE OTHER WHOLLY-OWNED SUBSIDIARIES OF LSD) AND TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF LAI FUNG

(3) NOTICE OF GENERAL MEETING

1. INTRODUCTION

Reference is made to the Joint Announcement. This circular contains (i) further details of the LF Offers; (ii) a letter from the Offeror IFA in relation to the LF Offers; (iii) certain financial information of the Group; (iv) certain financial information of the Lai Fung Group; (v) notice of the General Meeting; and (vi) other information required under the Listing Rules.

PART (1): CONDITIONAL VOLUNTARY GENERAL CASH OFFERS BY HSBC ON BEHALF OF THE OFFEROR, A WHOLLY-OWNED SUBSIDIARY OF LSD, TO ACQUIRE ALL OF THE ISSUED SHARES OF LAI FUNG (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY LSD, THE OFFEROR OR THE OTHER WHOLLY-OWNED SUBSIDIARIES OF LSD) AND TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF LAI FUNG

2. INTRODUCTION TO THE LF OFFERS

HSBC, on behalf of the Offeror, a wholly-owned subsidiary of LSD, which is a subsidiary of LSG, is making conditional voluntary general cash offers (i) to acquire all of the issued shares of Lai Fung not already owned or agreed to be acquired by LSD, the Offeror or the other wholly-owned subsidiaries of LSD and (ii) to cancel all the outstanding LF Options. For the avoidance of doubt, the LF Offer Shares include the LF Shares which are owned by the Offeror Concert Parties (other than those already owned or agreed to be acquired by LSD, the Offeror or the other wholly-owned subsidiaries of LSD), including the LF Shares owned by eSun.

3. THE LF SHARE OFFER

The LF Share Offer is being made by HSBC on behalf of the Offeror in compliance with the Takeovers Code on the basis set out below.

For each LF Offer Share...HK$8.99 in cash

If any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the LF Shares at any time after the Announcement Date, the Offeror reserves the right to reduce the LF Share Offer Price by all or any part of the amount or value of such dividend, distribution and/or, as the case may be, return of capital, in which case any reference in the Joint Announcement, the Composite Document, this circular or any other announcement or document to the LF Share Offer Price will be deemed to be a reference to the LF Share Offer Price as so reduced (and the LF Option Offer Price shall be reduced accordingly). As at the Latest Practicable Date, there was no such dividend, distribution or other return of capital.

The LF Share Offer Price was determined after taking into account, among other things, (i) the historical trading prices of LF Shares as detailed in section 4 "LF Share Offer Price" below, in particular the average closing price of HK$8.68 per LF Share for the 180 trading days immediately prior to and including the Last Trading Date, over which the LF Share Offer Price represents a 3.57% premium approximately; (ii) the audited consolidated net asset value attributable to owners per LF Share of approximately HK$48.36 as at 31 July 2019 based on the total number of issued LF Shares as at 31 July 2019, to which the LF Share Offer Price represents a discount of 81.41% approximately, which is largely in line with the discounts resulting from the historical trading prices of LF Shares (the discount of the simple average closing price of LF Shares on the Stock Exchange (as obtained from Bloomberg) for Lai Fung's five financial years ended 31 July 2019 to the net assets per LF Share as at the end of each such financial year was approximately 79.70%, 84.59%, 78.91%, 73.57% and 79.94% respectively); (iii) the low liquidity of the LF Shares (with an average daily trading volume of approximately 0.03 million shares or 0.01% of the issued share capital of Lai Fung during the one-year period ended on and including the Last Trading Date); (iv) the performance of the Hang Seng Index and volatility in the equity market amid the outbreak of the novel coronavirus (COVID-19) up to the Announcement Date; and (v) the decline in Lai Fung's adjusted net profit attributable to owners of Lai Fung (excluding the effect of property revaluations) from HK$987.8 million for the year ended 31 July 2017 to HK$629.1 million for the year ended 31 July 2018 and to HK$263.7 million for the year ended 31 July 2019 despite the relatively steady turnover from the investment properties of Lai Fung.

Please refer to section 4 "LF Share Offer Price" and section 23 "Reasons for and benefits of the LF Offers" for more detailed comparisons between the LF Share Offer Price and historical trading prices of LF Shares and historical discounts to net asset value attributable to owners per LF Share.

4. LF SHARE OFFER PRICE

The LF Share Offer Price of HK$8.99 per LF Offer Share under the LF Share Offer represents:

(a) a discount of approximately 7.61% to the closing price of HK$9.73 per LF Share as quoted on the Stock Exchange on the Last Trading Date;

(b) a discount of approximately 8.82% to the average closing price of HK$9.86 per LF Share, being the average closing price of LF Shares as quoted on the Stock Exchange for the 5 trading days immediately prior to and including the Last Trading Date;

(c) a discount of approximately 9.38% to the average closing price of HK$9.92 per LF Share, being the average closing price of LF Shares as quoted on the Stock Exchange for the 10 trading days immediately prior to and including the Last Trading Date;

(d) a discount of approximately 6.74% to the average closing price of HK$9.64 per LF Share, being the average closing price of LF Shares as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Last Trading Date;

(e) a discount of approximately 8.92% to the average closing price of HK$9.87 per LF Share, being the average closing price of LF Shares as quoted on the Stock Exchange for the 60 trading days immediately prior to and including the Last Trading Date;

(f) a premium of approximately 3.57% over the average closing price of HK$8.68 per LF Share, being the average closing price of LF Shares as quoted on the Stock Exchange for the 180 trading days immediately prior to and including the Last Trading Date;

(g) a premium of approximately 8.31% over the closing price of HK$8.30 per LF Share as quoted on the Stock Exchange on the Latest Practicable Date;

(h) a discount of approximately 81.41% to the audited consolidated net asset value attributable to owners per LF Share of approximately HK$48.36 as at 31 July 2019, based on the total number of issued LF Shares as at 31 July 2019;

(i) a discount of approximately 80.26% to the unaudited consolidated net asset value attributable to owners per LF Share of approximately HK$45.55 as at 31 January 2020, based on the total number of issued LF Shares as at 31 January 2020;

(j) a discount of approximately 85.13% to the Reassessed NAV per LF Share of approximately HK$60.44 as at 31 January 2020, based on the total number of issued LF Shares as at 31 January 2020; and

(k) a discount of approximately 84.96% to the Reassessed NAV per LF Share of approximately HK$59.79 as at 31 January 2020, based on the total number of issued LF Shares as at the Latest Practicable Date.

As shown in the audited consolidated statement of financial position as at 31 July 2019 and the unaudited consolidated statement of financial position as at 31 January 2020 of Lai Fung, a significant portion of Lai Fung's assets consisted of property, plant and equipment, properties under development, investment properties and completed properties for sale. A valuation report on the property interests of the Lai Fung Group from an independent property valuer is in Appendix V to this circular pursuant to Chapter 5 of the Listing Rules and is also contained in the Composite Document pursuant to Rule 11 of the Takeovers Code. The value of those assets as stated in such consolidated statements of financial position or such property valuation report may or may not reflect their market value as at the date of this circular or the Composite Document.

5. HIGHEST AND LOWEST CLOSING PRICES OF LF SHARES

During the six-month period ended the Last Trading Date, the highest closing price of LF Shares as quoted on the Stock Exchange was HK$10.50 per LF Share on 11 February 2020 and the lowest closing price of LF Shares as quoted on the Stock Exchange was HK$6.48 per LF Share on 11 and 12 September 2019.

6. THE LF OPTION OFFER AND THE LF OPTION OFFER PRICE

As at the Latest Practicable Date, there were 11,124,526 LF Options (all of which vested on their respective dates of grant), each giving the LF Optionholder the right to subscribe for one new LF Share. The exercise of such LF Options in full would result in the issue of 11,124,526 new LF Shares, representing approximately 3.36% of the issued share capital of Lai Fung as at the Latest Practicable Date and approximately 3.25% of the issued share capital of Lai Fung as enlarged by the issue of such new LF Shares.

In accordance with Rule 13 of the Takeovers Code, HSBC, on behalf of the Offeror, is making an appropriate offer to all the LF Optionholders for the cancellation of every LF Option, whether vested or unvested, by way of the LF Option Offer.

Under the LF Option Offer, the Offeror is, in accordance with Rule 13 of the Takeovers Code, offering the LF Optionholders the LF Option Offer Price (which is the "see-through" price, being the LF Share Offer Price minus the exercise price of the relevant LF Option) in cash for the cancellation of each LF Option they hold, whether vested or unvested, provided that where the exercise price of any LF Option is equal to or greater than the LF Share Offer Price (such that the "see-through" price is zero or negative), the LF Option Offer Price is a nominal amount of HK$0.01 for every 100 LF Options (or, if lesser, any part thereof).

LF Option exercise price per LF Share *(HK$)*	**LF Option Offer Price per LF Share (unless otherwise indicated)** *(HK$)*	**Number of LF Options as at the Latest Practicable Date (each carrying the right to subscribe for one new LF Share)**	**Exercise period of the LF Options** *(dd/mm/yyyy)*
6.650	2.340	900,000	12/06/2012 to 11/06/2020
6.784	2.206	500,000	19/08/2019 to 18/08/2029
8.000	0.990	180,000	16/01/2015 to 15/01/2025
9.500	0.01 for every 100 LF Options (or, if lesser, any part thereof)	220,000	26/07/2013 to 25/07/2023
10.180	0.01 for every 100 LF Options (or, if lesser, any part thereof)	580,000	22/01/2019 to 21/01/2029
11.400	0.01 for every 100 LF Options (or, if lesser, any part thereof)	8,294,526	18/01/2013 to 17/01/2023
13.520	0.01 for every 100 LF Options (or, if lesser, any part thereof)	450,000	19/01/2018 to 18/01/2028

Further information on the LF Option Offer has been set out in a letter to the LF Optionholders, which is being despatched on the same date as the despatch of the Composite Document.

If any LF Option is exercised in accordance with the terms of the relevant Share Option Scheme prior to the close of the LF Share Offer, any LF Shares issued as a result of such exercise will be subject to the LF Share Offer.

As Lai Fung is already a subsidiary of LSD, which wholly owns the Offeror, the LF Share Offer will not result in any change of control over Lai Fung under the terms of the Share Option Scheme adopted by Lai Fung on 21 August 2003 (as amended on 8 August 2018) and the Share Option Scheme adopted by Lai Fung on 18 December 2012. Accordingly, all LF Options shall remain valid and exercisable during their respective option periods in accordance with the terms of the relevant Share Option Scheme notwithstanding the LF Share Offer. Any unexercised LF Option will survive completion of the LF Offers provided that its option period will not expire before then.

7. CONDITIONS TO THE LF OFFERS

The LF Share Offer is subject to the fulfilment of the following Conditions:

(a) the approval:

(i) by the Independent LSD Shareholders of the LF Offers as a major acquisition of LSD; and

(ii) by the Non-Connected LSD Shareholders of the making of one or more of the LF Offers to any connected person of LSD which is a connected transaction of LSD subject to the independent shareholders' approval requirement under Chapter 14A of the Listing Rules (if there is any such connected transaction),

in each case, in accordance with the Listing Rules;

(b) the approval:

(i) by the Independent LSG Shareholders of the LF Offers as a major acquisition of LSG; and

(ii) by the Non-Connected LSG Shareholders of the making of one or more of the LF Offers to any connected person of LSG which is a connected transaction of LSG subject to the independent shareholders' approval requirement under Chapter 14A of the Listing Rules (if there is any such connected transaction),

in each case, in accordance with the Listing Rules;

(c) the approval of the eSun Disposal:

(i) by the Independent eSun Shareholders as a very substantial disposal of eSun; and

(ii) by the Non-Connected eSun Shareholders as a connected transaction of eSun subject to the independent shareholders' approval requirement under Chapter 14A of the Listing Rules,

in each case, in accordance with the Listing Rules;

(d) valid acceptances of the LF Share Offer being received by 4:00 p.m. on the LF Share Offer Closing Date (and not, where permitted, withdrawn) in respect of such number of LF Shares which, together with LF Shares already (directly or indirectly) held or agreed to be acquired by LSD, the Offeror or any of the other wholly-owned subsidiaries of LSD, would result in LSD, the Offeror and the other wholly-owned subsidiaries of LSD holding in aggregate more than 50% of the voting rights in Lai Fung;

(e) valid acceptances of the LF Share Offer being received within four (4) months of the posting of the Composite Document (and not, where permitted, withdrawn) in respect of such number of LF Shares which (i) is not less than 90% of the LF Offer Shares and (ii) when aggregated with the total number of the Disinterested Shares (if any) purchased by the Offeror and the Offeror Concert Parties during the period of four (4) months after the posting of the Composite Document, would represent not less than 90% of the Disinterested Shares;

(f) the LF Shares remaining listed and traded on the Main Board of the Stock Exchange up to and including the LF Share Offer Closing Date (save for any temporary suspension of trading of the LF Shares pending any announcement in connection with the LF Offers) and no indication being received on or before the LF Share Offer Closing Date from the SFC and/or the Stock Exchange to the effect that the listing of the LF Shares on the Stock Exchange is or is likely to be withdrawn or suspended;

(g) no event having occurred which would make any of the LF Offers, the acquisition of any of the LF Offer Shares or the cancellation of the LF Options under the LF Offers void, unenforceable or illegal, would prohibit the implementation of any of the LF Offers or would impose any material conditions or obligations with respect to any of the LF Offers or their implementation in accordance with their respective terms;

(h) all necessary consents (including consents from the relevant lenders) in connection with the LF Offers and/or (in the event that the Offeror were to exercise the right (if any) to acquire compulsorily those LF Offer Shares not already owned or acquired by LSD, the Offeror or the other wholly-owned subsidiaries of LSD) the possible withdrawal of the listing of the LF Shares from the Stock Exchange which may be required under any existing contractual or other obligations of Lai Fung having been obtained and remaining in effect;

(i) no government, court or governmental, quasi-governmental, statutory or regulatory body or agency in Hong Kong, the Cayman Islands or any other jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make any of the LF Offers or their implementation in accordance with their respective terms void, unenforceable, illegal or impracticable (or which would impose any material conditions or obligations with respect to any of the LF Offers or their implementation in accordance with their respective terms);

(j) since the Announcement Date, there having been no material adverse change in the business, assets, financial or trading position or the prospects or conditions (whether operational, legal or otherwise) of the Lai Fung Group to an extent which is material in the context of the Lai Fung Group; and

(k) there having, since the Announcement Date, not been instituted any, and there remaining no outstanding, litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Lai Fung Group is a party (whether as plaintiff, defendant or otherwise), and no such proceedings having, since the Announcement Date, been threatened in writing against any such member (and no investigation by any government, court or governmental, quasi-governmental, statutory or regulatory body or agency in Hong Kong, the Cayman Islands or any other jurisdiction against or in respect of any such member or the business carried on by any such member having, since the Announcement Date, been threatened in writing, announced or instituted or remaining outstanding against or in respect of any such member), in each case, which is material and adverse in the context of the Lai Fung Group or in the context of the LF Offers.

On the basis of the disclosures of interests in LSD and Lai Fung as at the Latest Practicable Date, no connected transaction of LSD falls within paragraph (ii) of Condition (a).

On the basis of the disclosures of interests in LSG and Lai Fung as at the Latest Practicable Date, the making of the LF Share Offer to the Yu Shareholders is a connected transaction of LSG falling within paragraph (ii) of Condition (b).

The Offeror reserves the right to waive, in whole or in part, all or any of the Conditions (other than Conditions (a), (b), (c) and (d)). As at the Latest Practicable Date, the Offeror was not aware of any consent required under Condition (h) from any person who is not a lender.

As at the Latest Practicable Date, none of the Conditions had been fulfilled.

The LF Option Offer is subject to and conditional upon the LF Share Offer becoming or being declared unconditional in all respects.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror should not invoke any of the Conditions so as to cause the LF Offers to lapse unless the circumstances which give rise to the right to invoke such Condition are of material significance to the Offeror in the context of the LF Offers.

Pursuant to Rule 15.3 of the Takeovers Code, where the LF Offers become or are declared unconditional (whether as to acceptances or in all respects), they should remain open for acceptances for not less than fourteen (14) days thereafter.

Except with the consent of the Executive, all Conditions must be fulfilled (or, if permissible, waived) or the LF Offers must lapse within twenty-one (21) days of the first LF Share Offer Closing Date or of the date the LF Offers become or are declared unconditional as to acceptances, whichever is the later.

WARNING: The LF Offers are subject to the Conditions being fulfilled or waived. Accordingly, the LF Offers may or may not become unconditional. Shareholders and holders of options and other securities of and potential investors in LSG, LSD, eSun and Lai Fung should therefore exercise caution when dealing in the securities of LSG, LSD, eSun and Lai Fung. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

8. VALUE OF THE LF OFFERS

As at the Latest Practicable Date, there were (i) 331,033,443 LF Shares in issue, (ii) 331,015,933 LF Offer Shares and (iii) 11,124,526 LF Options (all of which vested on their respective dates of grant) entitling the LF Optionholders to subscribe for an aggregate of 11,124,526 LF Shares at an exercise price ranging from HK$6.650 to HK$13.520 per LF Share.

On the assumption that before the close of the LF Share Offer the number of LF Shares will not change (whether by way of any exercise of the LF Options or otherwise) and the number of LF Options will not change, the value of the LF Share Offer is approximately HK$2,975.8 million and the total amount required to satisfy the cancellation of all LF Options is approximately HK$3.4 million. On this basis, in aggregate, the LF Offers are valued at approximately HK$2,979.2 million.

On the assumption that before the close of the LF Share Offer no further LF Options will be granted and all of the LF Options will be exercised, Lai Fung will have to issue 11,124,526 new LF Shares, representing approximately 3.25% of the enlarged issued share capital of Lai Fung, upon such exercise of the LF Options. On this basis and on the assumption that the number of LF Shares will otherwise not change, there will be 342,140,459 LF Offer Shares (including the new LF Shares issued as a result of the exercise of the LF Options) and the value of the LF Share Offer will be approximately HK$3,075.8 million. In this case, no amount will be payable by the Offeror under the LF Option Offer.

9. POSSIBLE COMPULSORY ACQUISITION AND WITHDRAWAL OF LISTING OF LF SHARES

Subject to compliance with the other relevant requirements under Section 88 of the Companies Law, if the Offeror, within four (4) months of the posting of the Composite Document, has received valid acceptances in respect of not less than 90% of the LF Offer Shares, the Offeror will have the right under Section 88 of the Companies Law to acquire compulsorily those LF Offer Shares not already owned or acquired by LSD, the Offeror or the other wholly-owned subsidiaries of LSD. (For the avoidance of doubt, for the purposes of ascertaining whether the level of acceptances of the LF Share Offer reaches such prescribed threshold under Section 88 of the Companies Law, acceptances by the Offeror Concert Parties (other than LSD, the Offeror, the other wholly-owned subsidiaries or their respective nominees) will be included.)

Pursuant to Rule 2.11 of the Takeovers Code, except with the consent of the Executive, where the Offeror seeks to acquire or privatise Lai Fung by means of the LF Share Offer and the use of the compulsory acquisition right under the Companies Law, such right may only be exercised if, in addition to satisfying the requirements imposed by the Companies Law, acceptances of the LF Share Offer in respect of the Disinterested Shares and purchases of the Disinterested Shares made by the Offeror and the Offeror Concert Parties during the period of four (4) months after the posting of the Composite Document amount to not less than 90% of the Disinterested Shares.

If (a) the level of acceptances of the LF Share Offer reaches the prescribed threshold under Section 88 of the Companies Law so that the Offeror has the right to acquire compulsorily those LF Offer Shares not already owned or acquired by LSD, the Offeror or the other wholly-owned subsidiaries of LSD and (b) the Offeror is permitted under Rule 2.11 of the Takeovers Code to exercise such right, the Offeror may, but is not obliged to, exercise such right. If the Offeror does exercise such right and completes the compulsory acquisition, Lai Fung will become a wholly-owned subsidiary of LSD, an application will be made for the withdrawal of the listing of the LF Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules and a suspension of dealings in the LF Shares from the close of the LF Share Offer up to the withdrawal of listing of LF Shares from the Stock Exchange.

Pursuant to Rule 15.6 of the Takeovers Code, where the Offeror has stated in the Composite Document its intention to avail itself of any powers of compulsory acquisition, the LF Share Offer may not remain open for acceptance for more than four (4) months from the posting of the Composite Document unless the Offeror has by that time become entitled to exercise such right of compulsory acquisition available to it under the Companies Law, in which event the Offeror must do so without delay.

Reference is made to the announcement of Lai Fung dated 18 September 2019 relating to the shortfall in its public float arising from an increase in the Yu Shareholders' holding of LF Shares. The Yu Shareholders became substantial shareholders and therefore core connected persons of Lai Fung as a result of such increase. On the basis of the Yu Shareholders' latest disclosures of interests in Lai Fung, the public float of Lai Fung was approximately 18.15% as at the Latest Practicable Date, which is below the minimum prescribed by Rule 8.08(1)(a) of the Listing Rules (being 25%).

In the event that the LF Share Offer becomes unconditional in all respects and the Offeror does not effect the compulsory acquisition of the remaining LF Offer Shares, whether by reason of the level of acceptances of the LF Share Offer not reaching the prescribed thresholds under the Companies Law or the Takeovers Code or otherwise, the Offeror intends to continue the listing of the LF Shares on the Stock Exchange and will take appropriate steps to ensure that any shortfall in the public float of Lai Fung as a result of the LF Offers is restored after the close of the LF Offers as long as Lai Fung remains listed on the Stock Exchange.

In the event that the LF Share Offer does not become unconditional in all respects, Lai Fung will continue to consider steps to restore its public float in accordance with the Listing Rules. Further announcement(s) will be made by Lai Fung on the restoration of public float as and when appropriate.

The Stock Exchange has stated that if, upon the close of the LF Share Offer, less than the minimum prescribed percentage applicable to Lai Fung, being 25% of the issued LF Shares, are held by the public, or if the Stock Exchange believes that:

— **a false market exists or may exist in the trading of the LF Shares; or**

— **that there are insufficient LF Shares in public hands to maintain an orderly market,**

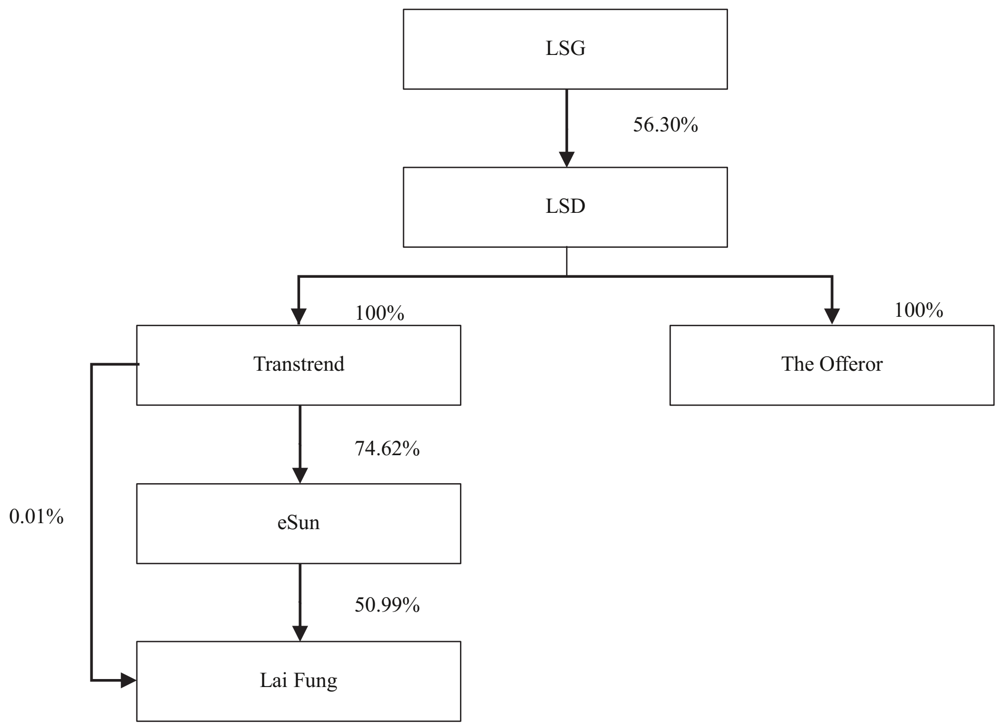
then the Stock Exchange will consider exercising its discretion to suspend dealings in the LF Shares.

The Offeror Directors have jointly and severally undertaken to the Stock Exchange that, in the event the LF Share Offer becomes unconditional in all respects and the Offeror does not effect the compulsory acquisition of the remaining LF Offer Shares, they will take appropriate steps to ensure that any shortfall in the public float of Lai Fung as a result of the LF Offers is restored after the close of the LF Offers as long as Lai Fung remains listed on the Stock Exchange.

10. SHAREHOLDING STRUCTURE OF LAI FUNG

As at the Latest Practicable Date, the authorised share capital of Lai Fung was HK$2,000,000,000 divided into 400,000,000 LF Shares and the issued share capital of Lai Fung was HK$1,655,167,215 divided into 331,033,443 LF Shares. There were no other classes of shares of Lai Fung in issue.

The following is a simplified structure chart summarising the shareholding relationship among LSG, LSD, the Offeror, eSun and Lai Fung as at the Latest Practicable Date:



The table below sets out the shareholding structure of Lai Fung (1) as at the Latest Practicable Date and (2) immediately after completion of the LF Offers and the Offeror's compulsory acquisition of the remaining LF Offer Shares in the event that (a) the level of acceptances of the LF Share Offer reaches the prescribed thresholds under the Companies Law and Rule 2.11 of the Takeovers Code and (b) the Offeror exercises the right of compulsory acquisition (on the assumption that there will be no change in the shareholding structure of Lai Fung (whether by way of any exercise of the LF Options or otherwise) before such completion):

	As at the Latest Practicable Date		Immediately after completion of the LF Offers and the Offeror's compulsory acquisition of the remaining LF Offer Shares	
	No. of LF Shares	As a percentage of the issued share capital of Lai Fung	No. of LF Shares	As a percentage of the issued share capital of Lai Fung
Offeror	0	0%	331,015,933	99.99%
Offeror Concert Party whose LF Shares do not form part of the LF Offer Shares or the Disinterested Shares:				
— Transtrend (other than through eSun)	17,510	0.01%	17,510	0.01%
Offeror Concert Parties whose LF Shares form part of the LF Offer Shares and do not form part of the Disinterested Shares:				
— eSun	168,792,467	50.99%	0	0%
— Mr. FA Chew *(Note 1)*	709,591	0.21%	0	0%
— Mr. Julius Lau *(Note 2)*	235	0.00007%	0	0%
Aggregate number of LF Shares held by the Offeror and the Offeror Concert Parties	169,519,803	51.21%	331,033,443	100%
Total number of Disinterested Shares	161,513,640	48.79%	0	0%
Total number of LF Offer Shares	331,015,933	99.99%	—	—
Total number of LF Shares	331,033,443	100%	331,033,443	100%

Notes:

1. *Mr. FA Chew, who is an Offeror Director, a deputy chairman and an executive director of LSG and the deputy chairman and an executive director of LSD, is acting in concert with the Offeror. As at the Latest Practicable Date, Mr. FA Chew was interested in 709,591 LF Shares and 900,000 LF Options (other than through his interests in LSG and LSD) with the exercise price of HK$6.650 per LF Share and the exercise period from 12 June 2012 to 11 June 2020.*

2. *Mr. Julius Lau, who is an Offeror Director and the chief executive officer and an executive director of LSD, is acting in concert with the Offeror. As at the Latest Practicable Date, Mr. Julius Lau was interested in 235 LF Shares and 965,754 LF Options (other than through his interests in LSD) with the exercise price of HK$11.400 per LF Share and the exercise period from 18 January 2013 to 17 January 2023.*

The table below sets out the shareholding structure of Lai Fung (1) as at the Latest Practicable Date; (2) as at the Latest Practicable Date had all the LF Options been exercised on or before the Latest Practicable Date; and (3) immediately after completion of the LF Offers and the Offeror's compulsory acquisition of the remaining LF Offer Shares in the event that (a) the level of acceptances of the LF Share Offer reaches the prescribed thresholds under the Companies Law and Rule 2.11 of the Takeovers Code and (b) the Offeror exercises the right of compulsory acquisition (on the assumption that no further LF Options will be granted after the Latest Practicable Date, that all of the LF Options will be exercised after the Latest Practicable Date but before the close of the LF Share Offer and that there will be no other change in the shareholding structure of Lai Fung before such completion):

	As at the Latest Practicable Date		**As at the Latest Practicable Date had all the LF Options been exercised on or before the Latest Practicable Date**		**Immediately after completion of the LF Offers and the Offeror's compulsory acquisition of the remaining LF Offer Shares**	
	No. of LF Shares	As a percentage of the issued share capital of Lai Fung	No. of LF Shares	As a percentage of the issued share capital of Lai Fung	No. of LF Shares	As a percentage of the issued share capital of Lai Fung
Offeror	0	0%	0	0%	342,140,459	99.99%
Offeror Concert Party whose LF Shares do not form part of the LF Offer Shares or the Disinterested Shares:						
— Transtrend (other than through eSun)	17,510	0.01%	17,510	0.01%	17,510	0.01%
Offeror Concert Parties whose LF Shares form part of the LF Offer Shares and do not form part of the Disinterested Shares:						
— eSun	168,792,467	50.99%	168,792,467	49.33%	0	0%
— Dr. Peter Lam *(Note 1)*	0	0%	321,918	0.09%	0	0%
— Mr. Lester Lam *(Note 2)*	0	0%	3,219,182	0.94%	0	0%
— Mr. FA Chew *(Note 3)*	709,591	0.21%	1,609,591	0.47%	0	0%
— Mr. Julius Lau *(Note 4)*	235	0.00007%	965,989	0.28%	0	0%
— Mr. Ronald Tham *(Note 5)*	0	0%	500,000	0.15%	0	0%
Aggregate number of LF Shares held by the Offeror and the Offeror Concert Parties	169,519,803	51.21%	175,426,657	51.27%	342,157,969	100%
Total number of Disinterested Shares	161,513,640	48.79%	166,731,312	48.73%	0	0%
Total number of LF Shares	331,033,443	100%	342,157,969	100%	342,157,969	100%
Total number of LF Offer Shares	331,015,933	99.99%	342,140,459	99.99%	—	—

Notes:

1. *Dr. Peter Lam, who is an Offeror Director, a deputy chairman and an executive director of LSG, the chairman and an executive director of LSD and the ultimate controlling shareholder of LSG, LSD and the Offeror, is acting in concert with the Offeror. As at the Latest Practicable Date, Dr. Peter Lam was not interested in any LF Shares and was interested in 321,918 LF Options (other than through his interests in LSG, LSD and eSun) with the exercise price of HK$11.400 per LF Share and the exercise period from 18 January 2013 to 17 January 2023.*

2. *Mr. Lester Lam, who is an Offeror Director, an executive director of LSG (and an alternate to Madam U as an executive director of LSG), an executive director of LSD and Dr. Peter Lam's son, is acting in concert with the Offeror. As at the Latest Practicable Date, Mr. Lester Lam was not interested in any LF Shares and was interested in 3,219,182 LF Options (other than through his interests in LSG, LSD and eSun) with the exercise price of HK$11.400 per LF Share and the exercise period from 18 January 2013 to 17 January 2023.*

3. *Mr. FA Chew, who is an Offeror Director, a deputy chairman and an executive director of LSG and the deputy chairman and an executive director of LSD, is acting in concert with the Offeror. As at the Latest Practicable Date, Mr. FA Chew was interested in 709,591 LF Shares and 900,000 LF Options (other than through his interests in LSG and LSD) with the exercise price of HK$6.650 per LF Share and the exercise period from 12 June 2012 to 11 June 2020.*

4. *Mr. Julius Lau, who is an Offeror Director and the chief executive officer and an executive director of LSD, is acting in concert with the Offeror. As at the Latest Practicable Date, Mr. Julius Lau was interested in 235 LF Shares and 965,754 LF Options (other than through his interests in LSD) with the exercise price of HK$11.400 per LF Share and the exercise period from 18 January 2013 to 17 January 2023.*

5. *Mr. Ronald Tham, who is an executive director of LSD, is acting in concert with the Offeror. As at the Latest Practicable Date, Mr. Ronald Tham was not interested in any LF Shares and was interested in 500,000 LF Options (other than through his interests in LSD) with the exercise price of HK$6.784 per LF Share and the exercise period from 19 August 2019 to 18 August 2029.*

PART (2): MAXIMUM CONSIDERATION PAYABLE UNDER THE LF OFFERS

11. TOTAL CONSIDERATION UNDER THE LF OFFERS

On the assumption that no further LF Options will be granted and all of the LF Options will be exercised before the close of the LF Share Offer, Lai Fung will have to issue 11,124,526 new LF Shares, representing approximately 3.25% of the enlarged issued share capital of Lai Fung, upon such exercise of the LF Options. On this basis and on the assumption that the number of LF Shares will otherwise not change, there will be 342,140,459 LF Offer Shares (including the new LF Shares issued as a result of the exercise of the LF Options) and the value of the LF Share Offer will be approximately HK$3,075.8 million. In this case, no amount will be payable by the Offeror under the LF Option Offer. The funds required by the Offeror to satisfy the consideration payable under the LF Offers will be financed by a combination of the HSBC Facility and/or the internal resources of the LSD Group.

12. SETTLEMENT OF CONSIDERATION OF THE LF OFFERS

Settlement of the consideration in respect of an acceptance of the LF Offers will be made as soon as possible and in any event within seven (7) Business Days of (i) the date of receipt of the complete and valid acceptance or (ii) the date on which the LF Offers become or are declared unconditional in all respects, whichever is the later.

13. HONG KONG STAMP DUTY

Seller's ad valorem stamp duty at a rate of 0.1% of the market value of the LF Offer Shares or the consideration payable by the Offeror in respect of the relevant acceptances of the LF Share Offer, whichever is higher (rounded up to the nearest HK$1.00), will be deducted from the amount payable to the relevant holder of LF Offer Shares on acceptance of the LF Share Offer. The Offeror will bear its own portion of buyer's ad valorem stamp duty at the rate of 0.1% of the market value of the LF Offer Shares or the consideration payable by the Offeror in respect of the relevant acceptances of the LF Share Offer, whichever is higher (rounded up to the nearest HK$1.00) and will be responsible to account to the Stamp Office of Hong Kong for all the stamp duty payable for the sale and purchase of the LF Shares which are validly tendered for acceptance under the LF Share Offer.

No stamp duty is payable on the cancellation of any LF Option.

PART (3): LISTING RULES IMPLICATIONS

14. POSSIBLE MAJOR ACQUISITION OF LSG

As the highest applicable percentage ratio for LSG in respect of the LF Offers exceeds 25% and is less than 100%, the LF Offers constitute a major acquisition for LSG under Chapter 14 of the Listing Rules and are subject to approval by the Independent LSG Shareholders.

15. POSSIBLE DE MINIMIS CONNECTED TRANSACTIONS OF LSG

As at the Latest Practicable Date, Dr. Peter Lam, a deputy chairman, an executive director and the ultimate controlling shareholder of LSG, and Mr. Lester Lam, an executive director of LSG (and an alternate to Madam U as an executive director of LSG) and an LR associate of Dr. Peter Lam, were interested in certain LF Options (other than through their respective interests in LSG, LSD and eSun). The maximum aggregate consideration for such interests under the LF Offers (assuming that all of their LF Options will be exercised before the close of the LF Share Offer) is approximately HK$31.8 million. The making of the LF Offers to Dr. Peter Lam and Mr. Lester Lam constitutes a connected transaction for LSG under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio for LSG is more than 0.1% but less than 5%, the making of the LF Offers to Dr. Peter Lam and Mr. Lester Lam is a de minimis connected transaction subject to the reporting and announcement requirements but exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, Mr. FA Chew, a deputy chairman and an executive director of LSG, was interested in certain LF Options (other than through his interests in LSG and LSD). The maximum aggregate consideration for such interests under the LF Offers (assuming that all of his LF Options will be exercised before the close of the LF Share Offer) is approximately HK$14.5 million. The making of the LF Offers to Mr. FA Chew constitutes a connected transaction for LSG under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio for LSG is more than 0.1% but less than 5%, the making of the LF Offers to Mr. FA Chew is a de minimis connected transaction subject to the reporting and announcement requirements but exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Based on the information available to LSG as at the Latest Practicable Date, other persons who are directors of subsidiaries of LSG were interested in certain LF Shares and/or LF Options. The making of the LF Offers to each such person constitutes a connected transaction for LSG under Chapter 14A of the Listing Rules. Based on the information available to LSG as at the Latest Practicable Date, the highest applicable percentage ratio in respect of each such connected transaction for LSG is less than 1%. On this basis, since each such person is a connected person at the subsidiary level of LSG, each such connected transaction is a de minimis connected transaction exempted from the reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

16. POSSIBLE CONNECTED TRANSACTION OF LSG WHICH IS NOT DE MINIMIS

On the basis of the Yu Shareholders' latest disclosures of interests in Lai Fung on or before the Latest Practicable Date, the Yu Shareholders, being substantial shareholders of LSG, were interested in 34,729,037 LF Shares (representing approximately 10.49% of the issued share capital of Lai Fung) (other than through their interests in LSG, LSD and eSun). The maximum aggregate consideration for such interests under the LF Offers (assuming that their shareholding in Lai Fung will not change) is approximately HK$312.2 million. The making of the LF Share Offer to the Yu Shareholders constitutes a connected transaction for LSG under Chapter 14A of the Listing Rules. Based on the information available to LSG as at the Latest Practicable Date, the highest applicable percentage ratio in respect of such connected transaction for LSG is more than 5%. On this basis, the making of the LF Share Offer to the Yu Shareholders is subject to the reporting, announcement and Non-Connected LSG Shareholders' approval requirements under Chapter 14A of the Listing Rules. So far as the Directors are aware, the Yu Shareholders are not related to any Director, chief executive of the Company or controlling shareholder of the Company.

17. NO OTHER POSSIBLE CONNECTED TRANSACTION OF LSG

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, save for the connected persons of LSG mentioned above, the LF Shareholders and the LF Optionholders are third parties independent of LSG and its connected persons under the Listing Rules.

18. GENERAL MEETING

The General Meeting will be held on Wednesday, 13 May 2020 at 10:30 a.m. (or, if later, immediately following the conclusion of the relevant special general meeting of eSun in respect of the eSun Disposal) to consider, and if thought fit, to approve (by way of separate resolutions) (a) the LF Offers as a major acquisition and (b) the making of the LF Share Offer to the Yu Shareholders as a connected transaction.

As at the Latest Practicable Date, Dr. Peter Lam, being the ultimate controlling shareholder of LSG, was interested in 163,544,322 LSG Shares (representing approximately 42.10% of the issued share capital of LSG). Dr. Peter Lam was also interested in 433,737 LSD Shares (representing approximately 0.07% of the issued share capital of LSD), other than through his interest in LSG. As at the Latest Practicable Date, LSG, a holding company of LSD, was interested in 343,593,021 LSD Shares (representing approximately 56.30% of the issued share capital of LSD). As at the Latest Practicable Date, other than through his interests in LSG and LSD, Dr. Peter Lam was interested in 2,794,443 eSun Shares (representing approximately 0.19% of the issued share capital of eSun) and (other than through his interest in LSG, LSD and eSun) 321,918 LF Options (giving him the right to subscribe for approximately 0.09% of the enlarged share capital of Lai Fung). Such interests in eSun and Lai Fung are immaterial compared to Dr. Peter Lam's interests in LSG and LSD and Dr. Peter Lam's interest in the LF Offers is in alignment with the interest of the other LSG Shareholders. Accordingly, Dr. Peter Lam does not have a material interest in the LF Offers and will not be required to abstain from voting on the MA Resolution and the CT Resolution. Dr. Peter Lam intends to exercise (or procure the exercise of) the voting rights attached to the LSG Shares in which he is interested in favour of both the MA Resolution and the CT Resolution.

As at the Latest Practicable Date, Mr. Lester Lam was interested in 12,459,208 LSG Shares (representing approximately 3.21% of the issued share capital of LSG) and (other than through his interests in LSG) was not interested in any LSD Shares or shares of the Offeror. As at the Latest Practicable Date, other than through his interests in LSG and LSD (indirectly through his interests in LSG), Mr. Lester Lam was interested in 2,794,443 eSun Shares (representing approximately 0.19% of the issued share capital of eSun) and (other than through his interests in LSG, LSD and eSun) 3,219,182 LF Options (giving him the right to subscribe for approximately 0.94% of the enlarged share capital of Lai Fung). Such interests in eSun and Lai Fung are immaterial compared to Mr. Lester Lam's interests in LSG and LSD and Mr. Lester Lam's interest in the LF Offers is in alignment with the interest of the other LSG Shareholders. Accordingly, Mr. Lester Lam does not have a material interest in the LF Offers and will not be required to abstain from voting on the MA Resolution and the CT Resolution. Mr. Lester Lam intends to exercise (or procure the exercise of) the voting rights attached to the LSG Shares in which he is interested in favour of both the MA Resolution and the CT Resolution.

As at the Latest Practicable Date, Mr. FA Chew was interested in 202,422 LSG Shares (representing approximately 0.05% of the issued share capital of LSG) and (other than through his interest in LSG) 400,000 LSD Shares (representing approximately 0.07% of the issued share capital of LSD). As at the Latest Practicable Date, other than through his interests in LSG and LSD, Mr. FA Chew was interested in 709,591 LF Shares (representing approximately 0.21% of the issued share capital of Lai Fung) and 900,000 LF Options (giving him the right to subscribe for approximately 0.26% of the enlarged share capital of Lai Fung) and was not interested in any eSun Shares or eSun Options. On the basis of Mr. FA Chew's interests in LSG, LSD and Lai Fung referred to above, his interests in Lai Fung (excluding those held through his interests in LSG and LSD) are material. On this basis, Mr. FA Chew has a material interest in the LF Offers and will be required to abstain from voting on the MA Resolution. For the avoidance of doubt, on the basis that Mr. FA Chew has no interest in the making of LF Share Offer to the Yu Shareholders, he will not be required to abstain from voting on the CT Resolution.

On the basis of the Yu Shareholders' latest disclosures of interests in LSG and Lai Fung on or before the Latest Practicable Date, the Yu Shareholders were interested in 110,838,516 LSG Shares (representing approximately 28.53% of the issued share capital of LSG) and 34,729,037 LF Shares (representing approximately 10.49% of the issued share capital of Lai Fung) (other than through their interests in LSG, LSD and eSun). The Yu Shareholders are considered, for the purposes of the Listing Rules, to have a material interest in the LF Offers, which is attributable solely to their shareholdings in Lai Fung (other than those held through their interests in LSG, LSD and eSun). As disclosed in section 7 "Conditions to the LF Offers" above, the LF Share Offer is subject to the fulfilment of, among other Conditions, (a) the approval by the Independent LSG Shareholders of the LF Offers as a major acquisition of LSG and (b) the approval by the Non-Connected LSG Shareholders of the making of one or more of the LF Offers to any connected person of LSG which is a connected transaction of LSG subject to the independent shareholders' approval requirement under Chapter 14A of the Listing Rules, in each case, in accordance with the Listing Rules. The Yu Shareholders will be required to abstain from voting on the CT Resolution. In light of that, they will not be required to abstain from voting on the MA Resolution. The Company wishes to emphasise that the Yu Shareholders are not involved in, and have no influence over, the LF Offers. While they are shareholders of each of LSG, LSD, eSun and Lai Fung, they are otherwise independent of each of such companies and their ultimate controlling shareholder, Dr. Peter Lam. The Yu Shareholders are not directors of LSG, LSD, the Offeror, eSun, Lai Fung or any of their respective subsidiaries and do not have any representative on the board or the management team of any of LSG, LSD, the Offeror, eSun, Lai Fung or their respective subsidiaries.

19. DIRECTORS' VIEWS AND THE OFFEROR IFA'S ADVICE

As disclosed in section 18 "General Meeting" above, the interests of each of Dr. Peter Lam and Mr. Lester Lam in Lai Fung (other than through their respective interests in LSG, LSD and eSun) are immaterial. Each of Dr. Peter Lam and Mr. Lester Lam has declared to the Board such interests in accordance with the articles of association of LSG and the Listing Rules and was not required to abstain (and did not abstain) from voting on the board resolutions of LSG approving the LF Offers.

Save for Mr. FA Chew who was required to abstain from voting (and did abstain from voting) on the board resolutions of LSG approving the LF Offers because of his material interests in the LF Offers (disclosed in section 18 "General Meeting"), the Directors (including the members of the Independent Board Committee), having considered (i) the bases of the LF Share Offer Price as described in section 3 "The LF Share Offer"; (ii) the reasons for and benefits of the LF Offers as described in section 23 "Reasons for and benefits of the LF Offers"; and (iii) the Offeror IFA's advice, are of the view that the terms of the LF Offers are on normal commercial terms and fair and reasonable to, and in the interests of, LSG and the LSG Shareholders as a whole.

The Offeror IFA has been appointed as the independent financial adviser (a) to advise the Board and the Independent Board Committee on the LF Offers in accordance with Rule 2.4 of the Takeovers Code and (b) to make a recommendation to the Independent Board Committee and the Non-Connected LSG Shareholders on the making of the LF Share Offer to the Yu Shareholders as a connected transaction subject to the independent shareholders' approval requirement under Chapter 14A of the Listing Rules in accordance with Rule 14A.45 of the Listing Rules. A letter from the Offeror IFA containing its full advice is included in this circular.

PART (4): GENERAL

20. INFORMATION ON THE GROUP, THE LSD GROUP AND THE OFFEROR

LSG is a company incorporated in Hong Kong with limited liability. The Group is principally engaged in property investment, property development, investment in and operation of hotels and restaurants, media and entertainment, music production and distribution, films, video format products and television programmes production and distribution, cinema operation, cultural, leisure, entertainment and related facilities and investment holding.

LSD is a company incorporated in Hong Kong with limited liability. The LSD Group is principally engaged in property investment, property development, investment in and operation of hotels and restaurants, media and entertainment, music production and distribution, films, video format products and television programmes production and distribution, cinema operation, cultural, leisure, entertainment and related facilities and investment holding.

The Offeror is a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of LSD. The Offeror is engaged in investment holding.

As at the Latest Practicable Date, (i) LSG was interested in approximately 56.30% of the issued share capital of LSD and (ii) Dr. Peter Lam was interested in approximately 42.10% of the issued share capital of LSG.

21. INFORMATION ON THE eSUN GROUP

eSun is an exempted company incorporated in Bermuda with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange. eSun acts as an investment holding company and the principal activities of the eSun Group include the development, operation of and investment in media and entertainment, music production and distribution, the investment in and production and distribution of television programmes, films and video format products, cinema operation and (through eSun's interest in Lai Fung) property development for sale and property investment as well as the development and operation of and investment in cultural, leisure, entertainment and related facilities.

As at the Latest Practicable Date, LSD was interested in approximately 74.62% of the issued share capital of eSun and holds such interest through Transtrend.

As at the Latest Practicable Date, eSun was interested in approximately 50.99% of the issued share capital of Lai Fung.

22. INFORMATION ON THE LAI FUNG GROUP

Lai Fung is a company incorporated in the Cayman Islands with limited liability. The Lai Fung Group is principally engaged in property development for sale, property investment, and development and operation of and investment in cultural, leisure, entertainment and related facilities.

The audited consolidated net asset value attributable to owners of Lai Fung as at 31 July 2019 was approximately HK$15,834.0 million.

The consolidated audited net profit before and after taxation and tax indemnity of Lai Fung for the last two financial years ended 31 July 2019 and 2018 are as follows:

	For the financial year ended 31 July	
	2019	**2018**
	HK$'000	*HK$'000*
Net profit before tax and tax indemnity	1,170,537	1,556,005
Net profit after tax and tax indemnity	740,055	1,291,471

As at the Latest Practicable Date, Transtrend was interested in approximately 51% of the issued share capital of Lai Fung (0.01% directly and 50.99% through eSun).

23. REASONS FOR AND BENEFITS OF THE LF OFFERS

The following sets out the Offeror's reasons for the LF Offers and the benefits of the LF Offers for LSG and for eSun and the holders of the LF Offer Shares (as considered by the Offeror):

For LSG

Streamlining of the corporate structure of the LSD Group

The principal activities of the LSD Group include, among other activities, property investment, property development and investment in and operation of hotels (the "**Property Businesses**"). (Please refer to section 20 "Information on the Group, the LSD Group and the Offeror" for further details of the LSD Group's principal activities.)

Currently the Property Businesses are carried out both directly by LSD (in respect of properties in Hong Kong and overseas properties) and indirectly through the Lai Fung Group (in respect of properties in the PRC). Upon completion of the LF Offers, the Property Businesses will be directly aligned within the LSD Group.

Additionally, acceptance of the LF Share Offer by eSun, which owned an approximate 50.99% stake in Lai Fung as at the Latest Practicable Date, will enable the Remaining eSun Group to position itself as a pure-play cinema, media and entertainment operator and will provide eSun with the funding it needs to accelerate the development of these operations.

LSG, as the holding company of LSD, will in turn benefit from the enhancements to the operations and performance of the LSD Group. LSG itself is also engaged in investment property business in Hong Kong.

(a) Greater business coherence

The enhanced alignment within the LSD Group of the Property Businesses and, upon acceptance of the LF Share Offer by eSun, delineation of the cinema, media and entertainment businesses of the Remaining eSun Group will enable the performance of these businesses and the members of the LSD Group operating them to be better assessed as separate business lines and operators. It will facilitate investors to apply different valuation methodologies to the two business lines based on their respective earnings, cash flow and net asset value profiles as appropriate.

Acceptance of the LF Share Offer by the eSun Group and the transformation of the Remaining eSun Group into a pure-play cinema, media and entertainment business operator will also provide investors with clearer investment choices, allowing the existing investor base of the LSD Group to align itself better to the businesses of the LSD Group and providing the potential to attract new investors looking for specific investment opportunities.

(b) *Enhanced management focus and resource allocation*

Clearer alignment and delineation of the businesses of the LSD Group will enable management at the different group companies to focus on, and devote their time to, specific business lines. This will enable clearer assessment of management performance, and the rewarding of management, based on the performance of the specific business lines and enable better allocation of resources to such business lines.

Lai Fung will remain a subsidiary of LSD and continue to be consolidated in the financial statements of LSD (which in turn is consolidated in the financial statements of LSG) upon completion of the LF Offers. Depending on the level of acceptances of the LF Share Offer, LSD's effective interest in Lai Fung may increase as a result of the LF Offers, which will reduce the non-controlling interest in Lai Fung in the financial statements of LSD (which, as a subsidiary of LSG, will continue be consolidated in the financial statements of LSG). (Please refer to section 25 "Financial Effect of the LF Offers" of and Appendix IV "Unaudited Pro forma Financial Information of the Group" to this circular for details of the financial effect of the completion of the LF Offers on LSG.) Completion of the LF Offers will not change the presentation of the property businesses of Lai Fung in the financial statements of LSG or LSD.

Other than the pro rata financing to the project company for Phase I of the Novotown project in Hengqin (which is 80% owned by the Lai Fung Group and 20% owned by LSD) since September 2019, LSD has not provided any financing to Lai Fung during the financial year ended 31 July 2019 and the 6 months ended 31 January 2020. Completion of the LF Offers will not change such pro rata financing.

For the holders of the LF Offer Shares

An opportunity to realise value for the LF Offer Shareholders

The LF Share Offer offers the LF Offer Shareholders the opportunity to realise their investments in the LF Shares, which have consistently suffered from low levels of liquidity, particularly in light of the recent volatility in the equity market and uncertainties around the economy amid the outbreak of COVID-19.

(a) *As compared to historical discount to NAV*

The LF Share Offer Price represents (1) a discount of approximately 81.41% to the audited consolidated net asset value attributable to owners per LF Share of approximately HK$48.36 as at 31 July 2019, based on the total number of issued LF Shares and the consolidated net assets attributable to owners of Lai Fung as at 31 July 2019; and (2) a discount of approximately 80.26% to the unaudited consolidated net asset value attributable to owners per LF Share of approximately HK$45.55 as at 31 January 2020, based on the total number of issued LF Shares and the consolidated net assets attributable to owners of Lai Fung as at 31 January 2020. Such discounts are largely in line with those resulting from the historical trading prices of LF Shares. The discount of the simple average closing price of LF Shares on the Stock Exchange (as obtained from Bloomberg) for Lai Fung's five financial years ended 31 July 2019 and the six months ended 31 January 2020 to the net assets per LF Share as at the end of each such financial year was approximately 79.70%, 84.59%, 78.91%, 73.57%, 79.94% and 81.07%, respectively.

(b) In light of the low liquidity of the LF Shares

In light of the low liquidity of the LF Shares (with an average daily trading volume of approximately 0.03 million shares or 0.01% of the issued share capital of Lai Fung during the one-year period ended on and including the Last Trading Date), it would be difficult for a significant number of LF Offer Shares to be sold in the market without adversely affecting the market price of the LF Shares. The LF Share Offer affords the holders of the LF Offer Shares the opportunity to realise their investments in Lai Fung without such difficulty.

For eSun

Transform the Remaining eSun Group into a pure-play cinema, media and entertainment company and provide it with funding to accelerate growth of these businesses

Acceptance of the LF Share Offer by eSun will transform the Remaining eSun Group into a pure-play cinema, media and entertainment company and provide it with the funding to reinforce its industry position and accelerate growth in its businesses of the development, operation of and investment in media and entertainment, music production and distribution, the investment in and production and distribution of television programmes, films and video format products and cinema operation.

Through its indirect non-wholly-owned subsidiary, Intercontinental Group Holdings Limited ("**IGHL**"), which is engaged in the operation of cinemas in Hong Kong, the distribution of films, DVDs, Blu-ray discs and video games, the provision of advertising services and the trading of merchandises and gaming products, the eSun Group is one of the leading film and video distribution companies in Hong Kong, releasing around 30 films every year and distributing a variety of video products. It is also one of the leading multiplex cinema operators in Hong Kong, operating a total of 13 cinemas in Hong Kong and the PRC. For the year ended 31 July 2019, the eSun Group's cinema operation had a market share of 20.09% of the total box office takings of Hong Kong and it was the second largest cinema operator in Hong Kong in terms of total number of cinemas, box office sales and market share according to Hong Kong Box Office Limited, an independent organisation established to report on the daily Hong Kong box office revenue, details of latest movies and box office data analysis. In addition, through its indirect non-wholly-owned subsidiary Media Asia Group Holdings Limited (Stock Code: 8075), the eSun Group is involved in film production and distribution; organisation, management and production of concerts and live performances; artiste management; production and distribution of television programmes; music production and publishing; licensing of media contents and the provision of consultancy services in planning and management of cultural, entertainment and live performance projects.

While the eSun Board notes in the eSun Circular the challenges brought about by COVID-19 and the uncertainties as to the period for which the impacts of these challenges may last and the difficulty to assess such length of time and the eventual impact on the eSun Group's business operations and financial performance at this stage, the eSun Board states in the eSun Circular that it is generally confident about the outlook for the media and entertainment industry and its media and entertainment businesses in the long run on the bases set out below:

(a) the eSun Group has continuously released albums and increased its music licensing revenue and has continuously expanded its television drama production and film production business with its strong artiste management team and a sizeable number of talents, which contributed to the modest segmental profit generated by the eSun Group's media and entertainment business in recent years;

(b) the media and entertainment industry has been generally recession resistant and demand for entertainment is expected to sustain as a result of the growing middle class and rising per capita income in Hong Kong and the PRC. The eSun Group's management is of the view that the business model of the media and entertainment businesses of the eSun Group and the industry outlook for eSun's operations are favourable in the long run and will generate stable future income streams for eSun; and

(c) the growing PRC market is believed to present significant business development and expansion opportunities for Hong Kong media and entertainment business operators including the eSun Group.

It is stated in the eSun Circular that, in recent years, the eSun Group has continued to invest in its film production and distribution and cinema operation businesses with a view to further solidifying its industry positioning and to capture the opportunities of the entertainment market in Hong Kong and the PRC as they might arise, so as to enhance and expand its media and entertainment businesses in Hong Kong and the PRC. It is however stated in the eSun Circular that, in view of the challenges brought about by the social and pandemic events to the industry, the uncertainties as to the period for which the impacts of these challenges may last and the difficulty for eSun to assess such length of time and the eventual impact on eSun Group's business operations and financial performance at this stage, in the short term eSun will be cautious in pursuing aggressive business plans to accelerate growth of its fully-integrated media and entertainment platform but will stay alert and prepared to capture new opportunities when market activities return.

On the basis of the number of LF Share owned by eSun as at the Latest Practicable Date, if the resolutions to be proposed at the special general meeting of eSun for approving the eSun Disposal are passed by the Independent eSun Shareholders and the Non-Connected eSun Shareholders, acceptance of the LF Share Offer by eSun will (subject to the LF Offers becoming unconditional in all respects) provide it with gross proceeds of approximately HK$1,517.4 million.

It is also stated in the eSun Circular that, as at the Latest Practicable Date, eSun was contemplating to utilise such proceeds in the manner set out below, subject to the cautious approach which eSun would continue to adopt in pursuing its business plans for developing the Remaining eSun Group into a pure-play cinema, media and entertainment company, and more importantly, subject to the overriding principle that such use of proceeds being in the interests of eSun and eSun Shareholders as a whole at the relevant time of utilisation:

(a) HK$250 million (representing approximately 16.5% of the gross proceeds of the eSun Disposal) for the repayment of shareholder loans of HK$250 million granted by LSD (and through its subsidiaries) to the Remaining eSun Group. As at the Latest Practicable Date, these shareholder loans of HK$200 million and HK$50 million are due within three months and in 2021, respectively;

(b) HK$180 million (representing approximately 11.9% of the gross proceeds of the eSun Disposal) for repayment of bank loans;

(c) HK$246 million (representing approximately 16.2% of the gross proceeds of the eSun Disposal) for the development and enhancement of eSun's cinema operations. The Remaining eSun Group intends to continue to fund the operations of its existing cinemas, upgrading the facilities of its existing cinemas and seek to acquire new cinema sites to maintain and enhance its market share at appropriate time(s), subject to the then market conditions and circumstances of the media and entertainment industry. Such continuous investment is expected to be essential to the Remaining eSun Group's strategy of positioning itself as one of the leading cinema operators in Hong Kong by securing cinemas sites in the relevant areas and not losing prime locations to its competitors in the long run. For the purpose of the long-term growth and development of the Remaining eSun Group's business, such continuous expansion is also expected to create cross-segment synergies for the Remaining eSun Group's film production and distribution segments since film producers consider distributors with cinema operations more favourably and the box office performance of a film being distributed is to an extent dependent on the number of cinemas it runs in.

If the eSun Disposal is not completed, it is currently expected that the eSun Group will be capable of financing the above funding requirement of its existing cinemas with its internal resources, the eSun Group's presently available banking facilities and other borrowings and the expected refinancing of certain bank loans and other borrowings of the eSun Group;

(d) HK$670 million (representing approximately 44.2% of the gross proceeds of the eSun Disposal) for film and TV production and distribution and media and entertainment businesses. In line with eSun's cautious approach in developing the Remaining eSun Group's business, the Remaining eSun Group intends to invest prudently in the production of films and to adopt effective risk management approaches such as using joint ventures for producing larger budget films. Subject to the then market conditions and circumstances of the film industry, eSun also intends to develop its film distribution business, which already includes an output agreement with Storyteller Distribution Co., LLC (trading as "Amblin Partners"), which is a production company headquartered in the United States, which has granted eSun, for a term of two years expiring on 31 December 2020, the exclusive distribution rights for up to six motion pictures produced by Amblin Partners in Hong Kong and Macau each year. The Remaining eSun Group has in recent years expanded activities in production and investments in quality TV drama series in line with the continued strong demand for good programmes from internet platforms and TV stations in the PRC. A 52-episode romance drama series "New Horizon", starring Zheng Kai and Chen Chiao-en, is in the post-production stage and projects under development include a 20-episode modern-day drama series namely "Who Sell Bricks in Hong Kong" tailor-made for ViuTV, featuring Ng Siu Hin, Fish Liew, Wu Tze Tung and Patrick Tam. The Remaining eSun Group is in discussion with various Chinese and overseas portals and video websites for new project development. The Remaining eSun Group believes that talent management is an instrumental part of its media and entertainment businesses and will continue to nurture new talented artistes. In October 2019, a new project called “Kre8 Music Lab” was launched to actively scout for new talented music artistes and successful candidates will be trained with a view to becoming artistes managed by the Remaining eSun Group. Such project provided an opportunity for the Remaining eSun Group to grow its pool of artistes organically and reduce costs associated with signing established artistes. The Remaining eSun Group has in recent years successfully produced and promoted a large number of concerts in Hong Kong and the PRC performed by prominent local, Asian and international artistes and will continue to work with prominent local and Asian artistes for concert promotion. Also, the Remaining eSun Group intends to continue to broaden the channels for the distribution of its music products and expects to increase its music product licensing revenue through new media distribution.

As at the Latest Practicable Date, assuming that COVID-19 does not have an unforeseen prolonged impact on the eSun Group and the film and TV production and distribution and media and entertainment industries, it is expected that approximately HK$670 million will be required for the further development in these areas. However, as announced by the Film Services Office (“**FSO**”), an organisation under the Commerce and Economic Development Bureau, for the protection of public health and filming crews, where a filming crew considers it of absolute necessity to conduct location filming involving a gathering of more than four persons, a “no-objection letter” must first be applied for and granted by the FSO, and the filming crew should also have notified and obtained the necessary consent(s) from other relevant government authorities before the location filming takes place. For the purpose of the application of the “no-objection letter”, if the public place(s) and timing(s) for the location filming would attract crowds, it should be justified to the FSO’s satisfaction that, among others, the location filming at that place/time is necessary, and a practical crowd control proposal should be submitted to the FSO for approval. According to the FSO’s website, the above measures taken by the FSO continued to be effective as at the Latest Practicable Date. As stated in the eSun Circular, eSun considers that these measures have created burdens for the eSun Group’s film and TV productions, and given the time required for the application of the FSO’s “no-objection letter” for location filming, the schedules of the eSun Group’s existing and proposed film and TV production projects may be substantially delayed. As at the Latest Practicable Date, it remained uncertain for how long the above measures taken by the FSO in respect of location filming will continue to be effective. In view of such uncertainties and the uncertainties on the ultimate and eventual impact of the abovementioned social and pandemic events on the eSun Group and the film and TV production and distribution and media and entertainment industries and the difficulties for eSun to assess such impact at current stage, and given eSun’s intention is to use and allocate proceeds from the eSun Disposal to the implementation of the above development plans only if such use of proceeds is considered to be in the interests of the eSun and eSun Shareholders as a whole at the relevant time of utilisation, the eSun Directors considered that it would be impracticable for eSun to propose a meaningful expected timeline on the development of these projects and on the allocation of the proceeds from the eSun Disposal to these projects as at the Latest Practicable

Date. If the eSun Disposal is approved by Independent eSun Shareholders and Non-Connected eSun Shareholders at the special general meeting of eSun in respect of the eSun Disposal and eSun accordingly accepts the LF Share Offer and receives the proceeds from the eSun Disposal, eSun will disclose the progress of the usage of such proceeds in its annual report; and

(e) HK$171.4 million (representing approximately 11.2% of the gross proceeds of the eSun Disposal) to maintain sufficient working capital for the operations of the Remaining eSun Group disclosed above and for general corporate purposes.

Given the expansion and business plans as stated above, as at the Latest Practicable Date, save for the Laisun Creative Culture Subscription Agreement (details of which were disclosed in the joint announcement of LSG, LSD, eSun and Lai Fung dated 19 January 2020), eSun did not have any intention, and had not entered into any agreement, arrangement or understanding, to acquire or develop any new business or to dispose of or downsize the existing businesses or material operating assets of eSun after the eSun Disposal.

24. INTENTIONS OF LSD WITH REGARD TO THE LAI FUNG GROUP

LSD does not intend the Lai Fung Group to start any new business outside the property sector upon completion of the LF Offers. LSD may from time to time consider the need to fund further development of the businesses of the Lai Fung Group by debt and/or equity financing by the Lai Fung Group, subject to the Lai Fung Group's business needs and prevailing market conditions. Save for the Laisun Creative Culture Subscription Agreement (details of which were disclosed in the joint announcement of LSG, LSD, eSun and Lai Fung dated 19 January 2020), LSD and the Offeror do not intend Lai Fung, and have not entered into any agreement, arrangement or understanding for Lai Fung, to acquire or develop any new business or to dispose of or downsize the existing businesses or material operating assets of Lai Fung or redeploy any of the fixed assets of Lai Fung. LSD does not intend to change the property development strategy of the LSD Group or the Lai Fung Group upon completion of the LF Offers.

It is also the intention of LSD that the employment of the existing employees of the Lai Fung Group and the directorship of the existing directors of the Lai Fung Group will be continued following completion of the LF Offers except for changes which may occur in the ordinary course of business. LSD and the Offeror do not intend to appoint new directors to the Lai Fung Board upon completion of the LF Offers.

25. FINANCIAL EFFECT OF THE LF OFFERS

Following completion of the LF Offers, Lai Fung, which has already been consolidated in the financial statements of LSD (which in turn has already been consolidated in the financial statements of LSG), will continue to be accounted for as a subsidiary of LSD.

As set out in Appendix IV "Unaudited Pro Forma Financial Information of the Group" to this circular:

Scenario I — Assuming the LF Offers are accepted in full by all LF Offer Shareholders, LSD will hold 100% of the total issued share capital of Lai Fung immediately after completion of the LF Offers.

- The total assets of the Group as at 31 July 2019 would have been increased by approximately HK$1,464 million, from approximately HK$82,740 million to approximately HK$84,204 million, assuming completion of the LF Offers had taken place on 31 July 2019;
- The total liabilities of the Group as at 31 July 2019 would have been increased by approximately HK$3,076 million, from approximately HK$31,550 million to approximately HK$34,626 million, assuming completion of the LF Offers had taken place on 31 July 2019; and
- There would be no change to the profit attributable to owners of LSG for the year ended 31 July 2019.

Scenario II — Assuming the LF Offers are only accepted in full by eSun such that LSD will hold 50.995% of the total issued share capital of Lai Fung (50.99% held directly by the Offeror and 0.005% held by Transtrend) immediately after completion of the LF Offers.

- The total assets of the Group as at 31 July 2019 would have been increased by approximately HK$1,464 million, from approximately HK$82,740 million to approximately HK$84,204 million, assuming completion of the LF Offers had taken place on 31 July 2019;
- The total liabilities of the Group as at 31 July 2019 would have been increased by approximately HK$1,517 million, from approximately HK$31,550 million to approximately HK$33,067 million, assuming completion of the LF Offers had taken place on 31 July 2019; and
- There would be no change to the profit attributable to owners of LSG for the year ended 31 July 2019.

26. RECOMMENDATION

Save for Mr. FA Chew who was required to abstain from voting (and did abstain from voting) on the board resolutions of LSG approving the LF Offers because of his material interests in the LF Offers (disclosed in section 18 "General Meeting"), the Directors (including the members of the Independent Board Committee), having considered the terms and conditions of the LF Offers (including the making of the LF Share Offer to the Yu Shareholders as a connected transaction of the Company), are of the opinion that the terms and conditions of the LF Offers are fair and reasonable to, and that the LF Offers (including the making of the LF Share Offer to the Yu Shareholders as a connected transaction of the Company) are on normal commercial terms or better to, and are in the interests of, LSG and the LSG Shareholders (including the Non-Connected LSG Shareholders) as a whole. Accordingly, the Board (including the Independent Board Committee and excluding Mr. FA Chew), having taken into account the Offeror IFA's advice, recommends the LSG Shareholders (including the Non-Connected LSG Shareholders) to vote in favour of both the MA Resolution and the CT Resolution at the General Meeting.

27. PRECAUTIONARY LANGUAGE REGARDING FORWARD-LOOKING STATEMENTS

This circular includes certain "forward-looking statements". These statements are based on the current expectations of the management of the Offeror, LSD, LSG, eSun and/or Lai Fung (as the case may be) and are naturally subject to uncertainty and changes in circumstances. The forward-looking statements contained in this circular include statements about the expected effects of the LF Offers, the expected timing and scope of the LF Offers and all other statements in this circular other than historical facts.

Forward-looking statements include, without limitation, statements typically containing words such as "intends", "expects", "anticipates", "targets", "estimates", "envisages" and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, the satisfaction of the conditions to the LF Offers, as well as additional factors, such as general, social, economic and political conditions in the countries in which the relevant entity operates or other countries which have an impact on the relevant company's business activities or investments, interest rates, the monetary and interest rate policies of the countries in which the relevant company operates, inflation or deflation, foreign exchange rates, the performance of the financial markets in the countries in which the relevant company operates and globally, changes in domestic and foreign laws, regulations and taxes, changes in competition and the pricing environments in the countries in which the relevant company operates, regional or general changes in asset valuations and disruptions or reductions in travel and operations due to natural or man-made disasters, pandemics, epidemics, or outbreaks of infectious or contagious diseases such as COVID-19. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements.

All written and oral forward-looking statements attributable to the Offeror, LSD, LSG, eSun and/or Lai Fung (as the case may be) or persons acting on behalf of any of them are expressly qualified in their entirety by the cautionary statements above. The forward-looking statements included herein are made only as of the Latest Practicable Date.

Any forward-looking statement contained in this circular based on past or current trends and/or activities of the relevant company should not be taken as a representation that such trends or activities will continue in the future. No statement in this circular is intended to be a profit forecast or to imply that the earnings of the relevant company for the current year or future years will necessarily be lower than, match or exceed its historical or published earnings. Each forward-looking statement speaks only as at the date of the particular statement. Subject to the requirements of the Takeovers Code and other applicable laws and regulations, LSG expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in their expectations with regard thereto or any change in events, conditions of circumstances on which any such statement is based.

Yours faithfully,
For and on behalf of the Board of
Lai Sun Garment (International) Limited
Lam Kin Ming
Chairman

LAI SUN GARMENT

Lai Sun Garment (International) Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 191)

24 April 2020

To the Non-Connected LSG Shareholders

Dear Sir or Madam,

We refer to the circular of Lai Sun Garment (International) Limited ("**Company**") dated 24 April 2020 ("**Circular**"), of which this letter forms part. Terms used herein have the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed as the independent board committee to consider on the making of the LF Share Offer to the Yu Shareholders as a connected transaction of the Company subject to the independent shareholders' approval requirement under Chapter 14A of the Listing Rules ("**Yu Connected Transaction**"), and to advise you as to whether, in our opinion, the Yu Connected Transaction is conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better so far as the Non-Connected LSG Shareholders are concerned, its terms are fair and reasonable to the Non-connected LSG Shareholders, and whether the Company's entry into the Yu Connected Transaction is in the interests of the Company and the LSG Shareholders as a whole.

Gram Capital Limited has been appointed as the independent financial adviser to advise us and you regarding the Yu Connected Transaction. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving its advice, are set out in its letter on pages 46 to 74 of the Circular. Your attention is also drawn to the letter from the Board set out in the Circular and the additional information set out in the appendices to the Circular.

Having considered the terms of the Yu Connected Transaction and the independent advice of Gram Capital Limited in relation thereto, we consider that the Yu Connected Transaction is not conducted in the ordinary and usual course of business of the Group due to the nature of the LF Share Offer, but is on normal commercial terms or better so far as the Non-Connected LSG Shareholders are concerned, its terms are fair and reasonable to the Non-connected LSG Shareholders, and the Company's entry into the Yu Connected Transaction is in the interests of the Company and the LSG Shareholders as a whole. On this basis, we recommend the Non-Connected LSG Shareholders to vote in favour of the ordinary resolution to be proposed at the General Meeting to approve the Yu Connected Transaction.

Yours faithfully,
Independent Board Committee

Chow Bing Chiu | **Lam Bing Kwan** | **Leung Shu Yin, William**

Set out below is the text of a letter received from Gram Capital, the independent financial adviser to the Board, the Independent Board Committee and the Non-Connected LSG Shareholders in respect of the LF Offers for the purpose of inclusion in this circular.

Gram Capital Limited
嘉林資本有限公司

Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

24 April 2020

To: The Board, the Independent Board Committee and the Non-Connected LSG Shareholders

Dear Sir/Madam,

(1) POSSIBLE MAJOR ACQUISITION AND CONNECTED TRANSACTION (2) CONDITIONAL VOLUNTARY GENERAL CASH OFFERS BY HSBC ON BEHALF OF THE OFFEROR, A WHOLLY-OWNED SUBSIDIARY OF LSD, TO ACQUIRE ALL OF THE ISSUED SHARES OF LAI FUNG (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY LSD, THE OFFEROR OR THE OTHER WHOLLY-OWNED SUBSIDIARIES OF LSD) AND TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF LAI FUNG

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Board, the Independent Board Committee and the Non-Connected LSG Shareholders in respect of the LF Offers, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 24 April 2020 issued by the Company to the LSG Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

With reference to the Board Letter, HSBC, on behalf of the Offeror, a wholly-owned subsidiary of LSD and an indirect subsidiary of the Company, is making conditional voluntary general cash offers (i) to acquire all of the issued shares of Lai Fung not already owned or agreed to be acquired by LSD, the Offeror or the other wholly-owned subsidiaries of LSD and (ii) to cancel all the outstanding LF Options. We, Gram Capital Limited, have been appointed as the independent financial adviser to advise the Board and Independent Board Committee in accordance with Rule 2.4 of the Takeovers Code as to whether or not the LF Offers are in the interests of the Company and the LSG Shareholders.

As further mentioned in the Board Letter, the Company is a holding company of LSD and was interested in approximately 56.30% of the issued share capital of LSD. The making of the LF Share Offer to the Yu Shareholders (the "**Yu Connected Transaction**") constitutes a connected transaction for the Company and is subject to the reporting, announcement and the Non-Connected LSG Shareholders' approval requirements under the Listing Rules. The Independent Board Committee comprising Messrs. Leung Shu Yin, William, Lam Bing Kwan and Chow Bing Chiu, being all of the independent non-executive Directors, has been formed to advise the Non-Connected LSG Shareholders on (i) whether the terms of the Yu Connected Transaction are on normal commercial terms and are fair and reasonable; (ii) whether the Yu Connected Transaction is in the interests of the Company and the LSG Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group; and (iii) how the Non-Connected LSG Shareholders should vote in respect of the CT Resolution to approve the Yu Connected Transaction at the General Meeting. We, Gram Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Non-Connected LSG Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as (i) the independent financial adviser to the board and independent board committee of LSD and the Offeror Board in relation to LF Offers (details of which are set out in the circular of LSD dated 24 April 2020); (ii) the independent financial adviser to the independent board committee and independent shareholders of LSD in relation to a connected transaction (details of which are set out in the circular of LSD dated 19 March 2019); (iii) the independent financial adviser to the independent non-executive directors of eSun in relation to a connected transaction in 2018 (which was exempted from independent shareholders' approval requirement); (iv) the independent financial adviser to independent board committee of Lai Fung in relation to the unconditional mandatory general cash offer to acquire all of the issued shares of Lai Fung and to cancel all the Lai Fung's outstanding share options (details of which are set out in the composite document jointly issued by LSD and Lai Fung dated 15 August 2018); and (v) the independent financial adviser to the independent board committee and independent shareholders of Lai Fung in relation to a special deal (details of which are set out in the circular of Lai Fung dated 23 July 2018).

Notwithstanding the aforesaid engagements, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as hindrance to Gram Capital's independence to act as the independent financial adviser to the Board, the Independent Board Committee and the Non-Connected LSG Shareholders.

BASIS OF OUR OPINION

In formulating our opinion to the Board, the Independent Board Committee and the Non-Connected LSG Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreements/arrangements or implied understanding with anyone concerning the LF Offers. We consider that we have been provided with sufficient information and have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules and Rule 2 of the Takeovers Code.

Your attention is drawn to the responsibility statements as set out in the section headed "1. RESPONSIBILITY STATEMENTS" of Appendix VI to the Circular. We, as the independent financial adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We have not conducted any independent in-depth investigation into the business and affairs of the Group, the Yu Shareholders or their respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the Group or the LSG Shareholders as a result of the LF Offers. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. The LSG Shareholders will be notified of any material changes as soon as possible in accordance with Rule 9.1 of the Takeovers Code. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any LSG Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the LF Offers, we have taken into consideration the following principal factors and reasons:

(1) Background of and reasons for the LF Offers

Information on the Company, LSD and the Offeror

The Company

With reference to the Board Letter, the Group is principally engaged in property investment, property development, investment in and operation of hotels and restaurants, media and entertainment, music production and distribution, films, video format products and television programmes production and distribution, cinema operation, cultural, leisure, entertainment and related facilities and investment holding. The Group includes the LSD Group.

Set out below are the Group's consolidated financial information for the six months ended 31 January 2020, the six months ended 31 January 2019 and the two years ended 31 July 2019 as extracted from the Company's interim results announcement for the six months ended 31 January 2020 (the "**2019/20 LSG Interim Results Announcement**") and the annual report for the year ended 31 July 2019 (the "**2018/19 LSG Annual Report**"):

	For the year ended 31 July 2019 *HK$'000* *(audited)*	**For the year ended 31 July 2018** *HK$'000* *(audited)*	**Year on year change** *%*
Turnover	6,609,847	1,804,039	266.39
— Property development and sales	*2,279,822*	*430*	*530,091.16*
— Property investment	*1,476,389*	*818,489*	*80.38*
— Hotel operation	*686,057*	*423,958*	*61.82*
— Restaurant operation	*514,784*	*514,019*	*0.15*
— Media and entertainment	*591,795*	*Nil*	*N/A*
— Film production and distribution	*325,996*	*Nil*	*N/A*
— Cinema operation	*521,104*	*Nil*	*N/A*
— Others	*213,900*	*47,143*	*353.73*
Gross profit	2,406,721	1,066,707	125.62
Profit for the year attributable to owners of the company	2,797,488	2,567,355	8.96

The Group recorded turnover of approximately HK$6.61 billion and gross profit of approximately HK$2.41 billion respectively for the year ended 31 July 2019 ("**FY2018/19**"), representing an increase in turnover of approximately 266.39% and an increase in gross profit of approximately 125.62% as compared to those for the year ended 31 July 2018 ("**FY2017/18**"). With reference to the 2018/19 LSG Annual Report, such increases in turnover and gross profit were primarily due to (i) consolidation of financial results of eSun into the accounts of the Group upon the close of the voluntary general cash offer made by LSD (which is a non-wholly owned subsidiary of the Company) in May 2018 to acquire all of the issued shares of eSun that were not already owned by LSD in August 2018 (the "**2018 eSun Offer**"); and (ii) recognition of property sales during FY2018/19 from completed residential projects in Hong Kong. For each of FY2018/19 and FY2017/18, the property businesses (i.e. property development and sales, property investment and hotel operation) contributed more than half of the Group's turnover.

The Group recorded profit attributable to owners of the company of approximately HK$2.80 billion for FY2018/19, representing an increase of approximately 8.96% as compared to that for FY2017/18. As advised by the Directors, the said increase in profit was a mix of (i) a significant decrease in the fair value gain arising from the revaluations of the Group's investment properties for FY2018/19 as compared to FY2017/18; (ii) substantial net gain from bargain purchase in acquisition of subsidiaries and the loss on remeasurement of existing interest on an associate upon business combination recognised during FY2018/19 (which arose from the LSD's acquisition of additional equity interest in eSun upon close of 2018 eSun Offer and eSun becoming a subsidiary of the Company); and (iii) increased profit contribution from recognition of the sales of properties during FY2018/19.

	For the six months ended 31 January 2020 *HK$'000* *(unaudited)*	**For the six months ended 31 January 2019** *HK$'000* *(unaudited)*	**Year on year change** *%*
Turnover	2,811,143	3,815,851	(26.33)
— Property development and sales	*744,841*	*1,751,268*	*(57.47)*
— Property investment	*743,897*	*731,526*	*1.69*
— Hotel operation	*478,532*	*280,620*	*70.53*
— Restaurant operation	*233,355*	*269,828*	*(13.52)*
— Media and entertainment	*202,827*	*233,062*	*(12.97)*
— Film production and distribution	*111,354*	*240,257*	*(53.65)*
— Cinema operation	*194,566*	*214,277*	*(9.20)*
— Others	*101,771*	*95,013*	*7.11*
Gross Profit	1,125,909	1,431,322	(21.34)
(Loss)/profit for the period attributable to owners of the company	(753,092)	2,914,638	N/A

The Group recorded turnover of approximately HK$2.81 billion and gross profit of approximately HK$1.13 billion respectively for the six months ended 31 January 2020 ("**HY2019/20**"), representing a decrease in turnover of approximately 26.33% and a decrease in gross profit of approximately 21.34% as compared to those for the six months 31 January 2019 ("**HY2018/19**"). With reference to the 2019/20 LSG Interim Results Announcement, such decreases were primarily due to a decrease in recognition of property sales during HY2019/20 from completed residential projects in Hong Kong.

The Group recorded loss attributable to owners of the company of approximately HK$753.09 million for HY2019/20 as compared to profit attributable to owners of the company of approximately HK$2.91 billion for HY2018/19. With reference to the 2019/20 LSG Interim Results Announcement, such change from profit to loss was primarily due to (i) the absence of the net gain on bargain purchase on acquisition of subsidiaries during HY2019/20; (ii) the decrease in fair value of the investment properties owned by the Group and held through joint ventures of the Group, which resulted in the recognition of significant fair value losses arising from revaluation of the Group's investment properties and share of losses from joint ventures of the Group for HY2019/20; and (iii) lower profit contribution from the property sales of a joint venture project of the Group during HY2019/20 as compared to that for HY2018/19.

As at 31 January 2020, the Group had cash and cash equivalents and net assets of approximately HK$2.99 billion and HK$48.97 billion respectively.

LSD

With reference to the Board Letter, the LSD Group is principally engaged in property investment, property development, investment in and operation of hotels and restaurants, media and entertainment, music production and distribution, films, video format products and television programmes production and distribution, cinema operation, cultural, leisure, entertainment and related facilities and investment holding. The LSD Group includes the eSun Group.

Set out below are the LSD Group's consolidated financial information for the six months ended 31 January 2020, the six months ended 31 January 2019 and the two years ended 31 July 2019 as extracted from LSD's interim results announcement for the six months ended 31 January 2020 (the "**2019/20 LSD Interim Results Announcement**") and annual report for the year ended 31 July 2019 (the "**2018/19 LSD Annual Report**"):

	For the year ended 31 July 2019 *HK$'000* *(audited)*	**For the year ended 31 July 2018** *HK$'000* *(audited)*	**Year on year change** *%*
Turnover	6,493,912	1,693,010	283.57
— Property development and sales	*2,279,822*	*430*	*530,091.16*
— Property investment	*1,357,078*	*704,513*	*92.63*
— Hotel operation	*686,057*	*423,958*	*61.82*
— Restaurant operation	*514,784*	*514,019*	*0.15*
— Media and entertainment	*591,795*	*Nil*	*N/A*
— Film production and distribution	*325,996*	*Nil*	*N/A*
— Cinema operation	*521,104*	*Nil*	*N/A*
— Others	*217,276*	*50,090*	*333.77*
Gross profit	2,305,432	970,299	137.60
Profit for the year attributable to owners of the company	4,842,944	4,335,202	11.71

The LSD Group recorded turnover of approximately HK$6.49 billion and gross profit of approximately HK$2.31 billion respectively for FY2018/19, representing an increase in turnover of approximately 283.57% and an increase in gross profit of approximately 137.60% as compared to those for FY2017/18. With reference to the 2018/19 LSD Annual Report, such increases in turnover and gross profit were primarily due to (i) the consolidation of eSun's financial results into the accounts of the LSD Group upon the close of the 2018 eSun Offer; and (ii) recognition of property sales during FY2018/19 from completed residential projects in Hong Kong. For each of FY2018/19 and FY2017/18, the property businesses (i.e. property development and sales, property investment and hotel operation) contributed more than half of the LSD Group's turnover.

The LSD Group recorded profit attributable to owners of the company of approximately HK$4.84 billion for FY2018/19, representing an increase of approximately 11.71% as compared to that for FY2017/18. As advised by the Directors, the said increase in profit was a mix of (i) a significant decrease in the fair value gain arising from the revaluations of the LSD Group's investment properties for FY2018/19 as compared to FY2017/18; (ii) substantial net gain from bargain purchase in acquisition of subsidiaries and the loss on remeasurement of existing interest on an associate upon business combination recognised during FY2018/19 (which arose from the LSD's acquisition of additional equity interest in eSun upon close of 2018 eSun Offer and eSun becoming a subsidiary of LSD); and (iii) increased profit contribution from recognition of the sales of properties during FY2018/19.

	For the six months ended 31 January 2020 *HK$'000* *(unaudited)*	For the six months ended 31 January 2019 *HK$'000* *(unaudited)*	Year on year change *%*
Turnover	2,751,592	3,760,743	(26.83)
— Property development and sales	*744,841*	*1,751,268*	*(57.47)*
— Property investment	*683,516*	*673,933*	*1.42*
— Hotel operation	*478,532*	*280,620*	*70.53*
— Restaurant operation	*233,355*	*269,828*	*(13.52)*
— Media and entertainment	*202,827*	*233,062*	*(12.97)*
— Film production and distribution	*111,354*	*240,257*	*(53.65)*
— Cinema operation	*194,566*	*214,277*	*(9.20)*
— Others	*102,601*	*97,498*	*5.23*
Gross Profit	1,133,914	1,384,768	(18.12)
(Loss)/profit for the period attributable to owners of the company	(1,109,167)	5,076,304	N/A

The LSD Group recorded turnover of approximately HK$2.75 billion and gross profit of approximately HK$1.13 billion respectively for HY2019/20, representing a decrease in turnover of approximately 26.83% and a decrease in gross profit of approximately 18.12% as compared to those for HY2018/19. With reference to the 2019/20 LSD Interim Results Announcement, such decreases were primarily due to a decrease in recognition of property sales during HY2019/20 from completed residential projects in Hong Kong.

The LSD Group recorded loss attributable to owners of the company of approximately HK$1.11 billion for HY2019/20 as compared to profit attributable to owners of the company of approximately HK$5.08 billion for HY2018/19. With reference to the 2019/20 LSD Interim Results Announcement, such change from profit to loss was primarily due to (i) the absence of the net gain on bargain purchase on acquisition of subsidiaries during HY2019/20; (ii) the decrease in fair value of the investment properties owned by the LSD Group and held through joint ventures of the LSD Group, which resulted in the recognition of significant fair value losses arising from revaluation of the LSD Group's investment properties and share of losses from joint ventures of the LSD Group for HY2019/20; and (iii) lower profit contribution from the property sales of a joint venture project of the LSD Group during HY2019/20 as compared to that for HY2018/19.

As at 31 January 2020, the LSD Group had cash and cash equivalents and net assets of approximately HK$2.84 billion and HK$46.29 billion respectively.

The Offeror

With reference to the Board Letter, the Offeror is a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of LSD. The Offeror is engaged in investment holding.

Information on eSun

With reference to the Board Letter, eSun acts as an investment holding company and the eSun Group's principal activities include the development, operation of and investment in media and entertainment, music production and distribution, the investment in and production and distribution of television programmes, films and video format products, cinema operation and (through eSun's interest in Lai Fung) property development for sale and property investment as well as the development and operation of and investment in cultural, leisure, entertainment and related facilities. The eSun Group includes the Lai Fung Group (before completion of the eSun Disposal).

Set out below are the eSun Group's consolidated financial information for the six months ended 31 January 2020, the six months ended 31 January 2019 and the two years ended 31 July 2019 as extracted from eSun's interim results announcement for the six months ended 31 January 2020 (the "**2019/20 eSun Interim Results Announcement**") and annual report for the year ended 31 July 2019 (the "**2018/19 eSun Annual Report**"):

	For the year ended 31 July 2019	**For the year ended 31 July 2018**	**Year on year change**
	HK$'000	*HK$'000*	*%*
	(audited)	*(audited)*	
Turnover	2,903,362	2,183,863	32.95
— *Property development*	*613,322*	*184,633*	*232.18*
— *Property investment*	*839,851*	*759,963*	*10.51*
— *Media and entertainment*	*591,795*	*428,198*	*38.21*
— *Film production and distribution*	*325,996*	*342,684*	*(4.87)*
— *Cinema operation*	*521,259*	*408,342*	*27.65*
— *Corporate and others*	*11,139*	*60,043*	*(81.45)*
Gross profit	1,374,944	1,013,384	35.68
Profit/(loss) for the year attributable to owners of the company	(77,645)	263,840	N/A

The eSun Group recorded turnover of approximately HK$2.90 billion and gross profit of approximately HK$1.37 billion respectively for FY2018/19, representing an increase in turnover of approximately 32.95% and an increase in gross profit of approximately 35.68% as compared to those for FY2017/18. With reference to the 2018/19 eSun Annual Report, the increase in turnover was primarily due to higher turnover from sale of properties of Lai Fung Group for FY2018/19 as compared to that for FY2017/18. The segments of media and entertainment, film production and distribution and cinema operation collectively contributed approximately 49.56% and 54.00% of the eSun Group's turnover for FY2018/19 and FY2017/18 respectively.

The eSun Group recorded loss attributable to owners of the company of approximately HK$77.65 million for FY2018/19 as compared to profit attributable to owners of the company of approximately HK$263.84 million for FY2017/18. As advised by the Directors, the said change from profit to loss was primarily due to (i) a significant decrease in fair value gain arising from the revaluation of the eSun Group's investment properties; and (ii) a significant decrease in the profit contribution from the property sales of a joint venture project in the PRC in FY2018/19 as compared to FY2018/17.

	For the six months ended 31 January 2020 *HK$'000* *(unaudited)*	**For the six months ended 31 January 2019** *HK$'000* *(unaudited)*	**Year on year change** *%*
Turnover	1,107,375	1,260,206	(12.13)
— Property development	*175,186*	*145,668*	*20.26*
— Property investment	*342,638*	*341,114*	*0.45*
— Hotel and serviced apartment	*78,168*	*80,040*	*(2.34)*
— Media and entertainment	*202,827*	*233,062*	*(12.97)*
— Film production and distribution	*111,354*	*240,257*	*(53.65)*
— Cinema operation	*194,576*	*214,277*	*(9.19)*
— Corporate and others	*2,626*	*5,788*	*(54.63)*
Gross Profit	545,125	567,124	(3.88)
Loss for the period attributable to owners of the company	(526,569)	(254,863)	106.61

The eSun Group recorded turnover of approximately HK$1.11 billion and gross profit of approximately HK$545.13 million respectively for HY2019/20, representing a decrease in turnover of approximately 12.13% and a decrease in gross profit of approximately 3.88% as compared to those for HY2018/19. The segments of media and entertainment, film production and distribution and cinema operation collectively contributed approximately 49.94% and 54.56% of the eSun Group's turnover for HY2019/20 and HY2018/19 respectively.

The eSun Group recorded loss attributable to owners of the company of approximately HK$526.57 million for HY2019/20, representing an increase of approximately 106.61% as compared to that for HY2018/19. With reference to the 2019/20 eSun Interim Results Announcement, such increase in loss was primarily due to (i) an increase in fair value losses on investment properties of the eSun Group; (ii) an impairment of certain property, plant and equipment; and (iii) the increased finance costs as a result of a decrease in capitalisation of finance costs in relation to certain projects, the development of which had been completed, during the HY2019/20.

As at 31 January 2020, the eSun Group had cash and cash equivalents and net assets of approximately HK$1.89 billion and HK$16.61 billion respectively.

Information on Lai Fung

With reference to the Board Letter, the Lai Fung Group is principally engaged in property development for sale, property investment, and development and operation of and investment in cultural, leisure, entertainment and related facilities.

Set out below are the Lai Fung Group's consolidated financial information for the six months ended 31 January 2020, the six months ended 31 January 2019 and the two years ended 31 July 2019 as extracted from Lai Fung's interim results announcement for the six months ended 31 January 2020 (the "**2019/20 LF Interim Results Announcement**") and annual report for the year ended 31 July 2019 (the "**2018/19 LF Annual Report**"):

	For the year ended 31 July 2019 *HK$'000* *(audited)*	**For the year ended 31 July 2018** *HK$'000* *(audited)*	**Year on year change** *%*
Turnover	1,461,249	950,822	53.68
— *Property development*	613,322	184,633	232.18
— *Property investment*	847,927	766,189	10.67
Gross profit	917,472	679,317	35.06
Profit for the year attributable to owners of the company	668,556	1,180,117	(43.35)

The Lai Fung Group recorded turnover of approximately HK$1.46 billion and gross profit of approximately HK$917.47 million respectively for FY2018/19, representing an increase in turnover of approximately 53.68% and an increase in gross profit of approximately 35.06% as compared to those for FY2017/18. With reference to the 2018/19 LF Annual Report, the increase in turnover was primarily due to higher turnover from property sales for FY2018/19 as compared to that for FY2017/18. For each of FY2018/19 and FY2017/18, all of Lai Fung Group's turnover was derived from the property businesses (i.e. property development and property investment).

The Lai Fung Group recorded profit attributable to owners of the company of approximately HK$668.56 million for FY2018/19, representing a decrease of approximately 43.35% as compared to that for FY2017/18. As advised by the Directors, the said decrease in profit was primarily due to (i) a lower fair value gain arising from the revaluation of the Lai Fung Group's investment properties for FY2018/19 as compared to that for FY2017/18; and (ii) a significant decrease in the profit contribution from the property sales of a joint venture project in the PRC in FY2018/19 as compared to FY2018/17.

	For the six months ended 31 January 2020	**For the six months ended 31 January 2019**	**Year on year change**
	HK$'000	*HK$'000*	*%*
	(unaudited)	*(unaudited)*	
Turnover	599,898	571,086	5.05
— *Property development*	*175,186*	*145,668*	*20.26*
— *Property investment*	*346,544*	*345,346*	*0.35*
— *Hotel and serviced apartment*	*78,168*	*80,072*	*(2.38)*
Gross Profit	312,049	359,137	(13.11)
(Loss)/profit for the period attributable to owners of the company	(442,388)	69,005	N/A

The Lai Fung Group recorded turnover of approximately HK$599.90 million and gross profit of approximately HK$312.05 million respectively for HY2019/20, representing an increase in turnover of approximately 5.05% and a decrease in gross profit of approximately 13.11% as compared to those for HY2018/19. The Lai Fung Group recorded loss attributable to owners of the company of approximately HK$442.39 million for HY2019/20 as compared to profit attributable to owners of the company of approximately HK$69.01 million for HY2018/19. With reference to the 2019/20 LF Interim Results Announcement, such change from profit to loss was primarily due to the decrease in fair value of the investment properties held by the Lai Fung Group, resulting in the recognition of a significant fair value loss arising from the revaluation of the Lai Fung Group's investment properties for HY2019/20.

As at 31 January 2020, the Lai Fung Group had cash and cash equivalents and net assets of approximately HK$1.25 billion and HK$15.12 billion respectively.

A simplified structure chart summarising the shareholding relationship among the Company, LSD, the Offeror, eSun and Lai Fung as at the Latest Practicable Date is contained in the section headed "SHAREHOLDING STRUCTURE OF LAI FUNG" of the Board Letter.

Information of the Yu Shareholders

With reference to the Board Letter, the Yu Shareholders, being substantial shareholders of the Company, were interested in 34,729,037 LF Shares (representing approximately 10.49% of the issued share capital of Lai Fung) (other than through their interests in LSG, LSD and eSun) as at the Latest Practicable Date.

Reasons for and benefits of the LF Offers

For the Company and LSD

With reference to the Board Letter, the principal activities of the LSD Group include, among other activities, property investment, property development and investment in and operation of hotels (i.e. the Property Businesses). The Property Businesses are carried out both directly by LSD (in respect of properties in Hong Kong and overseas properties) and indirectly through the Lai Fung Group (in respect of properties in the PRC). Upon completion of the LF Offers, the Property Businesses will be directly aligned within the LSD Group.

According to the Board Letter, the enhanced alignment within the LSD Group of the Property Businesses and, upon acceptance of the LF Share Offer by eSun, delineation of the cinema, media and entertainment businesses of the Remaining eSun Group will enable the performance of these businesses and the members of the LSD Group operating them to be better assessed as separate business lines and operators. It will facilitate investors to apply different valuation methodologies to the two business lines based on their respective earnings, cash flow and net asset value profiles as appropriate. Acceptance of the LF Share Offer by the eSun Group and the transformation of the Remaining eSun Group into a pure-play cinema, media and entertainment business operator will also provide investors with clearer investment choices, allowing the existing investor base of the LSD Group to align itself better to the businesses of the LSD Group and providing the potential to attract new investors looking for specific investment opportunities.

As further mentioned in the Board Letter, clearer alignment and delineation of the businesses of the LSD Group will enable management at the different group companies to focus on, and devote their time to, specific business lines. This will enable clearer assessment of management performance, and the rewarding of management, based on the performance of the specific business lines and enable better allocation of resources to such business lines. The Company, as the holding company of LSD, will in turn benefit from the enhancements to the operations and performance of the LSD Group. The Company itself also carries on the Property Businesses in respect of certain properties in Hong Kong.

For eSun

With reference to the Board Letter, acceptance of the LF Share Offer by eSun will transform the Remaining eSun Group into a pure-play cinema, media and entertainment company and provide eSun with the funding to reinforce its industry position and accelerate growth in its businesses of the development, operation of and investment in media and entertainment, music production and distribution, the investment in and production and distribution of television programmes, films and video format products and cinema operation. On the basis of the number of LF Shares owned by eSun as at the Latest Practicable Date, if the resolutions to be proposed at the special general meeting of eSun for approving the eSun Disposal are passed by the Independent eSun Shareholders and the Non-Connected eSun Shareholders, acceptance of the LF Share Offer by eSun will (subject to the LF Offers becoming unconditional in all respects) provide it with gross proceeds of approximately HK$1,517.4 million. As stated in the eSun Circular, as at the Latest Practicable Date, eSun was contemplating to utilise such proceeds from the eSun Disposal in the manner set out below:

(i) HK$250 million (representing approximately 16.5% of the gross proceeds of the eSun Disposal) for the repayment of shareholder loans of HK$250 million granted by LSD (and through its subsidiaries) to the Remaining eSun Group

With reference to the 2019/20 eSun Interim Results Announcement, the eSun Group (other than MAGHL, an indirect non-wholly-owned subsidiary of eSun, and Lai Fung) had loans from a wholly-owned subsidiary of LSD of HK$50 million as at 31 January 2020. Such loans are repayable in the second year from the end of the reporting period (i.e. 31 July 2019). As further mentioned in the 2019/20 eSun Interim Results Announcement, MAGHL had loans from a wholly-owned subsidiary of LSD of HK$200 million as at 31 January 2020. With reference to the interim report of MAGHL for the six months ended 31 January 2020, such loans are repayable within one year.

(ii) HK$180 million (representing approximately 11.9% of the gross proceeds of the eSun Disposal) for repayment of bank loans

With reference to the 2019/20 eSun Interim Results Announcement, the eSun Group (other than MAGHL and Lai Fung) had outstanding bank loans of approximately HK$134.5 million and undrawn facilities of approximately HK$218.1 million as at 31 January 2020.

(iii) the remaining HK$1,087.4 million (representing approximately 71.6% of the gross proceeds of the eSun Disposal) for eSun's remaining business

With reference to the 2019/20 eSun Interim Results Announcement, the prolonged social unrest emerging since mid-2019 and the outbreak of the novel coronavirus (COVID-19) since early 2020 had impacted the eSun Group's business performance during the HY2019/20, and may have lingering effects into the rest of 2020. Despite the short-term impacts brought about by such events, the eSun Group reiterated its strong commitment to the long-term development of media and entertainment industry. Through dedicated management efforts and continual investments to accelerate growth of its fully-integrated media and entertainment platform, the eSun Group strived to further solidify its industry positioning and be well-prepared to capture the opportunities of the entertainment market in Hong Kong and the PRC.

(a) Cinema operation

With reference to the joint announcement of the Company, LSD and eSun dated 28 November 2018, eSun entered into a sale and purchase agreement, pursuant to which eSun agreed to purchase 10% of the total issued shares in IGHL. According to the joint announcement, the IGHL group is engaged in film distribution; sale and distribution of movie video compact discs, DVDs, Blu-ray discs; operation of cinemas; provision of advertising services; trading of merchandises and gaming products. As advised by the Directors, after the completion of the acquisition in November 2018, IGHL is held as to 95% by eSun. eSun Group's cinema operation is conducted through eSun and IGHL.

As stated in the eSun Circular, eSun intended to apply HK$246 million (representing approximately 16.2% of the gross proceeds of the eSun Disposal) for the development and enhancement of its cinema operations. The Remaining eSun Group intends to continue to fund the operations of its existing cinemas, upgrading the facilities of its existing cinemas and seeks to acquire new cinema sites to maintain and enhance its market share at appropriate time(s), subject to the then market conditions and circumstances of the media and entertainment industry. Such continuous investment is expected to be essential to the Remaining eSun Group's strategy of positioning itself as one of the leading cinema operators in Hong Kong by securing cinemas sites in the relevant areas and not losing prime locations to its competitors in the long run. For the purpose of the long-term growth and development of the Remaining eSun Group's business, such continuous expansion is also expected to create cross-segment synergies for the Remaining eSun Group's film production and distribution segments since film producers consider distributors with cinema operation more favourably and the box office performance of a film being distributed is to an extent dependent on the number of cinemas it runs in.

With reference to the 2019/20 eSun Interim Results Announcement, the eSun Group intended to further expand its market share in cinema operation through improving the existing cinemas, upgrading the facilities of the existing cinemas and acquiring new cinema sites, and would closely monitor the market conditions in Hong Kong and the PRC and continue to evaluate opportunities to further expand its footprint. As mentioned in the Joint Announcement, eSun has recently secured two new cinema sites in Hong Kong (in Kai Tak and at Cyberport respectively) and was in discussions with the respective landlords of three other new cinema sites in Hong Kong. Subject to the outcome of discussions, eSun expects a total capital expenditure of over HK$210 million for the five new cinema sites over the four years from 2020 to 2023. eSun also estimates that more than HK$20 million will be required for the renovation of its existing cinemas over the same four-year period. eSun expects to finance such capital commitment by its operating cash flow, financing from LSD and banks and the proceeds of the eSun Disposal.

For our due diligence purpose, we obtained a summary of estimated capital commitment of eSun Group's cinema operation over the four years ending 31 July 2023. We noted that total capital commitment for eSun Group's five new cinemas (including the two new cinemas in Kai Tak and at Cyberport respectively and three new cinemas under negotiation) amounted to over HK$220 million over the four years ending 31 July 2023 and the total capital commitment for renovation of the eSun Group's cinema operation (including three existing cinemas) amounted to over HK$20 million over the four years ending 31 July 2023.

(b) Media and entertainment and film production and distribution

With reference to the 2018/19 eSun Annual Report, (i) the media and entertainment segment engages in the investment in and the production of entertainment events and provision of related advertising services, the provision of artiste management services, album sales and the distribution and licence of music and trading of gaming products; and (ii) the film production and distribution segment engages in the investment in, production of, sale, distribution and licence of television programmes and films, the provision of related advertising services as well as the distribution of video format products derived from these films and films licensed-in by the eSun Group.

As stated in the eSun Circular, eSun intended to apply HK$670 million (representing approximately 44.2% of the gross proceeds of the eSun Disposal) for film and TV production and distribution and media and entertainment businesses. The Remaining eSun Group intends to invest prudently in the production of films and to adopt effective risk management approaches such as using joint ventures for producing larger budget films. Subject to the then market conditions and circumstances of the film industry, eSun also intends to develop its film distribution business, which already includes an output agreement with Storyteller Distribution Co., LLC (trading as "Amblin Partners"), which is a production company headquartered in the United States, which has granted eSun, for a term of two years expiring on 31 December 2020, the exclusive distribution rights for up to six motion pictures produced by Amblin Partners in Hong Kong and Macau each year. The Remaining eSun Group has in recent years expanded activities in production and investments in quality TV drama series in line with the continued strong demand for good programmes from internet platforms and TV stations in the PRC. A 52-episode romance drama series "New Horizon", starring Zheng Kai and Chen Chiao-en, is in the post-production stage and projects under development include a 20-episode modern-day drama series namely "Who Sell Bricks in Hong Kong" tailor-made for ViuTV, featuring Ng Siu Hin, Fish Liew, Wu Tze Tung and Patrick Tam. The Remaining eSun Group is in discussion with various Chinese and overseas portals and video web sites for new project development. The Remaining eSun Group believes that talent management is an instrumental part of its media and entertainment businesses and will continue to nurture new talented artistes. In October 2019, a new project called "Kre8 Music Lab" was launched to actively scout for new talented music artistes and successful candidates will be trained with a view to becoming artistes managed by the Remaining eSun Group. Such project provided an opportunity for the Remaining eSun Group to grow its pool of artistes organically and reduce costs associated with signing established artistes. The Remaining eSun Group has in recent years successfully produced and promoted a large number of concerts in Hong Kong and the PRC performed by prominent local, Asian and international artistes and will continue to work with prominent local and Asian artistes for concert promotion. Also, the Remaining eSun Group intends to continue to broaden the channels for the distribution of its music products and expects to increase its music product licensing revenue through new media distribution.

According to the eSun Circular, as at the Latest Practicable Date, assuming that COVID-19 does not have an unforeseen prolonged impact on the eSun Group and the film and TV production and distribution and media and entertainment industries, it is expected that approximately HK$670 million will be required for the further development in the said areas. However, as announced by the Film Services Office ("**FSO**"), an organisation under the Commerce and Economic Development Bureau, for the protection of public health and filming crews, where a filming crew considers it of absolute necessity to conduct location filming involving a gathering of more than four persons, a "no-objection letter" must first be applied for and granted by the FSO, and the filming crew should also have notified and obtained the necessary consent(s) from other relevant government authorities before the location filming takes place. eSun considers that such measures have created burdens for the eSun Group's film and TV productions, and given the time required for the application of the FSO's "no-objection letter" for location filming, the schedules of the eSun Group's existing and proposed film and TV production projects may be substantially delayed. As at the Latest Practicable Date, it remained uncertain for how long the above measures taken by the FSO in respect of location filming will continue to be effective. In view of such uncertainties and the uncertainties on the ultimate and eventual impact of the social and pandemic events on the eSun Group and the film and TV production and distribution and media and entertainment industries and the difficulties for eSun to assess such impact at current stage, and given the eSun's intention is to use and allocate proceeds from the eSun Disposal to the implementation of the above development plans only if such use of proceeds is considered to be in the interests of the eSun and eSun Shareholders as a whole at the relevant time of utilisation, the eSun Directors considered that it would be impracticable for eSun to propose a meaningful expected timeline on the development of these projects and on the allocation of the proceeds from the eSun Disposal to these projects as at the Latest Practicable Date. If the eSun Disposal is approved by Independent eSun Shareholders and Non-Connected eSun Shareholders at the special general meeting of eSun in respect of the eSun Disposal and eSun accordingly accepts the LF Share Offer and receives the proceeds from the eSun Disposal, eSun will disclose the progress of the usage of such proceeds in its annual report.

With reference to the eSun Circular, eSun intended to apply HK$171.4 million (representing approximately 11.2% of the gross proceeds of the eSun Disposal) to maintain sufficient working capital for the operations of the Remaining eSun Group disclosed above and for general corporate purposes.

According to the eSun Circular, given the expansion and business plans as stated above, as at the Latest Practicable Date, save for the Laisun Creative Culture Subscription Agreement (details of which were disclosed in the joint announcement of the Company, LSD, eSun and Lai Fung dated 19 January 2020), eSun did not have any intention, and had not entered into any agreement, arrangement or understanding, to acquire or develop any new business or to dispose of or downsize the existing businesses or material operating assets of eSun after the eSun Disposal.

Intentions of LSD with regard to the Lai Fung Group

According to the Board Letter, LSD does not intend the Lai Fung Group to start any new business outside the property sector upon completion of the LF Offers. LSD may from time to time consider the need to fund further development of the businesses of the Lai Fung Group by debt and/or equity financing by the Lai Fung Group, subject to the Lai Fung Group's business needs and prevailing market conditions. Save for the Laisun Creative Culture Subscription Agreement (details of which were disclosed in the joint announcement of the Company, LSD, eSun and Lai Fung dated 19 January 2020), LSD and the Offeror do not intend Lai Fung, and have not entered into any agreement, arrangement or understanding for Lai Fung, to acquire or develop any new business or to dispose of or downsize the existing businesses or material operating assets of Lai Fung or redeploy any of the fixed assets of Lai Fung. LSD does not intend to change the property development strategy of the LSD Group or the Lai Fung Group upon completion of the LF Offers. It is also the intention of LSD that the employment of the existing employees of the Lai Fung Group and the directorship of the existing directors of the Lai Fung Group will be continued following completion of the LF Offers except for changes which may occur in the ordinary course of business. LSD and the Offeror do not intend to appoint new directors to the Lai Fung Board upon completion of the LF Offers.

Possible compulsory acquisition and withdrawal of listing of LF Shares

With reference to the Board Letter, if (a) the level of acceptances of the LF Share Offer reaches the prescribed threshold under Section 88 of the Companies Law so that the Offeror has the right to acquire compulsorily those LF Offer Shares not already owned or acquired by LSD, the Offeror or the other wholly-owned subsidiaries of LSD; and (b) the Offeror is permitted under Rule 2.11 of the Takeovers Code to exercise such right, the Offeror may, but is not obliged to, exercise such right. If the Offeror does exercise such right and completes the compulsory acquisition, Lai Fung will become a wholly-owned subsidiary of LSD, an application will be made for the withdrawal of the listing of the LF Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules and a suspension of dealings in the LF Shares from the close of the LF Share Offer up to the withdrawal of listing of LF Shares from the Stock Exchange. In the event that the LF Share Offer becomes unconditional in all respects and the Offeror does not effect the compulsory acquisition of the remaining LF Offer Shares, whether by reason of the level of acceptances of the LF Share Offer not reaching the prescribed thresholds under the Companies Law or the Takeovers Code or otherwise, the Offeror intends to continue the listing of the LF Shares on the Stock Exchange and will take necessary steps to ensure that any shortfall in the public float of Lai Fung as a result of the LF Offers is restored after the close of the LF Offers as long as Lai Fung remains listed on the Stock Exchange.

For further details, please refer to the section headed "POSSIBLE COMPULSORY ACQUISITION AND WITHDRAWAL OF LISTING OF LF SHARES" of the Board Letter.

Having considered the above, we consider that the LF Offers are in the interests of the Company and the LSG Shareholders as a whole. Accordingly, we consider that although the Yu Connected Transaction is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the LSG Shareholders as a whole.

(2) Principal terms of the LF Offers

The LF Share Offer

The LF Share Offer is being made by HSBC on behalf of the Offeror on the basis set out below:

For each LF Offer Share ....**HK$8.99 in cash**

According to the Board Letter, if any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the LF Shares at any time after the Announcement Date, the Offeror reserves the right to reduce the LF Share Offer Price by all or any part of the amount or value of such dividend, distribution and/or, as the case may be, return of capital, in which case any reference in the Joint Announcement, the Composite Document, the Circular or any other announcement or document to the LF Share Offer Price will be deemed to be a reference to the LF Share Offer Price as so reduced (and the LF Option Offer Price shall be reduced accordingly). As at the Latest Practicable Date, there was no such dividend, distribution or other return of capital.

The LF Option Offer

With reference to the Board Letter, as at the Latest Practicable Date, there are 11,124,526 LF Options (all of which vested on their respective dates of grant), each giving the LF Optionholders the right to subscribe for one new LF Share. Under the LF Option Offer, the Offeror is, in accordance with Rule 13 of the Takeovers Code, offering the LF Optionholders the LF Option Offer Price (which is the "see-through" price, being the LF Share Offer Price minus the exercise price of the relevant LF Option) in cash for the cancellation of each LF Option they hold, whether vested or unvested, provided that where the exercise price of any LF Option is equal to or greater than the LF Share Offer Price (such that the "see-through" price is zero or negative), the LF Option Offer Price is a nominal amount of HK$0.01 for every 100 LF Options (or, if lesser, any part thereof). If any LF Option is exercised in accordance with the terms of the relevant Share Option Scheme prior to the close of the LF Share Offer, any LF Shares issued as a result of such exercise will be subject to the LF Share Offer.

According to the Board Letter, the LF Option Offer is subject to and conditional upon the LF Share Offer becoming or being declared unconditional in all respects.

As at the Latest Practicable Date, there are (i) 331,033,443 LF Shares in issue, (ii) 331,015,933 LF Offer Shares and (iii) 11,124,526 LF Options (all of which vested on their respective dates of grant) entitling the LF Optionholders to subscribe for an aggregate of 11,124,526 LF Shares at an exercise price ranging from HK$6.650 to HK$13.520 per LF Share.

On the assumption that before the close of the LF Share Offer the number of LF Shares will not change (whether by way of any exercise of the LF Options or otherwise) and the number of LF Options will not change, the value of the LF Share Offer is approximately HK$2,975.8 million and the total amount required to satisfy the cancellation of all LF Options is approximately HK$3.4 million. On this basis, in aggregate, the LF Offers are valued at approximately HK$2,979.2 million.

On the assumption that before the close of the LF Share Offer no further LF Options will be granted and all of the LF Options will be exercised, Lai Fung will have to issue 11,124,526 new LF Shares. On this basis and on the assumption that the number of LF Shares will otherwise not change, there will be 342,140,459 LF Offer Shares (including the new LF Shares issued as a result of the exercise of the LF Options) and the value of the LF Share Offer will be approximately HK$3,075.8 million. In this case, no amount will be payable by the Offeror under the LF Option Offer.

For further details of the LF Offers (including but not limited to the Conditions), please refer to the Board Letter.

Analysis on the LF Share Offer Price

The LF Share Offer Price was determined after taking into account factors as mentioned in the section headed "THE LF SHARE OFFER" of the Board Letter. In order to assess the fairness and reasonableness of the LF Share Offer Price, we performed the following independent analysis on the LF Share Offer Price.

(i) LF Share Offer Price comparison

The LF Share Offer Price of HK$8.99 per LF Offer Share under the LF Share Offer represents:

(a) a premium of approximately 8.31% over the closing price of HK$8.30 per LF Share as quoted on the Stock Exchange on the Latest Practicable Date;

(b) a discount of approximately 7.61% to the closing price of HK$9.73 per LF Share as quoted on the Stock Exchange on the Last Trading Date;

(c) a discount of approximately 8.82% to the average closing price of HK$9.86 per LF Share, being the average closing price of LF Shares as quoted on the Stock Exchange for the 5 trading days immediately prior to and including the Last Trading Date;

(d) a discount of approximately 9.38% to the average closing price of HK$9.92 per LF Share, being the average closing price of LF Shares as quoted on the Stock Exchange for the 10 trading days immediately prior to and including the Last Trading Date;

(e) a discount of approximately 6.74% to the average closing price of HK$9.64 per LF Share, being the average closing price of LF Shares as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Last Trading Date;

(f) a discount of approximately 8.92% to the average closing price of HK$9.87 per LF Share, being the average closing price of LF Shares as quoted on the Stock Exchange for the 60 trading days immediately prior to and including the Last Trading Date;

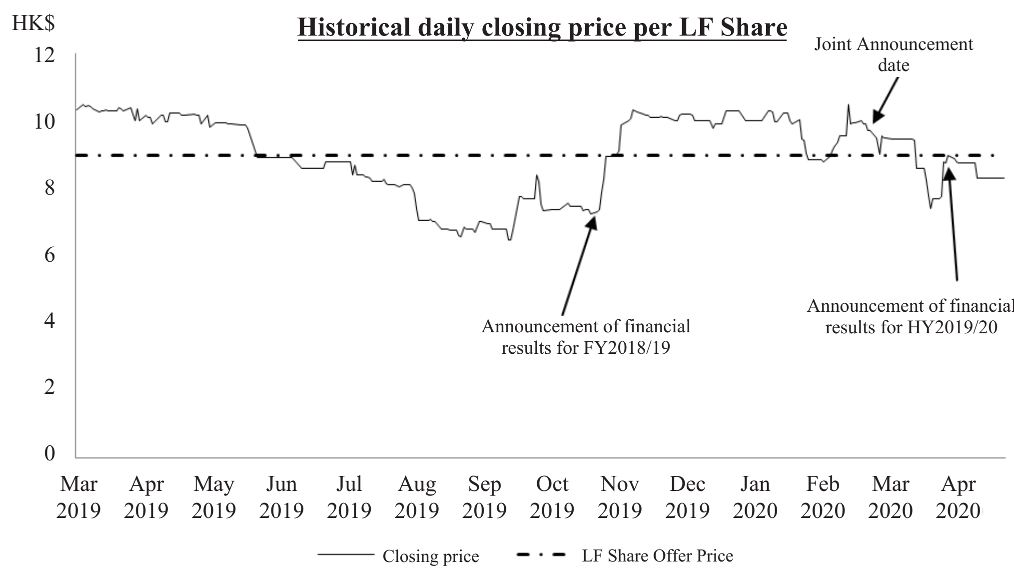
(g) a premium of approximately 3.57% over the average closing price of HK$8.68 per LF Share, being the average closing price of LF Shares as quoted on the Stock Exchange for the 180 trading days immediately prior to and including the Last Trading Date;

(h) a discount of approximately 81.41% to the audited consolidated net asset value attributable to owners per LF Share ("**NAV per LF Share**") of approximately HK$48.36 as at 31 July 2019, based on the total number of issued LF Shares as at 31 July 2019; and

(i) a discount of approximately 80.26% to the unaudited NAV per LF Share of approximately HK$45.55 as at 31 January 2020, based on the total number of issued LF Shares as at 31 January 2020.

(ii) Historical closing price of LF Shares comparison

We also reviewed the daily closing price of the LF Shares as quoted on the Stock Exchange from 1 March 2019 up to and including the Latest Practicable Date (the "**Review Period**"), being a period of approximately one year prior to and including the Announcement Date. The comparison of daily closing prices of the LF Shares and the LF Share Offer Price is illustrated as follows:



Source: the Stock Exchange's website

During the Review Period, the lowest and highest closing prices of the LF Shares as quoted on the Stock Exchange were HK$6.48 per LF Share recorded on 11 September 2019 and 12 September 2019, and HK$10.50 recorded on 11 February 2020 respectively. The LF Share Offer Price is within the range of the LF Share closing prices during the Review Period.

The closing price of LF Shares was relatively stable from the start of the Review Period until mid-May 2019. The closing price of LF Shares dropped from HK$9.80 on 17 May 2019 to HK$9.10 on 20 May 2019. After that, the closing price of LF Shares continued the decreasing trend and reached its trough at HK$6.48 on 11 September 2019 and 12 September 2019. From mid-September 2019 until early-November 2019, the closing price of LF Shares was on a general increasing trend. During the period from mid-November 2019 until the Last Trading Date (i.e. 21 February 2020), the closing price of LF Shares was relatively stable (except for a drop in late-January 2020).

On 21 February 2020 (after trading hours), the Company, LSD, the Offeror, eSun and Lai Fung issued the Joint Announcement. After the issue of the Joint Announcement and up to the Latest Practicable Date, the closing price of LF Shares was between HK$7.40 and HK$9.57.

As advised by the Directors, they were not aware of any affirmative reasons for the aforesaid fluctuation in the closing price of the LF Shares during the Review Period.

(iii) Comparison with comparable companies

To further assess the fairness and reasonableness of the LF Share Offer Price, we performed the trading multiple analysis which includes the price to book ratio ("**PBR**"). As Lai Fung engages in an asset intensive industry (i.e. the property development and property investment business), we consider the PBR to be an appropriate parameter for analysis. We searched for listed companies in Hong Kong which (i) engage in similar line of business as Lai Fung, being property development and property investment with PRC focus (and derived more than 70% of their turnover from such business segments based on their respective latest published financial information); and (ii) have similar market capitalization as Lai Fung (i.e. listed companies with a market capitalization of approximately HK$1 billion to HK$5 billion). To the best of our knowledge and endeavour and as far as we are aware of, we found 28 companies which meet our selection criteria and they are exhaustive (the "**Comparable Company/(ies)**"). Set out below are PBRs of the Comparable Companies based on their closing prices as at the Latest Practicable Date, and their latest published financial information:

Company name (Stock Code)	Year-end date	PBR *(note 1)*
Tian An China Investments Company Limited (28)	31 December 2019	0.19
Guangdong Land Holdings Limited (124)	31 December 2019	0.31
Hon Kwok Land Investment Company, Limited (160)	31 March 2019	0.15
Zensun Enterprises Limited (185)	31 December 2019	0.83
HKC (Holdings) Limited (190)	31 December 2019	0.23
Liu Chong Hing Investment Limited (194)	31 December 2019	0.24
Polytec Asset Holdings Limited (208)	31 December 2019	0.27
Minmetals Land Limited (230)	31 December 2019	0.37
Tomson Group Limited (258)	31 December 2019	0.28
Shanghai Industrial Urban Development Group Limited (563)	31 December 2019	0.26
Fullsun International Holdings Group Co., Limited (627)	31 December 2019	0.47
Zhong An Group Limited (672)	31 December 2019	0.15
China Sandi Holdings Limited (910)	31 December 2019	0.63
Modern Land (China) Co., Limited (1107)	31 December 2019	0.45
Goden Wheel Tiandi Holdings Company Limited (1232)	31 December 2019	0.19
China New City Commercial Development Ltd. (1321)	31 December 2019	0.37
Hydoo International Holding Limited (1396)	31 December 2019	0.26
Jingrui Holdings Limited (1862)	31 December 2019	0.55
Yincheng International Holding Co., Ltd. (1902)	31 December 2019	1.31
Tian Shan Development (Holding) Limited (2118)	31 December 2019	1.25
Sansheng Holdings (Group) Co. Ltd. (2183)	31 December 2019	2.52
JY Grandmark Holdings Limited (2231)	31 December 2019	1.67
Chen Xing Development Holdings Limited (2286)	31 December 2019	0.93
Sunshine 100 China Holdings Ltd. (2608)	31 December 2019	0.36
Xinming China Holdings Limited (2699)	31 December 2019	0.94
Overseas Chinese Town (Asia) Holdings Limited (3366)	31 December 2019	0.14
Ever Reach Group (Holdings) Company Limited (3616)	31 December 2019	0.12
DaFa Properties Group Limited (6111)	31 December 2019	0.93
	Maximum	2.52
	Minimum	0.12
	Average	0.58
	Median	0.36
The LF Share Offer		**0.19** *(note 2)* **or** **0.20** *(note 3)*

Notes:

1. The PBRs of the Comparable Companies were calculated based on their respective latest published annual or interim results and their respective closing prices as quoted on the Stock Exchange and total issued shares as at the Latest Practicable Date.

2. Based on the LF Share Offer Price and NAV per LF Share as at 31 July 2019

3. Based on the LF Share Offer Price and NAV per LF Share as at 31 January 2020

The PBRs of the Comparable Companies ranged from approximately 0.12 times to 2.52 times, with an average of approximately 0.58 times. The implied PBR of the LF Share Offer (i.e. for the acquisition of LF Offer Shares) is within the said PBR range of the Comparable Companies, and lower than the median and average of the PBRs of the Comparable Companies.

Despite the changes in the Lai Fung Group's financial position (i.e. recording a decrease in profit attributable to owners of the company from FY2017/18 to FY2018/19; recording loss attributable to owners of the company for HY2019/20 as compared to profit attributable to owners of the company for HY2018/19; and recording decrease in adjusted net profit attributable to owners of the company (excluding the effect of property revaluations) from FY2017/18 to FY2018/19), taking into account (i) the LF Share Offer Price represents a discount to the closing price of LF Shares on the Last Trading Date; (ii) the LF Share Offer Price represents discount to the average closing prices of LF Shares for the recent trading days immediately prior to and including the Last Trading Date; (iii) the LF Share Offer Price represents discount to NAV per LF Share as at 31 July 2019 and 31 January 2020; (iv) the LF Share Offer Price is within the range of the LF Share closing prices during the Review Period; and (v) the implied PBR of the LF Share Offer is within the PBR range of the Comparable Companies, we are of the opinion that the LF Share Offer Price is fair and reasonable.

Analysis on the LF Option Offer Price

Set out below is a summary of the number LF Options and their respective exercise prices and exercise period as at the Latest Practicable Date as extract from the Board Letter.

LF Option exercise price per LF Share *HK$*	Number of LF Options (each carrying the right to subscribe for one new LF Share)	LF Option Offer Price per LF Share (unless otherwise indicated) *HK$*	Exercise period of the LF Options
6.650	900,000	2.340	12 June 2012 to 11 June 2020
6.784	500,000	2.206	19 August 2019 to 18 August 2029
8.000	180,000	0.990	16 January 2015 to 15 January 2025
9.500	220,000	0.01 for every 100 LF Options (or, if lesser, any part thereof)	26 July 2013 to 25 July 2023
10.180	580,000	0.01 for every 100 LF Options (or, if lesser, any part thereof)	22 January 2019 to 21 January 2029
11.400	8,294,526	0.01 for every 100 LF Options (or, if lesser, any part thereof)	18 January 2013 to 17 January2023
13.520	450,000	0.01 for every 100 LF Options (or, if lesser, any part thereof)	19 January 2018 to 18 January 2028

Based on the closing price of the LF Shares of HK$8.30 as at the Latest Practicable Date, an aggregate of 1,580,000 LF Options (with exercise prices ranged from HK$6.65 to HK$8.00) were in-the-money (the "**In-the-money LF Options**") and 9,544,526 LF Options (with exercise prices ranged from HK$9.50 to HK$13.52) were out-of-money (the "**Out-of-money LF Options**").

For the In-the-money LF Options as at the Latest Practicable Date, the LF Option Offer price is equal to the LF Share Offer Price minus the exercise price of the relevant LF Option. For the Out-of-money LF Options as at the Latest Practicable Date, the exercise prices of the LF Options are higher than the LF Share Offer Price and thus the "see-through" price is zero. LF Option Offer Price is a nominal amount of HK$0.01 for every 100 LF Options (or, if lesser, any part thereof).

Having considered that the LF Share Offer Price is fair and reasonable, we also consider the LF Option Offer Price, which is a see-through price based on the LF Share Offer Price, to be fair and reasonable.

In light of the above (i.e. the LF Share Offer Price and the LF Option Offer Price being fair and reasonable), we consider that the terms of the LF Offers are on normal commercial terms and are fair and reasonable. Accordingly, we are also of the view that the terms of Yu Connected Transaction are on normal commercial terms and are fair and reasonable.

(3) Financial effect of the LF Offers

With reference to the Board Letter, following completion of the LF Offers, Lai Fung, which has already been consolidated in the financial statements of LSD (which in turn has already been consolidated in the financial statements of the Company), will continue to be accounted for as a subsidiary of LSD.

The unaudited pro forma financial information of the Group (the "**Pro Forma Information**") is included in Appendix IV to the Circular.

With reference to the 2018/19 LSG Annual Report, the audited consolidated total assets and total liabilities of the Group were approximately HK$82.74 billion and HK$31.55 billion as at 31 July 2019 respectively. According to the Pro Forma Information, the unaudited consolidated total assets and total liabilities of the Group would be (i) approximately HK$84.20 billion and HK$34.63 billion respectively as if the LF Offers had been completed on 31 July 2019 (assuming that the LF Offers will be accepted in full by all LF Offer Shareholders); and (ii) approximately HK$84.20 billion and HK$33.07 billion respectively as if the LF Offers had been completed on 31 July 2019 (assuming that the LF Offers will only be accepted in full by eSun).

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon completion of the LF Offers.

RECOMMENDATION

As mentioned above:

(a) Having considered the reasons for and benefits of the LF Offers, we consider that the LF Offers are in the interests of the Company and the LSG Shareholders as a whole.

(b) Despite the changes in the Lai Fung Group's financial position (i.e. recording a decrease in profit attributable to owners of the company from FY2017/18 to FY2018/19; recording loss attributable to owners of the company for HY2019/20 as compared to profit attributable to owners of the company for HY2018/19; and recording decrease in adjusted net profit attributable to owners of the company (excluding the effect of property revaluations) from FY2017/18 to FY2018/19), taking into account (i) the LF Share Offer Price represents a discount to the closing price of LF Shares on the Last Trading Date; (ii) the LF Share Offer Price represents discount to the average closing prices of LF Shares for the recent trading days immediately prior to and including the Last Trading Date; (iii) the LF Share Offer Price represents discount to NAV per LF Share as at 31 July 2019 and 31 January 2020; (iv) the LF Share Offer Price is within the range of the LF Share closing prices during the Review Period; and (v) the implied PBR of the LF Share Offer is within the PBR range of the Comparable Companies, we are of the opinion that the LF Share Offer Price is fair and reasonable.

(c) Having considered that the LF Share Offer Price is fair and reasonable, we also consider the LF Option Offer Price, which is a see-through price based on the LF Share Offer Price, to be fair and reasonable.

(d) In light of the LF Share Offer Price and the LF Option Offer Price being fair and reasonable, we consider that the terms of the LF Offers are on normal commercial terms and are fair and reasonable. Accordingly, we are also of the view that the terms of Yu Connected Transaction are on normal commercial terms and are fair and reasonable.

Having taken into consideration the above, we are of the opinion that (i) the LF Offers are in the interests of the Company and the LSG Shareholders; (ii) the terms of the Yu Connected Transaction are on normal commercial terms and are fair and reasonable; and (iii) although the Yu Connected Transaction is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the LSG Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Non-Connected LSG Shareholders to vote in favour of the CT Resolution to be proposed at the General Meeting to approve the Yu Connected Transaction and we recommend the Non-Connected LSG Shareholders to vote in favour of the CT Resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in investment banking industry.

FINANCIAL INFORMATION OF THE GROUP

By way of reference, the financial information of the Group for the three years ended 31 July 2019 and the six months ended 31 January 2020 is disclosed in the following documents, which have been published on the respective websites of the Stock Exchange at http://www.hkexnews.hk and LSG at http://www.laisun.com:

(a) the annual report of LSG for the year ended 31 July 2017 published on 15 November 2017, from pages 93 to 197;

(b) the annual report of LSG for the year ended 31 July 2018 published on 21 November 2018, from pages 101 to 218;

(c) the annual report of LSG for the year ended 31 July 2019 published on 20 November 2019, from pages 137 to 323; and

(d) the interim report of LSG for the six months ended 31 January 2020 published on 22 April 2020, from pages 2 to 27.

INDEBTEDNESS

As at 29 February 2020, being the latest practicable date for ascertaining certain information related to this indebtedness statement, the Group had outstanding consolidated total borrowings (after intra-group elimination) of approximately HK$23,125 million, comprising secured bank borrowings of approximately HK$13,407 million, unsecured and guaranteed bank borrowings of approximately HK$3,197 million, unsecured guaranteed notes of approximately HK$5,735 million, unsecured and unguaranteed other borrowings of approximately HK$720 million, and secured other payable of approximately HK$66 million.

As at 29 February 2020, the Group, as lessees, had lease liabilities of approximately HK$1,367 million.

As at 29 February 2020, certain investment properties, right-of-use assets, property, plant and equipment, completed properties for sale, properties under development, serviced apartments (including related leasehold improvements) and bank balances were pledged to banks to secure banking facilities granted to the Group. In addition, certain shares in subsidiaries were pledged to banks to secure banking borrowing facilities granted to the Group. Shares in a joint venture were pledged to a bank to secure banking facility granted to a joint venture of the Group. The Group's secured bank borrowings were also secured by floating charges over certain assets held by the Group. In addition, the Company and certain subsidiaries of the Group have provided corporate guarantees in favour of the banks in respect of certain banking facilities granted to the Group.

The Group had provided guarantees to certain banks in respect of mortgage loan facilities granted by such banks to certain end-buyers of property units developed by the Group. Pursuant to the terms of the guarantees, upon default in mortgage payments by these end-buyers, the Group will be responsible to repay the outstanding mortgage loan principal amounts together with accrued interest owed by the end-buyers in default. The Group's obligation in relation to such guarantees has been gradually relinquished along with the settlement of the mortgage loans granted by the banks to the end-buyers. Such obligation will also be relinquished when the property ownership certificates for the relevant properties are issued and/or the end-buyers have fully repaid the mortgage loans. As at 29 February 2020, in respect of these guarantees, the contingent liabilities of the Group are estimated to be approximately HK$620 million.

The Group had provided corporate guarantees to certain banks in connection with the general banking facilities granted to the Group and the facilities were utilised by the Group to the extent of approximately HK$3 million as at 29 February 2020.

Save as aforesaid and apart from intra-group liabilities, the Group did not, as at 29 February 2020, have any material outstanding (i) debt securities, whether issued and outstanding, authorised or otherwise created but unissued, or term loans, whether guaranteed, unguaranteed, secured (whether the security is provided by the Group or by third parties) or unsecured; (ii) other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured or unsecured; (iii) mortgage or charges; or (iv) guarantees or other contingent liabilities.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save as disclosed in the interim results announcement of the Company for the six months ended 31 January 2020, the Directors were not aware of any material adverse change in the financial or trading position of the Group as a whole since 31 July 2019 (being the date to which the latest published audited financial statements of the Group were made up), noting that it is too early to assess the impact of COVID-19 on the business or trading position of the Group as a whole.

WORKING CAPITAL

The Directors are of the opinion that, in the absence of any unforeseen circumstances and after taking into account (i) the internal resources of the Group; (ii) the Group's presently available banking facilities and other borrowings; (iii) the expected refinancing of certain bank loans; and (iv) completion of the LF Offers including settlement of the maximum consideration of the LF Offers of HK$3,075.8 million, the Group has sufficient working capital for its requirements for at least 12 months from the date of this circular.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The global economy in 2019 was preoccupied with events including the trade disputes between the United States and the PRC, the ongoing development of Brexit, as well as the prolonged social unrest in Hong Kong. Heading into 2020, the outbreak of novel coronavirus (COVID-19) and the oil price war between Russia and Saudi Arabia have taken global investors by surprise, in particular, the rapid escalation of COVID-19 into a global pandemic has triggered temporary disruptions in business operations and panic selloffs in financial markets. While the long term impact of such events remains difficult to be quantified as the situation is dynamic, especially since March 2020, near term investor confidence has inevitably been negatively affected. In unprecedented times like now, the Group has been proactive in preparing for the challenges ahead, and will work closely with its stakeholders, and continue to prudently manage its financial position to weather the storm.

The Group is principally engaged in property investment, property development, investment in and operation of hotels and restaurants, media and entertainment, music production and distribution, films, video format products and television programmes production and distribution, cinema operation, cultural, leisure, entertainment and related facilities and investment holding.

Hong Kong and Overseas Property Market

Despite the challenging market conditions brought to the Hong Kong economy, and in particular the tourism and hotel industries due to the social unrest in 2019 which led to a significant decline in number of visitors to Hong Kong, especially tourists from the PRC, the Group's Hong Kong investment properties performed relatively steady. The Group continues to monitor the market conditions in London for the potential redevelopment of the three properties on Leadenhall Street in London, comprising 100, 106 and 107 Leadenhall Street (together, the "**Leadenhall Properties**"). Planning consent for the potential redevelopment of the Leadenhall Properties has been approved by the City of London's Planning and Transportation Committee, and all leases of the Leadenhall Properties have been aligned to expire in 2023.

The Group continues to participate in government tenders to grow the pipeline. In March 2019, the Group successfully tendered for and secured a site located at Lot No. 5382 in Demarcation District No.116, Tai Kei Leng, Yuen Long, Hong Kong. This site is designated for private residential purposes and is expected to add a maximum gross floor area ("**GFA**") of approximately 42,200 square feet to the development portfolio of the Group. Demolition works are in progress and construction is expected to be completed in 2024. In April 2019, the Group successfully secured an Urban Renewal Authority project with total site area of approximately 8,500 square feet at Nos. 12-30 Hang On Street, Kwun Tong, Hong Kong which will be developed into approximately 64,000 square feet of residential spaces. Piling foundation works are in progress and construction is expected to be completed in 2023. The sales of Novi, Monti and Alto Residences will be recognised in coming financial years. The Group will continue its prudent and flexible approach and will continue to participate in government tenders to grow the pipeline.

Property Market in the PRC

Being the flagship property arm of the Group in the PRC, the regional focus in Shanghai, Guangzhou, Zhongshan and Hengqin and rental-led strategy of Lai Fung Group continued to demonstrate resilience, which is of particular significance in times of uncertainty. Upon completion of the construction works of the combined redevelopment of Shanghai Northgate Plaza I, Northgate Plaza II and the Hui Gong Building, the development of Guangzhou Haizhu Plaza, and Phase II ("**Novotown Phase II**") of the Novotown project in Hengqin ("**Novotown**"), Lai Fung Group will have a rental portfolio of approximately 9.3 million square feet. Aside from rental GFA growth, Lai

Fung Group also strives to strengthen its rental portfolio through operational enhancements. The two themed indoor experience centres in Phase I ("**Novotown Phase I**") of Novotown, namely "Lionsgate Entertainment World®" and "National Geographic Ultimate Explorer Hengqin", commenced operations on 31 July 2019 and 9 September 2019, respectively. The hotel, known as "Hyatt Regency Hengqin" soft opened on 31 December 2019. Leasing of the commercial area of Novotown Phase I is under way with approximately 76% of the leasable area having been leased. Despite the temporary closure of Novotown Phase I since 24 January 2020 as part of preventive and protective measures in light of the outbreak of COVID-19, Lai Fung Group remains confident that the resumption of operations will make Novotown a new contributor to Lai Fung Group's results in the long run. Lai Fung Group is carefully monitoring the evolving situation, stays in close contact with local officials and will announce the reopening date upon confirmation. On 23 January 2020, Lai Fung Group renewed the management agreement with Ascott Group with respect to the serviced residences in Shanghai.

Development of Phase III and Phase IV of Zhongshan Palm Spring is on track and expected to be completed in the third quarter of 2020 and the third quarter of 2021 respectively. Construction work of Novotown Phase I was completed by the end of 2019, the cultural workshops have been launched for sale and the filing of as-built inspection of office tower and cultural workshop tower with the relevant construction administrative department of the PRC government is pending. Lai Fung Group is in the process of obtaining the sales permit for the Shanghai Wuli Bridge Project, and will reassess the market conditions in preparation for the launch upon the grant of the sales permit. STARR Resort Residence Zhongshan, comprising two 16-storey blocks in the Palm Lifestyle complex was closed and the serviced apartment units were launched for sale in May 2019. The residential units in Shanghai Wuli Bridge project, serviced apartment units and remaining residential units in Zhongshan Palm Spring as well as the cultural studios and cultural workshops of Novotown Phase I are expected to contribute to the income of the Group at the time of sale in the coming financial years. The Group will consider replenishing its landbank in the PRC as and when opportunities arise, and will take into account, amongst other factors, overall macroeconomic conditions, its existing presence in the relevant cities, and allocation of risks.

The outbreak of COVID-19 in the PRC from January to March 2020 has caused interruptions of the construction and sales of properties of Lai Fung Group.

Hotel and Serviced Apartment and Restaurant Operation

The hotel and serviced apartment operation segment of the Group includes the LSD Group's operation of the Hong Kong Ocean Park Marriott Hotel ("**Ocean Park Marriott Hotel**") in Hong Kong and the Caravelle Hotel in Ho Chi Minh City, Vietnam, as well as Lai Fung Group's hotel and serviced apartment operation in Shanghai and Hengqin, the PRC. Restaurant operation of the Group include its interests in 22 restaurants in Hong Kong and the PRC and 1 restaurant in Macau under management. Despite the challenging market conditions brought to the Hong Kong economy, and particularly tourism and hotel industries due to the social unrest in 2019, which had led to a significant decline in number of visitors to Hong Kong, especially tourists from the PRC, Ocean Park Marriott Hotel still managed to deliver an average occupancy rate of approximately 68% for the six months ended 31 January 2020. The Group had further expanded its hotel portfolio subsequent to its acquisition of 50% interest in Fairmont St. Andrews resort in Fife, Scotland in

December 2019. On 23 January 2020, Lai Fung Group renewed the management agreement with Ascott Group with respect to the serviced residence in Shanghai, continuing to leverage on the Ascott Group's extensive experience and expertise in operating and branding serviced residences. Hyatt Regency Hengqin located in Novotown Phase I in Hengqin, Zhuhai soft opened on 31 December 2019. Despite its temporary closure as part of preventive and protective measures in light of the outbreak of COVID-19 in the PRC since 1 February 2020, Lai Fung Group remains confident that the resumption of operations will make Hyatt Regency Hengqin, as part of Novotown Phase I project a new contributor to Lai Fung Group's results in the long run. The hotel project in Phuket, Thailand that the LSD Group invested in June 2017 is still at the planning stage and the Group will provide material updates on this project as and when available. There has been a decline in occupancy rates for Lai Fung Group's commercial properties, in particular for hotels and service apartments, from approximately 78%-90% as at 31 July 2019 to approximately 31%-34% as at 31 March 2020, and the corresponding rental income thereof.

Media and Entertainment/Film Production and Distribution/Cinema Operation

Hong Kong entertainment industry has suffered from repercussions of prolonged social unrest in the city since mid-2019. The industry outlook has been further clouded by the outbreak of COVID-19 since early 2020. Both of these events were unforeseen and had, in its own ways, impacted the economy and, unavoidably, the Group's business performance of media and entertainment, film production and distribution and cinema operation. Despite the short term impacts, the Group would like to reiterate its strong commitment to the long term development of media and entertainment industry.

- Film — continued drive to increase original production of films which appeal to Chinese language audiences with the current production pipeline including "*I'm Living It*", a feature film produced by Cheang Pou Soi with Aaron Kwok and Miriam Yeung, "Knockout", an action film by director Roy Chow featuring Han Geng, *"The Calling of a Bus Driver"*, a romance comedy film with Ivana Wong and director Patrick Kong, and *"Septet: the Story of Hong Kong"*, an omnibus film produced by seven Hong Kong film masters including Johnnie To, Tsui Hark, Ann Hui, Patrick Tam, Sammo Hung, Yuen Woo-Ping and the memorable Ringo Lam.

- TV — expanded activities in production and investments in quality TV drama series in line with the continued strong demand for good programmes from internet platforms and TV stations in the PRC. A 52-episode romance drama series *"New Horizon"*, starring Zheng Kai and Chen Chiao-en, is in the post-production stage and projects under development include a 20-episode modern-day drama series namely *"Who Sell Bricks in Hong Kong"* tailor-made for ViuTV, featuring Ng Siu Hin, Fish Liew, Wu Tze Tung and Patrick Tam. The Group is in discussion with various Chinese and overseas portals and video web sites for new project development.

- Live Entertainment — successfully produced and promoted a number of concerts in Hong Kong and the PRC performed by prominent local, Asian and international artistes. The recent shows include *"FOLLOWMi Sammi Cheng World Tour — Hong Kong 2019"*, *"EXO Planet#5 Tour 2019 Hong Kong"* and *"Along with Ekin Live Concert 2019"*.

- Music — as international music labels are coming to a mutually acceptable licensing model with major Chinese music portals, the long awaited pay model for digital music is taking shape. The exclusive distribution licence of music products with Tencent Music Entertainment (Shenzhen) Co., Ltd. and Warner Music continue to provide stable income streams to the Group.

- Artiste Management — actively looking for promising talent in Greater China and business collaborations with Asian artistes with an aim to build up an artiste roster with breadth and depth. The Group is a strong believer of talent management and is of the view that such a roster will be an instrumental part of its media and entertainment businesses.

- Cinema — the Group currently operates ten cinemas in Hong Kong and three cinemas in the PRC which provides a complementary distribution channel for the Group's film production and distribution businesses. The cinema operation of the Group has been affected by the temporary closure of certain cinemas amid the social unrest in Hong Kong since mid-2019 and the delay in release for certain blockbuster films during the Lunar New Year in January 2020 as a result of the outbreak of COVID-19. There was a further significant drop in the number of cinema goers in February and March 2020, as the general public in Hong Kong and the PRC reduced social outing drastically in response to the government's appeal on minimising social contact. On top of this, following the newly announced crowd control measures by the Hong Kong government on 27 March 2020, all cinemas of the Group in Hong Kong has been closed temporarily for 14 days, effective from 28 March 2020. Nevertheless, the Group remains cautiously optimistic about the long term potential of cinema operation in Hong Kong and the PRC. MCL Cheung Sha Wan Cinema, opened in January 2019 is the first MCL cinema in West Kowloon district. The Group has recently secured two new cinema sites in Hong Kong, in Kai Tak and at Cyberport respectively. The new cinema at Cyberport is expected to open in the financial year ending 31 July 2020 and the new cinema in Kai Tak is expected to commence business in 2022. The Group intends to further expand its market share in cinema operation through improving the existing cinemas, upgrading the facilities of the existing cinemas and acquiring new cinema sites, and will closely monitor the market conditions in Hong Kong and the PRC and continue to evaluate opportunities to further expand its footprint.

FINANCIAL INFORMATION OF THE LAI FUNG GROUP

By way of reference, the financial information of the Lai Fung Group for the three years ended 31 July 2019 and the six months ended 31 January 2020 is disclosed in the following documents, which have been published on the respective websites of the Stock Exchange at http://www.hkexnews.hk and Lai Fung at http://www.laifung.com:

(e) the annual report of Lai Fung for the year ended 31 July 2017 published on 15 November 2017, from pages 89 to 190;

(f) the annual report of Lai Fung for the year ended 31 July 2018 published on 21 November 2018, from pages 93 to 194;

(g) the annual report of Lai Fung for the year ended 31 July 2019 published on 20 November 2019, from pages 93 to 198; and

(h) the interim report of Lai Fung for the six months ended 31 January 2020 published on 9 April 2020, from pages 2 to 25, which has been reviewed by the auditors of Lai Fung.

PROPERTY INTERESTS AND PROPERTY VALUATION REPORT

Knight Frank Petty Limited ("**Knight Frank**"), an independent valuer, has valued the property interests of the Lai Fung Group as at 31 January 2020. The text of the letter, summary of valuation and the valuation certificates are set out in Appendix V to this circular.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE LAI FUNG GROUP FOR THE SIX MONTHS ENDED 31 JANUARY 2020

Set out below in Appendix III is the management discussion and analysis of the Lai Fung Group as extracted from the interim report of Lai Fung for the six months ended 31 January 2020 for the purpose of providing further information relating to the financial condition and results of operations of the Lai Fung Group during such period. Such extract was prepared as at the date of such interim report (being prior to the Latest Practicable Date) and speaks as of the date of such interim report. Terms used below shall have the same meanings as defined in the said interim report.

BUSINESS REVIEW AND OUTLOOK

Over the six months ended 31 January 2020 ("**Period Under Review**"), the Chinese economy was predominantly shadowed by the uncertainties around the trade disputes with the United States. Coupled with the anti-speculation measures by the government, home prices across China grew at a much slower pace than in recent years. The Group's turnover during the Period Under Review remained relatively stable at HK$599.9 million, increasing by 5.0% compared to HK$571.1 million for the six months ended on 31 January 2019 ("**Last Corresponding Period**").

The Lunar New Year holiday in 2020 was extended in the Mainland because of the outbreak of the novel coronavirus (COVID-19). Containment measures including, but not limited to, restrictions on group gatherings and public events, closure of unnecessary public communal space and amenities, designated drop-off and pick-up points for parcel and food delivery to minimise contact, quarantine controls and denial of access for certain individuals, lockdown of residential communities, etc. were imposed by local governments. As a result, factories were closed, travels were restricted, and cities were effectively in lockdown for an extended period of time. Many developers in China were faced with suspension of sales and construction. Subsequent to the Period Under Review, on 12 March 2020, the World Health Organisation officially declared the outbreak of the novel coronavirus a pandemic as confirmed cases surged to over 118,000 in 114 countries, posing a threat to the global supply chain. While the long term impact of such a global pandemic remains difficult to predict, the Group has been proactive in preparing for the challenges ahead, and will work closely with its stakeholders, and continue to prudently manage its financial position to weather the storm.

Property investment segment continued to be the major contributor to the Group's results. The Group's rental portfolio, comprising a total of 4.5 million square feet of rental gross floor area ("**GFA**") as of 31 January 2020 in Shanghai, Guangzhou, Zhongshan and Hengqin, being Tier 1 cities in China and cities within the Greater Bay Area, contributed over 68% of its total turnover for the Period Under Review.

Top tier cities and the Greater Bay Area will remain as the primary drivers for the Group's rental GFA growth in the coming years. Upon completion of the construction works of the existing projects on hand, which include the combined redevelopment of Shanghai Northgate Plaza I, Northgate Plaza II and the Hui Gong Building, the development of Guangzhou Haizhu Plaza, and Phase II ("**Novotown Phase II**") of the Novotown project in Hengqin ("**Novotown**"), the Group will have a rental portfolio of approximately 9.3 million square feet.

Aside from rental GFA growth, the Group also strives to strengthen its rental portfolio through operational enhancements. The two themed indoor experience centres in Phase I ("**Novotown Phase I**") of Novotown, namely "Lionsgate Entertainment World®" and "National Geographic Ultimate Explorer Hengqin", commenced operations on 31 July 2019 and 9 September 2019, respectively. The hotel, known as "Hyatt Regency Hengqin" soft opened on 31 December 2019. Leasing of the commercial area of Novotown Phase I is underway with approximately 76% of the leasable area having been leased. The introduction of Zhuhai Da Hengqin Real Estate Co., Ltd. (珠海大橫琴置業有限公司) in January 2020 strengthened the cash position for the operation of Novotown Phase I.

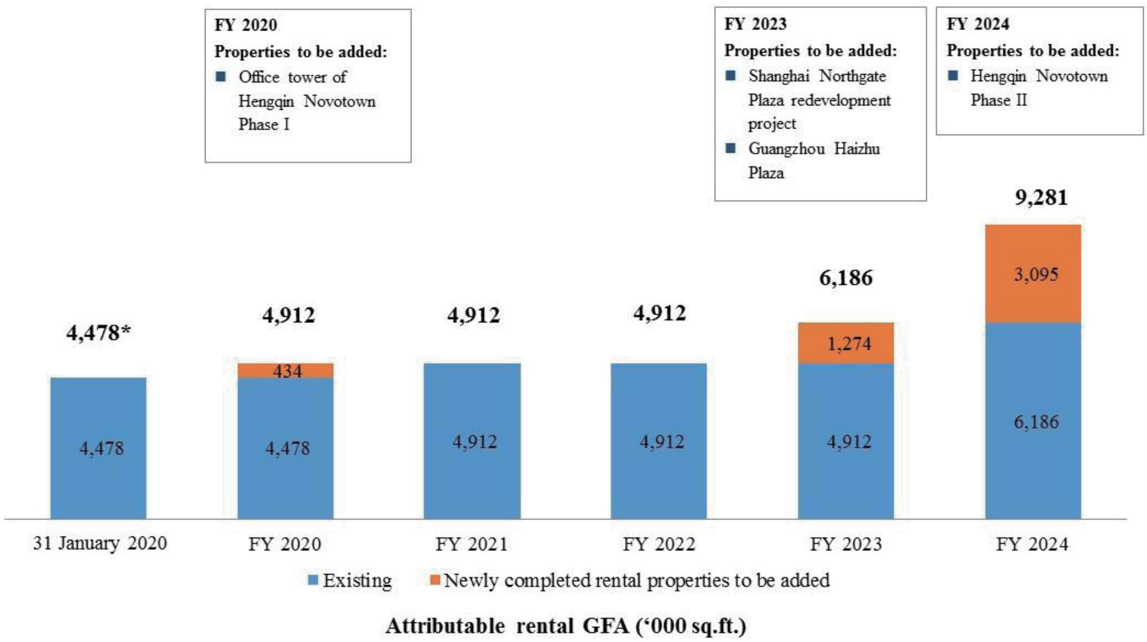
Despite the temporary closure of Novotown Phase I as part of preventive and protective measures in light of the outbreak of novel coronavirus since 24 January 2020, the Group remains confident that the resumption of operations will make Novotown a new contributor to the Group's results in the long run. The Group is carefully monitoring the evolving situation, stays in close contact with local officials and will announce the reopening date upon confirmation. On 23 January 2020, the Group renewed the management agreement with Ascott Group with respect to the serviced residence in Shanghai. Through extending the longstanding partnership with Ascott, the Group wishes to continue to leverage on the Ascott Group's extensive experience and expertise in operating and branding serviced residences to enhance the value of the serviced residence to the Group.

The Group is in the process of obtaining the sales permit for the Shanghai Wuli Bridge Project, which is a high-end luxury residential project located by the Huangpu River in Huangpu District. Upon the grant of sales permit, the Group will reassess the market conditions in preparation for the launch. Development of Phase III and Phase IV of Zhongshan Palm Spring is on track and expected to be completed in the third quarter of 2020 and the third quarter of 2021 respectively. Construction work of Novotown Phase I has been completed by end of 2019 pending for the filing of as-built inspection of office tower and cultural workshop tower with relevant construction administrative department of the Chinese government and the cultural workshops have been launched for sale during the Period Under View. The residential units in Shanghai Wuli Bridge project, serviced apartment units and remaining residential units in Zhongshan Palm Spring as well as the cultural studios and cultural workshops of Hengqin Novotown Phase I are expected to contribute to the income of the Group in the coming financial years.

The Group will consider replenishing its landbank as and when opportunities arise, and will take into account, amongst other factors, overall macroeconomic conditions, the Group's existing presence in the relevant cities, and allocation of risks etc.

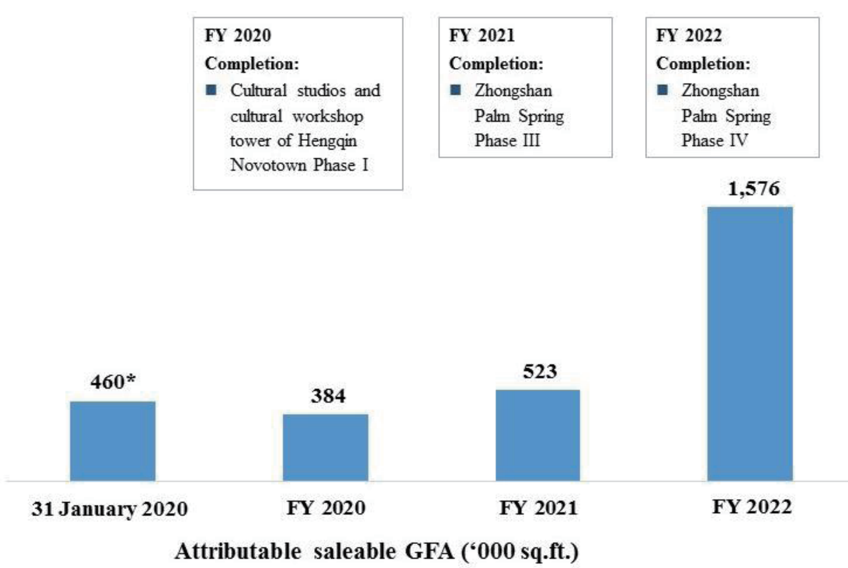
Set out below is the expected growth of the Group's rental portfolio and the property development pipeline as at 31 January 2020, with reference to existing projects in hand:

Rental Portfolio



* *Including cultural attraction spaces of Novotown Phase I occupied by Lionsgate Entertainment World® and National Geographic Ultimate Explorer Hengqin*

For-sale Projects



* *Excluding commercial portion of the Zhongshan Palm Spring for self-use*

As disclosed in an announcement made by the Company on 18 September 2019, the public float of the Company fell below 25% of the total issued shares of the Company. The Company has been monitoring the situation closely and is considering steps to restore the public float at the minimum prescribed percentage in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

On 21 February 2020, the Company disclosed in a joint announcement that it had been approached by Lai Sun Development Company Limited ("**LSD**") and its wholly-owned subsidiary, Holy Unicorn Limited ("**Offeror**") in connection with a conditional voluntary general cash offer ("**LFH Offers**") to acquire all of the issued shares of the Company (other than those already owned by LSD, the Offeror or the other wholly-owned subsidiaries of LSD) and to cancel all the outstanding share options of the Company. The composite document containing, among other things, further terms and details of the LFH Offers will be despatched to shareholders and optionholders of the Company as soon as practicable in compliance with the requirements of the Hong Kong Code on Takeovers and Mergers and other applicable laws and regulations. As at the date of this Interim Report, the Company remains a 50.99%-owned subsidiary of eSun Holdings Limited.

As at 31 January 2020, the Group has approximately HK$2,463.1 million of cash on hand (HK$3,097.3 million as at 31 July 2019) and undrawn facilities of HK$3,756.0 million (HK$2,647.9 million as at 31 July 2019) with a net debt to equity ratio of 50% as at 31 January 2020 (38% as at 31 July 2019). The Group will continue its prudent and flexible approach in growing the landbank and managing its financial position.

OVERVIEW OF INTERIM RESULTS

For the Period Under Review, the Group recorded a turnover of HK$599.9 million (2019: HK$571.1 million) and a gross profit of HK$312.0 million (2019: HK$359.1 million). Set out below is the turnover by segment:

	Six months ended 31 January			Six months ended 31 January		
	2020[1]	2019[1]		2020	2019	
	(HK$ million)	*(HK$ million)*	*% change*	*(RMB million)*	*(RMB million)*	*% change*
Rental income[2]	410.8	425.4	-3.4%	370.2	373.5	-0.9%
Sales of properties	175.2	145.7	+20.2%	157.9	127.9	+23.5%
Theme park operation	13.9	—	N/A	12.5	—	N/A
Total:	599.9	571.1	+5.0%	540.6	501.4	+7.8%

1. *The exchange rates adopted for the six months ended 31 January 2020 and 2019 are 0.9012 and 0.8780, respectively*

2. *Including rental turnover of major properties of the Group and property management income*

Net loss attributable to owners of the Company was approximately HK$442.4 million for the Period Under Review, as compared to net profit attributable to owners of the Company of HK$69.0 million for the Last Corresponding Period. The decline in results was primarily due to the decrease in fair value of the investment properties held by the Group, resulting in the recognition of a significant fair value loss arising from the revaluation of the Group's investment properties for the Period Under Review.

Net loss per share was HK$1.351 (2019: net profit of HK$0.211 per share).

Excluding the net effect of property revaluations, net loss attributable to owners of the Company was approximately HK$213.1 million for the Period Under Review, as compared to the net loss of HK$12.9 million for the Last Corresponding Period. Net loss per share excluding the effect of property revaluations was approximately HK$0.6508 (2019: net loss of HK$0.0395 per share).

	Six months ended 31 January	
Profit/(loss) attributable to owners of the Company (HK$ million)	**2020**	**2019**
Reported	(442.4)	69.0
Adjustments in respect of investment properties		
Revaluation of properties	387.6	(109.7)
Deferred tax on investment properties	(96.9)	27.4
Non-controlling interests' share of revaluation movements less deferred tax	(61.4)	0.4
Net loss after tax excluding revaluation gains/losses of investment properties	(213.1)	(12.9)

Net assets attributable to owners of the Company as at 31 January 2020 amounted to HK$14,918.4 million (31 July 2019: HK$15,834.0 million). Net asset value per share attributable to owners of the Company decreased slightly to HK$45.55 per share as at 31 January 2020 from HK$48.36 per share as at 31 July 2019.

PROPERTY PORTFOLIO COMPOSITION

Approximate attributable GFA (in '000 square feet) and number of car-parking spaces as at 31 January 2020:

	Commercial/ Retail	Office	Hotels and Serviced Apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces
Completed Properties Held for Rental[1]	2,436[2]	1,067	—	—	3,503	2,274
Completed Hotels Properties and Serviced Apartments	—	—	975	—	975	—
Properties under Development[3]	3,425	1,548	346	1,968	7,287	3,316
Completed Properties Held for Sale	34[4]	—	—	460	494	2,167
Total GFA of major properties of the Group	5,895	2,615	1,321	2,428	12,259	7,757

1. *Completed and rental generating properties*

2. *Including cultural attraction spaces in Novotown Phase I that have been occupied by Lionsgate Entertainment World® and National Geographic Ultimate Explorer Hengqin with approximately 194,325 square feet and 40,309 square feet attributable to the Group, respectively*

3. *All properties under construction*

4. *Completed properties for sale, including 33,699 square feet of commercial space in Zhongshan Palm Spring which is currently for self-use*

PROPERTY INVESTMENT

Rental Income

For the six months ended 31 January 2020, the Group's rental operations recorded a turnover of HK$410.8 million. The average Renminbi exchange rate for the Period under Review depreciated by approximately 2.6% compared with the Last Corresponding Period. Excluding the effect of currency translation, the Renminbi denominated revenue from lease of properties decreased slightly by 0.9% to RMB370.2 million.

Breakdown of rental turnover by major rental properties of the Group is as follows:

	Six months ended 31 January			Six months ended 31 January			
	2020#	2019#		2020	2019		Period end
	HK$ million	*HK$ million*	*% Change*	*RMB million*	*RMB million*	*% Change*	occupancy (%)
Shanghai							
Shanghai Hong Kong Plaza	209.4	227.9	-8.1%	188.7	200.1	-5.7%	Retail: 97.5% Office: 90.4% Serviced Apartments: 64.1%
Shanghai May Flower Plaza	35.7	32.7	+9.2%	32.2	28.7	+12.2%	Retail: 100.0% Hotel: 57.7%
Shanghai Regents Park	11.7	10.6	+10.4%	10.6	9.3	+14.0%	100.0%
Guangzhou							
Guangzhou May Flower Plaza	62.8	65.1	-3.5%	56.6	57.2	+1.0%	98.3%
Guangzhou West Point	12.8	13.2	-3.0%	11.5	11.6	-0.9%	99.9%
Guangzhou Lai Fung Tower	61.5	62.9	-2.2%	55.4	55.2	+0.4%	Retail: 100.0% Office: 98.9%*
Zhongshan							
Zhongshan Palm Spring**	3.5	6.0	-41.7%	3.2	5.3	-39.6%	Retail: 84.4%*
Hengqin							
Hengqin Novotown	5.7	—	N/A	5.1	—	N/A	Retail: 75.8% Hotel: N/A
Others	7.7	7.0	+10.0%	6.9	6.1	+13.1%	N/A
Total:	410.8	425.4	-3.4%	370.2	373.5	-0.9%	

The exchange rates adopted for the six months ended 31 January 2020 and 2019 are 0.9012 and 0.8780, respectively

* *Excluding self-use area*

** *STARR Resort Residence Zhongshan has been closed and the serviced apartment units were launched for sale in May 2019, hence no rental turnover was generated from that during the Period Under Review*

*** *Including spaces occupied by Lionsgate Entertainment World® and National Geographic Ultimate Explorer Hengqin*

**** *Hyatt Regency Hengqin soft opened on 31 December 2019 has been temporarily closed since 1 February 2020 due to the outbreak of novel coronavirus in the Mainland*

Breakdown of turnover by usage of our major rental properties is as follows:

	Six months ended 31 January 2020			Six months ended 31 January 2019		
	Group interest	Turnover *(HK$ million)*	Attributable GFA *(square feet)*	Group interest	Turnover *(HK$ million)*	Attributable GFA *(square feet)*
Shanghai						
Shanghai Hong Kong Plaza	100%			100%		
Retail		98.4	468,434		106.9	468,434
Office		52.0	362,096		57.9	362,096
Serviced Apartments (room revenue and F&B)		56.0	355,267		60.0	355,267
Car-parking Spaces		3.0	N/A		3.1	N/A
		209.4	1,185,797		227.9	1,185,797
Shanghai May Flower Plaza	100%			100%		
Retail		17.3	320,314		13.5	320,314
Hotel (room revenue and F&B)		16.5	143,846		17.3	143,846
Car-parking Spaces		1.9	N/A		1.9	N/A
		35.7	464,160		32.7	464,160
Shanghai Regents Park	95%			95%		
Retail		10.6	77,959		8.9	77,959
Car-parking Spaces		1.1	N/A		1.7	N/A
		11.7	77,959		10.6	77,959
Guangzhou						
Guangzhou May Flower Plaza	100%			100%		
Retail		54.9	357,424		57.2	357,424
Office		6.5	79,431		6.6	79,431
Car-parking Spaces		1.4	N/A		1.3	N/A
		62.8	436,855		65.1	436,855
Guangzhou West Point	100%			100%		
Retail		12.8	171,968		13.2	171,968
Guangzhou Lai Fung Tower	100%			100%		
Retail		7.5	112,292		8.1	99,054
Office		51.1	625,821		52.1	606,495
Car-parking Spaces		2.9	N/A		2.7	N/A
		61.5	738,113		62.9	705,549

	Six months ended 31 January 2020			Six months ended 31 January 2019		
	Group interest	Turnover *(HK$ million)*	Attributable GFA *(square feet)*	Group interest	Turnover *(HK$ million)*	Attributable GFA *(square feet)*
Zhongshan						
Zhongshan Palm Spring	100%			100%		
Retail*		3.5	147,408		3.2	147,408
Serviced Apartments**						
(room revenue)		—	—		2.8	98,556
		3.5	147,408		6.0	245,964
Hengqin						
Novotown Phase I	80%			80%		
Retail***		0.1	545,661		—	N/A
Hotel						
(room revenue and F&B)		5.6	475,805		—	N/A
		5.7	1,021,466		—	N/A
Others		7.7	N/A		7.0	N/A
Total:		410.8	4,243,726		425.4	3,288,252

* *Excluding self-use area*

** *STARR Resort Residence Zhongshan has been closed and the serviced apartment units were launched for sale in May 2019*

*** *Excluding the cultural attraction spaces occupied by Lionsgate Entertainment World® and National Geographic Ultimate Explorer Hengqin*

Review of Major Rental Properties

Shanghai Hong Kong Plaza

Being the Group's wholly-owned flagship investment property project in Shanghai, Shanghai Hong Kong Plaza is strategically located in the prime district of the city, directly above the Huangpi South Road Metro Station at Huaihaizhong Road in Huangpu District, which is highly accessible by car and well connected to public transportation networks, as well as walking distance from Shanghai Xintiandi.

Connected by an indoor footbridge, the property comprises a 32-storey office building, a 32-storey serviced apartment (managed by the Ascott Group), a shopping mall and carpark. The property's total GFA is approximately 1,185,800 square feet excluding 350 car-parking spaces, comprising approximately 362,100 square feet for office, approximately 355,300 square feet for serviced apartment, and approximately 468,400 square feet for shopping mall. Anchor tenants, as of the date of this Interim Report, include The Apple Store, Tiffany, Genesis Motor, Coach, Tasaki, etc.

The Group owns 100% of this property.

Shanghai May Flower Plaza

Shanghai May Flower Plaza is a mixed-use project located at the junction of Da Tong Road and Zhi Jiang Xi Road in Su Jia Xiang in the Jing'an District in Shanghai. This project is situated near the Zhongshan Road North Metro Station.

The Group owns 100% of the retail podium which has a total GFA of approximately 320,300 square feet including the basement commercial area. The asset is positioned as a community retail facility. The Group secured a lease with Hema Fresh (盒馬鮮生), which is one of the first supermarkets opened in China under Alibaba Group's New Retail initiatives.

Shanghai Regents Park

Shanghai Regents Park is a large-scale mixed-use development located in the Zhongshan Park Commercial Area at the Changning District, Shanghai. It is situated within walking distance of the Zhongshan Park Metro Station. The Group retained a 95% interest in the commercial portion which has a total GFA of approximately 82,000 square feet (GFA attributable to the Group is approximately 77,900 square feet).

Guangzhou May Flower Plaza

Guangzhou May Flower Plaza is a prime property situated at Zhongshanwu Road, Yuexiu District directly above the Gongyuanqian Metro Station in Guangzhou, the interchange station of Guangzhou Subway Lines No. 1 and 2. This 13-storey complex has a total GFA of approximately 436,900 square feet excluding 136 car-parking spaces.

The building comprises retail spaces, restaurants, office units and car-parking spaces. The property is almost fully leased to tenants comprising well-known corporations, consumer brands and restaurants.

The Group owns 100% of this property.

Guangzhou West Point

Guangzhou West Point is located on Zhongshan Qi Road and is within walking distance from the Ximenkou Subway Station. This is a mixed-use property where the Group has sold all the residential and office units and retained a commercial podium with GFA of approximately 172,000 square feet. Tenants of the retail podium include renowned restaurants and local retail brands.

Guangzhou Lai Fung Tower

Guangzhou Lai Fung Tower is the office block of Phase V of Guangzhou Eastern Place, which is a multi-phase project located on Dongfeng East Road, Yuexiu District, Guangzhou. This 38-storey office building was completed in June 2016.

Upon completion of the asset swap transaction with Guangzhou Light Industry Real Estate Development Company in August 2017, the total GFA of this property owned by the Group increased to approximately 738,100 square feet excluding car-parking spaces and the commercial area and the office building excluding self-use area have been fully leased.

Zhongshan Palm Spring Rainbow Mall

Zhongshan Palm Spring is located in Caihong Planning Area, Western District of Zhongshan. It has a total GFA of approximately 181,100 square feet and excluding self-use area, the occupancy rate as at period end was approximately 84.4%.

Hengqin Novotown Phase I

Novotown Phase I is an integrated tourism and entertainment project located in the heart of Hengqin, being one of the core cities in Guangdong province within the Greater Bay Area of Mainland China, with close proximity to Macau and Hong Kong. Novotown Phase I comprises a 493-room hotel (operating under the "Hyatt Regency" brand), offices, cultural workshops, cultural studios, shopping and leisure facilities and 1,844 car-parking spaces. The GFA breakdown by usage of the Novotown Phase I excluding ancillary facilities and car-parking spaces as at 31 January 2020 is set out below:

Usage	**GFA (square feet)**
Cultural themed hotel	594,756
Cultural commercial area	526,117
Performance halls	155,959
Cultural attractions (Lionsgate Entertainment World®)	242,906
Cultural attractions (National Geographic Ultimate Explorer Hengqin)	50,386
Office	543,020
Cultural workshops (for sale)	432,025
Cultural studios (for sale)	198,391
Total:	**2,743,560**

The Period Under Review had been remarkable to Novotown as numerous project milestones had been achieved. Lionsgate Entertainment World® featuring attractions, retail, and dining experiences themed around Lionsgate's most captivating global film franchises, including The Hunger Games, The Twilight Saga, The Divergent Series, Now You See Me, Gods of Egypt and Escape Plan commenced operation on 31 July 2019. The family edutainment center, National Geographic Ultimate Explorer Hengqin, containing 18 individual attractions including rides, F&B facilities, retail premises, virtual reality and/or 4-D interactive experiences, and other types of entertainment and educational attractions officially commenced operations on 9 September 2019. Leasing of the commercial area of Novotown Phase I is underway with approximately 76% of the leasable area let. Despite the temporary closure of the project as part of preventive and protective measures in light of the outbreak of novel coronavirus since 24 January 2020, the Group remains confident that the resumption of operations will make Novotown a new contributor to the Group's results in the long run.

The Group owns 80% of the Novotown Phase I.

Hotel and Serviced Apartments

Ascott Huaihai Road Shanghai

Ascott Huaihai Road in Shanghai Hong Kong Plaza is managed by the Ascott Group and it is one of a premier collection of the Ascott Limited's serviced residences in over 70 cities in Asia Pacific, Europe and the Gulf region. The residence with total GFA of approximately 357,000 square feet and approximately 355,300 square feet attributable to the Group has 308 contemporary apartments of various sizes: studios (640-750 sq.ft.), one-bedroom apartments (915-1,180 sq.ft.), two-bedroom apartments (1,720 sq.ft.), three-bedroom apartments (2,370 sq.ft.) and two luxurious penthouses on the highest two floors (4,520 sq.ft.). An average occupancy rate of 82.8% was achieved during the Period Under Review and the average room tariff was approximately HK$1,130.

STARR Hotel Shanghai

STARR Hotel Shanghai is a 17-storey hotel located in the Mayflower Lifestyle complex in Jing'an District, within walking distance to Lines 1, 3 and 4 of the Shanghai Metro Station with easy access to major motorways. There are 239 fully furnished and equipped hotel units with stylish separate living room, bedroom, fully-equipped kitchenette and luxurious bathroom amenities for short or extended stays to meet the needs of the business travelers from around the world and the total GFA is approximately 143,800 square feet. The GFA attributable to the Group is approximately 143,800 square feet. An average occupancy rate of 74.2% was achieved during the Period Under Review and the average room tariff was approximately HK$500.

Hyatt Regency Hengqin

Hyatt Regency Hengqin soft opened on 31 December 2019 is located in Novotown Phase I in Hengqin, Zhuhai, the heart of the Greater Bay Area and is within easy reach of the bridge linking Zhuhai with Hong Kong and Macau. Hyatt Regency Hengqin with total GFA of approximately 594,800 square feet and approximately 475,800 square feet attributable to the Group has 493 guest rooms including 55 suites ranging in size from 430 sq.ft. to 2,580 sq.ft., a wide range of dining options, as well as banqueting and conference facilities of over 40,000 square feet.

PROPERTY DEVELOPMENT

Recognised Sales

For the six months ended 31 January 2020, the Group's property development operations recorded a turnover of HK$175.2 million from sale of properties, representing a 20.2% increase compared to the Last Corresponding Period. Total recognised sales was primarily driven by the sales performance of cultural studios of Hengqin Novotown Phase I and residential units of Zhongshan Palm Spring during the Period Under Review.

Breakdown of turnover for the six months ended 31 January 2020 from sales of properties is as follows:

Recognised basis	No. of Units	Approximate GFA	Average Selling Price#	Turnover*	
		(Square feet)	*(HK$/square foot)*	*(HK$ million##)*	*(RMB million)*
Zhongshan Palm Spring					
Residential High-rise Units	13	17,556	1,667	27.9	25.1
Residential House Units	10	21,105	2,565	51.5	46.5
Hengqin Novotown Phase I					
Cultural Studios	7	22,315	4,175	88.7	79.9
Subtotal	30	60,976	2,896	168.1	151.5
Shanghai Regents Park					
Car-parking Spaces	6			3.8	3.4
Guangzhou Eastern Place					
Car-parking Spaces	2			2.1	1.9
Guangzhou West Point					
Car-parking Spaces	2			1.2	1.1
Total				175.2	157.9

Before business tax and value-added tax inclusive

The exchange rate adopted for the six months ended 31 January 2020 is 0.9012

* *After business tax and value-added tax exclusive*

Contracted Sales

As at 31 January 2020, the Group's property development operations has contracted but not yet recognised sales of HK$332.7 million, comprising HK$84.3 million and HK$245.7 million from sales of residential units and serviced apartment units in Zhongshan Palm Spring and cultural studios and cultural workshops in Hengqin Novotown Phase I, respectively and HK$2.7 million from sales of car-parking spaces in Shanghai Regents Park and Guangzhou King's Park. Sales of the cultural studios and cultural workshops of Hengqin Novotown Phase I were strong and achieved an average selling price of HK$4,537 and HK$3,411 per square foot, respectively. The cultural workshops of Novotown Phase I were launched for sale during the Period Under View. Excluding the effect of currency translation, the Renminbi denominated contracted but not yet recognised sales of residential units, serviced apartment units, cultural studios, cultural workshops and car-parking spaces as at 31 January 2020 amounted to RMB299.8 million (31 July 2019: RMB207.8 million).

Breakdown of contracted but not yet recognised sales as at 31 January 2020 is as follows:

Contracted basis	No. of Units	Approximate GFA	Average Selling Price#	Turnover#	
		(Square feet)	*(HK$/square foot)*	*(HK$ million##)*	*(RMB million)*
Zhongshan Palm Spring					
Residential High-rise Units	25	30,936	1,555	48.1	43.4
Residential House Units	3	6,379	3,135	20.0	18.0
Serviced Apartment Units###	11	11,387	1,423	16.2	14.6
Hengqin Novotown Phase I					
Cultural Studios	7	30,282	4,537	137.4	123.8
Cultural Workshops	47	31,754	3,411	108.3	97.6
Subtotal	93	110,738	2,980	330.0	297.4
Shanghai Regents Park					
Car-parking Spaces	3			2.0	1.8
Guangzhou King's Park					
Car-parking Space	1			0.7	0.6
Subtotal				2.7	2.4
Total				332.7	299.8

Before business tax and value-added tax inclusive

The exchange rate adopted for the six months ended 31 January 2020 is 0.9012

The sale of serviced apartment units of Zhongshan Palm Spring will be recorded as disposal of assets classified as held for sale and the sales proceeds net of cost will be included in other operating income in the consolidated income statement of the Group when the sale is completed

Review of Major Properties Completed for Sale and under Development

Shanghai Northgate Plaza redevelopment project

Shanghai Northgate Plaza I is located on Tian Mu Road West in the Jing'an District of Shanghai near the Shanghai Railway Terminal and comprises office units, a retail podium and car-parking spaces. Shanghai Northgate Plaza II is a vacant site adjacent to Northgate Plaza I. In September 2016, the Group completed the acquisition of the 6th to 11th floors of Hui Gong Building which is physically connected to Northgate Plaza I, together with the right to use 20 car-parking spaces in the basement. The Group plans to redevelop Shanghai Northgate Plaza I, Northgate Plaza II and the Hui Gong Building together under a comprehensive redevelopment plan which includes an office tower, a shopping mall and an underground car-parking structure and is expected to add a total GFA of approximately 693,600 square feet excluding car-parking spaces to the rental portfolio of the Group. This project is expected to complete in the second half of 2022.

Shanghai Wuli Bridge Project

In July 2014, the Group succeeded in the auction for the land use rights of a piece of land located by Huangpu River in Huangpu District in Shanghai with a site area of approximately 74,100 square feet. Construction work has been completed in August 2019. This high-end luxury residential project has attributable GFA of approximately 77,900 square feet and the Group is in the process of obtaining the sales permit.

Shanghai May Flower Plaza

Shanghai May Flower Plaza is a completed mixed-use project located at the junction of Da Tong Road and Zhi Jiang Xi Road in Su Jia Xiang in the Jing'an District in Shanghai and situated near the Zhongshan Road North Metro Station. As of 31 January 2020, 458 car-parking spaces of this development remained unsold with a carrying amount of approximately HK$100.0 million.

Shanghai Regents Park

Shanghai Regents Park is a large-scale residential/commercial composite development located in the Zhongshan Park Commercial Area at the Changning District, Shanghai. It is situated within walking distance of the Zhongshan Park Metro Station. As at 31 January 2020, a total of 247 car-parking spaces of this development remained unsold with a carrying amount of approximately HK$58.3 million.

Guangzhou King's Park

This is a high-end residential development located on Donghua Dong Road in Yuexiu District. The attributable GFA is approximately 98,300 square feet excluding 57 car-parking spaces and ancillary facilities. As at 31 January 2020, the contracted but not yet recognised sales of the 1 car-parking space amounted to approximately HK$0.7 million and the 13 unsold car-parking spaces have a total carrying amount of approximately HK$9.4 million.

Guangzhou Haizhu Plaza

Guangzhou Haizhu Plaza is located on Chang Di Main Road in Yuexiu District, Guangzhou along the Pearl River. The Group owns the entire project. The proposed development has a total project GFA of approximately 580,800 square feet and is intended to be developed for rental purposes. The construction commenced in the first half of 2019 and the completion is expected to be in the first half of 2023.

Zhongshan Palm Spring

The project is located in Caihong Planning Area, Western District of Zhongshan. The overall development has a total planned GFA of approximately 6.075 million square feet. The project will comprise of high-rise residential towers, townhouses, serviced apartments and commercial blocks totaling 4.466 million square feet.

During the Period Under Review, 17,556 square feet of high-rise residential units and 21,105 square feet of house units were recognised at average selling prices of HK$1,667 and HK$2,565 per square foot, respectively, which contributed a total of HK$79.4 million to the sales turnover. As at 31 January 2020, contracted but not yet recognised sales for high-rise residential units and house units amounted to HK$48.1 million and HK$20.0 million, at average selling prices of HK$1,555 and HK$3,135 per square foot, respectively.

STARR Resort Residence Zhongshan comprising two 16-storey blocks in the Palm Lifestyle complex was closed. The serviced apartment units were launched for sale in May 2019 and have been re-classified from "Property, property and equipment" to "Assets classified as held for sale" in the consolidated statement of financial position of the Group. As at 31 January 2020, contracted but not yet recognised sales for serviced apartment units amounted to HK$16.2 million, at an average selling prices of HK$1,423 per square foot. The sale of these serviced apartment units will be recorded as disposal of assets classified as held for sale and the sales proceeds net of cost will be included in other operating income in the consolidated income statement of the Group.

As at 31 January 2020, completed units held for sale in this development, including high-rise residential units, house units and serviced apartment units, amounted to approximately 261,000 square feet with a total carrying amount of approximately HK$213.7 million. The carrying amount of the 1,215 unsold car-parking spaces of this development as at 31 January 2020 was approximately HK$109.5 million.

The remaining GFA under development was approximately 2,099,200 square feet. Set out below is the current expectation on the development of the remaining phases:

Phase	**Description**	**Approximate GFA*** (square feet)	**Expected completion**
III	High-rise residential units including commercial units	523,100	Q3 2020
IV	High-rise residential units including commercial units	1,576,100	Q3 2021

* *Excluding car-parking spaces and ancillary facilities*

Hengqin Novotown

Phase I

Construction work of Novotown Phase I has been completed by end of 2019 pending for the filing of as-built inspection of office tower and cultural workshop tower with relevant construction administrative department of the Chinese government.

Sales of the cultural studios of Hengqin Novotown Phase I were strong. During the Period Under Review, sales of 22,315 square feet was recognised at an average selling price of HK$4,175 per square foot, which contributed HK$88.7 million to the Group's turnover. As at 31 January 2020, contracted but not yet recognised sales for cultural studios and cultural workshops amounted to HK$137.4 million and HK$108.3 million, at an average selling price of HK$4,537 and HK$3,411 per square foot, respectively. Completed cultural studios held for sale in this development as at 31 January 2020 amounted to approximately 150,916 square feet with a carrying amount of approximately HK$280.6 million.

The Group owns 80% of the Novotown Phase I.

Phase II

In June 2017, the Group entered into a licence agreement with Real Madrid Club de Fútbol in relation to the development and operation of a location based entertainment centre, namely Real Madrid World in Novotown. The Real Madrid World is expected to consist of three floors with over 20 attractions spanning across a total area of approximately 12,000 square meters, and will be made up of several signature experiences including the Flying Theatre and the Stuntpit, an array of interactive training games, a walkthrough of Real Madrid history, plus dining and retail outlets.

In November 2017, the Group entered into a cooperation agreement with Harrow International (China) Management Services Limited and ILA Holdings Limited to introduce Harrow International China Group, the world's leading learning institution, to set up ILA Hengqin in Hengqin. The curriculum at ILA Hengqin is structured to bring together the very best of British and Chinese educational philosophies and will initially offer grade 7-12 education for approximately 900 students as well as facilities for boarding students.

The Group entered into a license agreement in December 2018 with Ducati Motor Holding S.p.A in relation to the development and operation of the Ducati Experience Centre in Novotown. The Ducati Experience Centre expects to cover an area of no less than 4,500 square meters and will offer experiential attractions including immersive racing experiences, exclusive Ducati exhibits and retail concessions.

The Group succeeded in bidding for the land use rights of the land offered for sale by The Land and Resources Bureau of Zhuhai through the listing-for-sale process in December 2018 and the land is situated adjacent to Novotown Phase I with a total site area of approximately 143,800 square meters and a maximum plot ratio of 2 times and has been designated for the development of Novotown Phase II. Real Madrid World, ILA Hengqin and Ducati Experience Centre are expected to be the key elements in Novotown Phase II and details of the development plan will be formulated upon finalisation of the master layout plan with the Chinese Government.

Construction works for Novotown Phase II were inevitably affected by the recent outbreak of, and the containment measures around, the novel coronavirus. Management has been closely monitoring the development of the situation, and will adhere to the measures as announced by the local government from time to time. Through communicating and working amicably with project partners, the Group is confident that damages as a result of any of such delay can be minimised.

The Group will continue to explore and evaluate potential strategic alliances and financing alternatives to accelerate the growth of Novotown.

CAPITAL STRUCTURE, LIQUIDITY AND DEBT MATURITY PROFILE

As at 31 January 2020, cash and bank balances held by the Group amounted to HK$2,463.1 million and undrawn facilities of the Group was HK$3,756.0 million.

As at 31 January 2020, the Group had total borrowings amounting to HK$9,883.2 million (as at 31 July 2019: HK$9,119.2 million), representing an increase of HK$764.0 million from 31 July 2019. The consolidated net assets attributable to the owners of the Company amounted to HK$14,918.4 million (as at 31 July 2019: HK$15,834.0 million). The gearing ratio, being net debt (total borrowings less cash and bank balances) to net assets attributable to the owners of the Company was approximately 50% (as at 31 July 2019: 38%). The maturity profile of the Group's borrowings of HK$9,883.2 million is well spread with HK$1,090.6 million repayable within one year, HK$3,340.5 million repayable in the second year, HK$4,329.4 million repayable in the third to fifth years and HK$1,122.7 million repayable beyond the fifth year.

Approximately 32% and 64% of the Group's borrowings were on a fixed rate basis and floating rate basis, respectively, and the remaining 4% of the Group's borrowings were interest free.

Apart from the guaranteed notes, the Group's other borrowings of HK$7,179.3 million were 49% denominated in Renminbi ("**RMB**"), 44% in Hong Kong dollars ("**HKD**") and 7% in United States dollars ("**USD**").

The Group's guaranteed notes of HK$2,703.9 million were denominated in USD. The Group has entered into cross currency swap agreements with financial institutions and the guaranteed notes have been effectively converted into HKD denominated debts. In addition, certain bank loans of the Group with a total carrying amount of HK$446.5 million were denominated in USD. The Group has entered into a forward contract with a financial institution and the bank loans have been effectively converted into HKD denominated debts.

The Group's cash and bank balances of HK$2,463.1 million were 80% denominated in RMB, 13% in HKD and 7% in USD.

The Group's presentation currency is denominated in HKD. The Group's monetary assets, liabilities and transactions are principally denominated in RMB, USD and HKD. The Group, with HKD as its presentation currency, is exposed to foreign currency risk arising from the exposure of HKD against USD and RMB, respectively. Considering that the USD guaranteed notes and certain USD bank loans have been effectively converted into HKD denominated debts and HKD is pegged against USD, the Group believes that the corresponding exposure to USD exchange rate fluctuation is nominal. However, the Group has a net exchange exposure to RMB as the Group's assets are principally located in China and the revenues are predominantly in RMB. Apart from the aforesaid cross currency swap and forward contract arrangements, the Group does not have any derivative financial instruments or hedging instruments outstanding.

Certain assets of the Group have been pledged to secure borrowings and bank facilities of the Group, including investment properties with a total carrying amount of approximately HK$11,698.3 million, serviced apartments and related leasehold improvements with a total carrying amount of approximately HK$416.5 million, completed properties for sale with a total carrying amount of approximately HK$1,089.4 million and bank balances of approximately HK$1,069.2 million.

Taking into account the amount of cash being held as at the end of the reporting period, the available banking facilities and the recurring cash flows from the Group's operating activities, the Group believes that it would have sufficient liquidity to finance its existing property development and investment projects.

CONTINGENT LIABILITIES

There has been no material change in contingent liabilities of the Group since 31 July 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 January 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out from time to time in the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 31 January 2020 save for the deviations from code provisions A.4.1 and A.5.1 as follows:

Under code provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election.

None of the existing non-executive directors ("**NEDs**", including the independent non-executive directors ("**INEDs**")) of the Company is appointed for a specific term. However, all directors of the Company ("**Directors**") are subject to the retirement provisions of the Amended and Restated Articles of Association of the Company ("**Articles of Association**") which require that the Directors for the time being shall retire from office by rotation once every three years since their last election by the shareholders of the Company ("Shareholders") and the retiring Directors are eligible for re-election. In addition, in accordance with the provisions of the Articles of Association, any person appointed by the Board as a Director (including a NED) either to fill a casual vacancy or as an addition to the Board will hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and will then be eligible for re-election. In view of these, the Board considers that such requirements are sufficient to meet the underlying objective of the said code provision A.4.1 and, therefore, does not intend to take any remedial steps in this regard.

Under code provision A.5.1, a nomination committee comprising a majority of the independent non-executive directors should be established and chaired by the chairman of the board or an independent non-executive director.

The Company has not established a nomination committee whose functions are assumed by the full Board. Potential new Directors will be recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time and candidates for the INEDs must meet the independence criterion. The process of identifying and selecting appropriate candidates for consideration and approval by the Board has been, and will continue to be, carried out by the executive Directors. In January 2019, the Company adopted the Nomination Policy which sets out the criteria, process and procedures by which the Company will select candidates for possible inclusion in the Board. As the Nomination Policy has already been in place and the other duties of the nomination committee as set out in the CG Code have long been performed by the full Board effectively, the Board does not consider it necessary to establish a nomination committee at the current stage.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 January 2020, the Group employed a total of around 2,000 employees. The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programmes are offered to eligible employees.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE LAI FUNG GROUP FOR THE YEAR ENDED 31 JULY 2019

Set out below is the management discussion and analysis of the Lai Fung Group as extracted from the annual report of Lai Fung for the year ended 31 July 2019 for the purpose of providing further information relating to the financial condition and results of operations of the Lai Fung Group during such period. Such extract was prepared as at the date of such annual report (being prior to the Latest Practicable Date) and speaks as of the date of such annual report. Terms used below shall have the same meanings as defined in the said annual report.

Overview

Despite the challenging operating environment during the year under review, the business delivered an encouraging set of results underpinned by the steady and growing recurrent rental income base from investment properties of the Group.

Property Portfolio Composition

Approximate attributable GFA (in ’000 square feet) and number of car-parking spaces as at 31 July 2019:

	Commercial/ Retail	Office	Hotel/ Serviced Apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	No. of Car-parking Spaces
Completed Properties Held for Rental[1]	1,850[2]	1,067	—	—	2,917[2]	799
Completed Hotel Properties and Serviced Apartments	—	—	499	—	499	—
Properties under Development[3]	4,010	1,549	820	2,046	8,425	4,969
Completed Properties Held for Sale	34[4]	—	—	512[5]	546	2,083
Total GFA of major properties of the Group	**5,894**	**2,616**	**1,319**	**2,558**	**12,387**	**7,851**

1. *Completed and rental generating properties*
2. *Including the cultural attraction space in Novotown Phase I that has been occupied by “Lionsgate Entertainment World®” of approximately 194,300 square feet attributable to the Group*
3. *All properties under construction*
4. *Completed properties for sale, including 33,699 square feet of commercial space in Zhongshan Palm Spring which is currently for self-use*
5. *Completed properties for sale, including 98,600 square feet of serviced apartment units of Zhongshan Palm Spring which have been re-classified as “assets classified as held for sale” as at 31 July 2019*

Property Investment

Revenue from Rental Operation

For the year ended 31 July 2019, the Group's rental operations recorded a turnover of HK$847.6 million, which include revenue of HK$736.3 million from lease of properties and HK$111.3 million from building management operation. The income from building management operation of approximately HK$116.9 million for the last year was included in "Other income and gains" on the face of the consolidated income statement for the year ended 31 July 2018.

Excluding the income from building management operation, the revenue from the leasing of properties for the year under review decreased slightly by 3.9% from HK$766.2 million of last year. The average Renminbi exchange rate for the year under review depreciated by approximately 4.7% over last year. Excluding the effect of currency translation, the growth for Renminbi denominated revenue from the leasing of properties was 0.8%.

	For the year ended 31 July			For the year ended 31 July			
	2019#	2018#	%	**2019**	2018	%	Year end
	(HK$ million)	*(HK$ million)*	Change	***(HK$ million)***	*(RMB million)*	Change	occupancy (%)
Shanghai							
Shanghai Hong Kong Plaza	**451.5**	416.9	8.3	**393.7**	346.4	13.7	Retail: 99.0% Office: 96.3% Serviced Apartments: 89.6%
Shanghai May Flower Plaza	**67.6**	75.9	-10.9	**58.9**	63.1	-6.7	Retail: 82.1% Hotel: 77.9%
Shanghai Regents Park	**22.1**	25.0	-11.6	**19.3**	20.7	-6.8	100.0%
Guangzhou							
Guangzhou May Flower Plaza	**127.3**	113.2	12.5	**111.0**	94.1	18.0	98.9%
Guangzhou West Point	**26.8**	19.8	35.4	**23.4**	16.5	41.8	99.9%
Guangzhou Lai Fung Tower	**126.8**	105.2	20.5	**110.6**	87.4	26.5	Retail: 100.0% Office: 100.0%*
Zhongshan							
Zhongshan Palm Spring	**11.1**	10.2	8.8	**9.7**	8.5	14.1	Retail: 71.2%* Serviced Apartments: N/A**
Others	**14.4**	—	N/A	**12.6**	—	N/A	N/A
Total:	**847.6**	766.2	10.6	**739.2**	636.7	16.1	

The exchange rates adopted for the years ended 31 July 2019 and 2018 are 0.8721 and 0.8310, respectively

* *Excluding self-use area*

** *The Starr Resort Residence in Zhongshan has been closed during the year under review and the serviced apartment units were launched for sale in May 2019*

Breakdown of turnover by usage of our major rental properties is as follows:

	For the year ended 31 July 2019			For the year ended 31 July 2018		
	Group interest	**Turnover** *(HK$ million)*	**Attributable GFA** *(square feet)*	**Group interest**	**Turnover** *(HK$ million)*	**Attributable GFA** *(square feet)*
Shanghai						
Shanghai Hong Kong Plaza	**100%**			100%		
Retail		**208.7**	**468,434**		181.2	468,434
Office		**117.0**	**362,096**		103.2	362,096
Serviced Apartments (room revenue and F&B)		**119.7**	**355,267**		125.2	355,267
Car-parking Spaces		**6.1**	**N/A**		7.3	N/A
		451.5	**1,185,797**		416.9	1,185,797
Shanghai May Flower Plaza	**100%**			100%		
Retail		**29.5**	**320,314**		34.3	320,314
Hotel (room revenue and F&B)		**34.3**	**143,846**		37.6	143,846
Car-parking Spaces		**3.8**	**N/A**		4.0	N/A
		67.6	**464,160**		75.9	464,160
Shanghai Regents Park	**95%**			95%		
Retail		**19.2**	**77,959**		21.0	77,959
Car-parking Spaces		**2.9**	**N/A**		4.0	N/A
		22.1	**77,959**		25.0	77,959
Guangzhou						
Guangzhou May Flower Plaza	**100%**			100%		
Retail		**111.3**	**357,424**		98.6	357,424
Office		**13.1**	**79,431**		11.6	79,431
Car-parking Spaces		**2.9**	**N/A**		3.0	N/A
		127.3	**436,855**		113.2	436,855
Guangzhou West Point	**100%**			100%		
Retail		**26.8**	**171,968**		19.8	171,968
Guangzhou Lai Fung Tower	**100%**			100%		
Retail		**16.4**	**112,292**		12.7	99,054
Office		**104.7**	**625,821**		86.6	606,495
Car-parking Spaces		**5.7**	**N/A**		5.9	N/A
		126.8	**738,113**		105.2	705,549
Zhongshan						
Zhongshan Palm Spring	**100%**			100%		
Retail*		**6.9**	**147,408**		4.2	147,408
Serviced Apartments** (room revenue)		**4.2**	**98,556**		6.0	98,556
		11.1	**245,964**		10.2	245,964
Others		**14.4**	**N/A**		N/A	N/A
Total:		**847.6**	**3,320,816**		766.2	3,288,252

* *Excluding self-use area*

** *STARR Resort Residence Zhongshan was closed during the year under review and the serviced apartment units have been launched for sale in May 2019*

Review of Major Rental Properties

Shanghai Hong Kong Plaza

Being the Group's wholly-owned flagship investment property project in Shanghai, Shanghai Hong Kong Plaza is strategically located in the prime district of the city, directly above the Huangpi South Road Metro Station at Huaihaizhong Road in Huangpu District, which is highly accessible by car and well connected to public transportation networks, as well as walking distance from Shanghai Xintiandi.

Connected by an indoor footbridge, the property comprises a 32-storey office building, a 32-storey serviced apartment (managed by the Ascott Group), a shopping mall and carpark. The property's total GFA is approximately 1,185,800 square feet excluding 350 car-parking spaces, comprising approximately 362,100 square feet for office, approximately 355,300 square feet for serviced apartment, and approximately 468,400 square feet for shopping mall. Anchor tenants, as of the date of this Annual Report, include The Apple Store, Tiffany, Genesis Motor, Coach, Tasaki, etc.

Shanghai May Flower Plaza

Shanghai May Flower Plaza is a mixed-use project located at the junction of Da Tong Road and Zhi Jiang Xi Road in Su Jia Xiang in the Jing'an District in Shanghai. This project is situated near the Zhongshan Road North Metro Station.

The Group owns 100% in the retail podium which has approximately 320,300 square feet of GFA including the basement commercial area. The asset is positioned as a community retail facility. The lease of Lotte Mart, the anchor tenant in the retail podium was terminated in July 2018. Subsequently, the Group secured a lease with Hema Fresh (盒馬鮮生), which is one of the first supermarkets opened in China under Alibaba Group's New Retail initiatives, to take up part of that site and is in discussions with several prospective tenants to fill the vacancy.

Shanghai Regents Park

Shanghai Regents Park is a large-scale residential/commercial composite development located in the Zhongshan Park Commercial Area at the Changning District, Shanghai. It is situated within walking distance of the Zhongshan Park Metro Station. The Group retains a 95% interest in the commercial portion which has a total GFA of approximately 82,000 square feet (GFA attributable to the Group is approximately 77,900 square feet).

Guangzhou May Flower Plaza

Guangzhou May Flower Plaza is a prime property situated at Zhongshanwu Road, Yuexiu District directly above the Gongyuanqian Metro Station in Guangzhou, the interchange station of Guangzhou Subway Lines No. 1 and 2. This 13-storey complex has a total GFA of approximately 436,900 square feet excluding 136 car-parking spaces.

The building comprises of retail spaces, restaurants, office units and car-parking spaces. The property is almost fully leased to tenants comprising well-known corporations, consumer brands and restaurants.

The Group owns 100% of this property.

Guangzhou West Point

Guangzhou West Point is located on Zhongshan Qi Road and is within walking distance from the Ximenkou Subway Station. This is a mixed-use property where the Group has sold all the residential and office units and retained a commercial podium with GFA of approximately 172,000 square feet. Tenants of the retail podium include renowned restaurants and local retail brands.

Guangzhou Lai Fung Tower

Guangzhou Lai Fung Tower is the office block of Phase V of Guangzhou Eastern Place, which is a multi-phase project located on Dongfeng East Road, Yuexiu District, Guangzhou. This 38-storey office building was completed in June 2016.

Upon completion of the asset swap transaction with Guangzhou Light Industry Real Estate Development Company in August 2017, the total GFA of this property owned by the Group increased to approximately 738,100 square feet excluding car-parking spaces and the commercial area and the office building excluding self-use area have been fully leased.

Zhongshan Palm Spring Rainbow Mall

Zhongshan Palm Spring is located in Caihong Planning Area, Western District of Zhongshan. It has a total GFA of approximately 181,100 square feet and excluding self-use area, the occupancy rate as at year end was approximately 71.2%.

Hotel and Serviced Apartments

Ascott Huaihai Road Shanghai

Ascott Huaihai Road in Shanghai Hong Kong Plaza is managed by the Ascott Group and it is one of a premier collection of the Ascott Limited's serviced residences in over 70 cities in Asia Pacific, Europe and the Gulf region. The residence with total GFA of approximately 357,000 square feet and approximately 355,300 square feet attributable to the Group has 308 contemporary apartments of various sizes: studios (640-750 sq.ft.), one-bedroom apartments (915-1,180 sq.ft.), two-bedroom apartments (1,720 sq.ft.), three-bedroom apartments (2,370 sq.ft.) and two luxurious penthouses on the highest two floors (4,520 sq.ft.). An average occupancy rate of 86.0% was achieved during the year under review and the average room tariff was approximately HK$1,189.

STARR Hotel Shanghai

STARR Hotel Shanghai is a 17-storey hotel located in the Mayflower Lifestyle complex in Jing'an District, within walking distance to Lines 1, 3 and 4 of the Shanghai Metro Station with easy access to major motorways. There are 239 fully furnished and equipped hotel units with stylish separate living room, bedroom, fully-equipped kitchenette and luxurious bathroom amenities for short or extended stays to meet the needs of the business travelers from around the world and the total GFA is approximately 143,800 square feet. The GFA attributable to the Group is approximately 143,800 square feet. An average occupancy rate of 73.1% was achieved during the year under review and the average room tariff was approximately HK$516.

PROPERTY DEVELOPMENT

Recognised Sales

For the year ended 31 July 2019, the Group's property development operations recorded a turnover of HK$613.3 million (2018: HK$184.6 million) from sale of properties, representing a 232.2% increase in sales revenue over last year. The significant increase was primarily driven by the sales performance of residential units of Zhongshan Palm Spring, cultural studios of Hengqin Novotown Phase I and car-parking spaces of Shanghai Regent's Park during the year under review. Sales of residential units and retail units of Guangzhou Dolce Vita has been completed and the last retail unit sold and recognised during the year under review achieved an average selling price of HK$3,384 per square foot. This is recognised as a component of "Share of profits/(losses) of joint ventures" in the consolidated income statement.

STARR Resort Residence Zhongshan comprising two 16-storey blocks in the Palm Lifestyle complex has been closed. The serviced apartment units with total GFA of approximately 98,600 square feet were launched for sale in May 2019 and have been re-classified from "Property, plant and equipment" to "Assets classified as held for sale" in the consolidated statement of financial position of the Group as at 31 July 2019. The sale of these serviced apartment units will be recorded as disposal of assets classified as held for sale and the sales proceeds net of cost will be included in other operating income in the consolidated income statement of the Group.

Breakdown of turnover for the year ended 31 July 2019 from property sales is as follows:

Recognised basis	No. of units	Approximate GFA *(Square feet)*	Average selling price# *(HK$/square foot)*	Turnover* *(HK$ million##)*	*(RMB million)*
Zhongshan Palm Spring					
Residential High-rise Units	129	158,473	1,590	240.2	209.5
Residential House Units	25	52,870	2,739	137.9	120.3
Hengqin Novotown Phase I					
Cultural Studios	6	24,207	5,274	121.6	106.0
Others				0.4	0.3
Subtotal	**160**	**235,550**	**2,227**	**500.1**	**436.1**
Shanghai Regents Park					
Car-parking Spaces	153			100.3	87.5
Guangzhou Eastern Place					
Car-parking Spaces	5			5.4	4.7
Guangzhou West Point					
Car-parking Spaces	4			2.4	2.1
Guangzhou King's Park					
Car-parking Space	1			0.7	0.6
Zhongshan Palm Spring					
Car-parking Spaces	24			4.4	3.8
Total				**613.3**	**534.8**
Recognised sales from joint venture project					
Guangzhou Dolce Vita					
Retail Unit**(47.5% basis)	1	8,932	3,384	28.5	24.9
Car-parking Spaces** (47.5% basis)	8			2.5	2.2
Total				**31.0**	**27.1**

Before business tax and value-added tax inclusive
The exchange rate adopted for the year ended 31 July 2019 is 0.8721
* *After business tax and value-added tax exclusive*
** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of the Group and CapitaLand China has an effective 47.5% interest*

Contracted Sales

As at 31 July 2019, the Group's property development operations has contracted but not yet recognised sales of HK$238.3 million, comprising HK$104.4 million and HK$131.1 million from sales of residential and serviced apartment units in Zhongshan Palm Spring and cultural studios in Hengqin Novotown Phase I, respectively and HK$2.8 million from sales of car-parking spaces in Shanghai Regents Park, Guangzhou West Point and Guangzhou King's Park. Sales of the cultural studios of Hengqin Novotown Phase I were strong and achieved an average selling price of HK$4,561 per square foot. Excluding the effect of currency translation, the Renminbi denominated contracted but not yet recognised sales of residential units, serviced apartment units, cultural studios and car-parking space as at 31 July 2019 amounted to RMB207.8 million (31 July 2018: RMB251.0 million).

Breakdown of contracted but not yet recognised sales as at 31 July 2019 is as follows:

Contracted basis	No. of units	Approximate GFA	Average selling price[#]	Turnover[#]	
		(Square feet)	*(HK$/square foot)*	*(HK$ million[##])*	*(RMB million)*
Zhongshan Palm Spring					
Residential High-rise Units	15	19,645	1,700	33.4	29.1
Residential House Units	10	21,164	2,637	55.8	48.7
Serviced Apartment Units[###]	10	10,414	1,460	15.2	13.3
Hengqin Novotown Phase I					
Cultural Studios	7	28,742	4,561	131.1	114.3
Subtotal	**42**	**79,965**	**2,945**	**235.5**	**205.4**
Shanghai Regents Park					
Car-parking Spaces	2			1.4	1.2
Guangzhou West Point					
Car-parking Space	1			0.6	0.5
Guangzhou King's Park					
Car-parking Space	1			0.8	0.7
Subtotal				**2.8**	**2.4**
Total				**238.3**	**207.8**

[#] *Before business tax and value-added tax inclusive*

[##] *The exchange rate adopted for the year ended 31 July 2019 is 0.8721*

[###] *The sale of serviced apartment units of Zhongshan Palm Spring will be recorded as disposal of assets classified as held for sale and the sales proceeds net of cost will be included in other operating income in the consolidated income statement of the Group when the sale is completed*

Review of Major Properties Completed for Sale and under Development

Shanghai Northgate Plaza redevelopment project

Shanghai Northgate Plaza I is located on Tian Mu Road West in the Jing'an District of Shanghai near the Shanghai Railway Terminal and comprises office units, a retail podium and car-parking spaces. Shanghai Northgate Plaza II is a vacant site adjacent to Northgate Plaza I. In September 2016, the Group completed the acquisition of the 6th to 11th floors of Hui Gong Building which is physically connected to Northgate Plaza I, together with the right to use 20 car-parking spaces in the basement. The Group plans to redevelop Shanghai Northgate Plaza I, Northgate Plaza II and the Hui Gong Building together under a comprehensive redevelopment plan which includes an office tower, a shopping mall and an underground car-parking structure and is expected to add a total GFA of approximately 693,600 square feet excluding car-parking spaces to the rental portfolio of the Group. This project is expected to complete in the second quarter of 2022.

Shanghai Wuli Bridge Project

In July 2014, the Group succeeded in the auction for the land use rights of a piece of land located by Huangpu River in Huangpu District in Shanghai with a site area of approximately 74,100 square feet. Construction work has been completed in August 2019. This high-end luxury residential project has attributable GFA of approximately 77,900 square feet and is expected to be launched for sale in coming months.

Shanghai May Flower Plaza

Shanghai May Flower Plaza is a completed mixed-use project located at the junction of Da Tong Road and Zhi Jiang Xi Road in Su Jia Xiang in the Jing'an District in Shanghai and situated near the Zhongshan Road North Metro Station. As of 31 July 2019, 458 car-parking spaces of this development remained unsold with a carrying amount of approximately HK$102.0 million.

Shanghai Regents Park

Shanghai Regents Park is a large-scale residential/commercial composite development located in the Zhongshan Park Commercial Area at the Changning District, Shanghai. It is situated within walking distance of the Zhongshan Park Metro Station. As at 31 July 2019, a total of 253 car-parking spaces of this development remained unsold with a carrying amount of approximately HK$61.0 million.

Guangzhou King's Park

This is a high-end residential development located on Donghua Dong Road in Yuexiu District. The attributable GFA is approximately 98,300 square feet excluding 57 car-parking spaces and ancillary facilities. During the year under review, the sales of 1 car-parking space contributed HK$0.7 million to the turnover. As at 31 July 2019, the contracted but not yet recognised sales of the 1 car-parking space amounted to approximately HK$0.8 million and the 13 unsold car-parking spaces have a total carrying amount of approximately HK$9.6 million.

Guangzhou Haizhu Plaza

Guangzhou Haizhu Plaza is located on Chang Di Main Road in Yuexiu District, Guangzhou along the Pearl River. The Group owns the entire project. The proposed development has a total project GFA of approximately 580,800 square feet and is intended to be developed for rental purposes. The construction commenced in the first half of 2019 and the completion is expected to be in the first half of 2023.

Zhongshan Palm Spring

The project is located in Caihong Planning Area, Western District of Zhongshan. The overall development has a total planned GFA of approximately 6.075 million square feet. The project comprises of high-rise residential towers, townhouses and commercial blocks totaling 4.466 million square feet.

During the year review, 158,473 square feet of high-rise residential units and 52,870 square feet of house units were recognised at average selling prices of HK$1,590 and HK$2,739 per square foot, respectively, which contributed a total of HK$378.1 million to the sales turnover. As at 31 July 2019, contracted but not yet recognised sales for high-rise residential units and house units amounted to HK$33.4 million and HK$55.8 million, at average selling prices of HK$1,700 and HK$2,637 per square foot, respectively.

STARR Resort Residence Zhongshan comprising two 16-storey blocks in the Palm Lifestyle complex was closed during the year under review. The serviced apartment units were launched for sale in May 2019 and have been re-classified from "Property, property and equipment" to "Assets classified as held for sale" in the consolidated statement of financial position of the Group as at 31 July 2019. As at 31 July 2019, contracted but not yet recognised sales for serviced apartment units amounted to HK$15.2 million, at an average selling prices of HK$1,460 per square foot. The sale of these serviced apartment units will be recorded as disposal of assets classified as held for sale and the sales proceeds net of cost will be included in other operating income in the consolidated income statement of the Group.

As at 31 July 2019, completed units held for sale in this development, including high-rise residential units, house units and serviced apartment units, amounted to approximately 373,800 square feet with a total carrying amount of approximately HK$304.7 million. The carrying amount of the 1,215 unsold car-parking spaces of this development as at 31 July 2019 was approximately HK$110.9 million.

The remaining GFA under development was approximately 2,099,200 square feet. Set out below is the current expectation on the development of the remaining phases:

Phase	Description	Approximate GFA* (square feet)	Expected completion
III	High-rise residential units including commercial units	523,100	Q3 2020
IV	High-rise residential units including commercial units	1,576,100	Q3 2021

* *Excluding car-parking spaces and ancillary facilities*

Hengqin Novotown

Phase I

On 25 September 2013, the Company announced it had successfully won the bid of the land use rights of the land for Phase I of the Novotown project in Hengqin which is 80% owned by the Group and 20% owned by LSD as of the date of this Annual Report. Novotown Phase I has a total GFA of 4.0 million square feet including car-parking spaces and ancillary facilities. The total development cost is estimated to be approximately RMB5,447 million (equivalent to approximately HK$6,182 million). Construction work is expected to be completed by phases by end of 2019.

The expected GFA breakdown by usage including GFA of 24,207 square feet for cultural studios that have been sold up to 31 July 2019 is set out below:

Usage	GFA (square feet)
Cultural themed hotel	594,763
Cultural workshop	430,640
Cultural commercial area	526,264
Performance halls	155,193
Cultural attraction (Lionsgate Entertainment World®)	242,906
Cultural attraction (National Geographic Ultimate Explorer Hengqin)	50,386
Office	543,020
Cultural studios (for sale)	244,936
Car-parking spaces	429,734
Ancillary facilities and others	830,216
Total:	**4,048,058**

Hyatt group was engaged as the manager for the cultural themed hotel in March 2015. On 30 October 2015, a licensing agreement was entered into with Lionsgate LBE, Inc. for the development and operation of the Lionsgate Entertainment World® in Novotown Phase I. Village Roadshow Theme Parks, the world renowned theme park operator with attractions across Australia and America, was appointed in July 2016 to consult during the construction phase, to oversee its pre-opening and to operate the Lionsgate Entertainment World® for a minimum of 10 years. The Lionsgate Entertainment World® opened on 31 July 2019 featuring attractions, retail, and dining experiences themed around Lionsgate's most captivating global film franchises, including The Hunger Games, The Twilight Saga, The Divergent Series, Now You See Me, Gods of Egypt and Escape Plan.

The Group also entered into licensing agreements on 30 October 2015 with a master license holder of National Geographic Society to develop a family edutainment center called National Geographic Ultimate Explorer Hengqin, the size of which is approximately 50,400 square feet, containing 18 individual attractions including rides, F&B facilities, retail premises, virtual reality and/or 4-D interactive experiences, and other types of entertainment and educational attractions. The National Geographic Ultimate Explorer Hengqin officially commenced operations on 9 September 2019.

The cross border bus service between Hong Kong and Hengqin Novotown has been launched by Trans-Island Limousine Service Limited, a wholly-owned subsidiary of Kwoon Chung Bus Holdings Limited in July 2019.

Sales of the cultural studios of Hengqin Novotown Phase I were strong. During the year under review, sales of 24,207 square feet was recognised at an average selling price of HK$5,274 per square foot, which contributed HK$121.6 million to the Group's turnover. As at 31 July 2019, contracted but not yet recognised sales for cultural studios amounted to HK$131.1 million, translating into an average selling price of HK$4,561 per square foot. Completed cultural studios held for sale in this development as at 31 July 2019 amounted to approximately 173,230 square feet with a carrying amount of approximately HK$334.0 million.

Phase II

In June 2017, the Group entered into a licence agreement with Real Madrid Club in relation to the development and operation of a location based entertainment centre, namely Real Madrid World in Novotown. The Real Madrid World is expected to consist of three floors with over 20 attractions spanning across a total area of approximately 12,000 square meters, and will be made up of several signature experiences including the Flying Theatre and the Stuntpit, an array of interactive training games, a walkthrough of Real Madrid history, plus dining and retail outlets.

In November 2017, the Group entered into a cooperation agreement with Harrow International (China) Management Services Limited and ILA Holdings Limited to introduce Harrow International China Group, the world's leading learning institution, to set up ILA Hengqin in Hengqin. The curriculum at ILA Hengqin is structured to bring together the very best of British and Chinese educational philosophies and when it first opens in September 2020, the ILA Hengqin will initially offer grade 7-12 education for approximately 900 students as well as facilities for boarding students.

The Group entered into a license agreement in December 2018 with Ducati in relation to the development and operation of the Ducati Experience Centre in Novotown. The Ducati Experience Centre expects to cover an area of no less than 4,500 square meters and will offer experiential attractions including immersive racing experiences, exclusive Ducati exhibits and retail concessions.

The Group succeeded in bidding for the land use rights of the land offered for sale by Zhuhai Land Bureau through the listing-for-sale process in December 2018 and the land is situated adjacent to Novotown Phase I with a total site area of approximately 143,800 square meters and a maximum plot ratio of 2 times and has been designated for the development of phase II of the Novotown project. Real Madrid World, ILA Hengqin and Ducati Experience Centre are expected to be the key elements in Novotown Phase II and details of the development plan will be formulated upon finalisation of the master layout plan with the Chinese Government. The Group is in the process of finalising the master layout plan for the Novotown Phase II with the Chinese Government.

Capital Structure, Liquidity and Debt Maturity Profile

As at 31 July 2019, cash and bank balances held by the Group amounted to HK$3,097.3 million and undrawn facilities of the Group was HK$2,647.9 million.

As at 31 July 2019, the Group had total borrowings amounting to HK$9,119.2 million (as at 31 July 2018: HK$7,445.6 million), representing an increase of HK$1,673.6 million from 31 July 2018. The consolidated net assets attributable to the owners of the Company amounted to HK$15,834.0 million (as at 31 July 2018: HK$15,502.9 million). The gearing ratio, being net debt (total borrowings less cash and bank balances) to net assets attributable to the owners of the Company was approximately 38% (as at 31 July 2018: 32%). The maturity profile of the Group's borrowings of HK$9,119.2 million is well spread with HK$791.2 million repayable within one year, HK$3,019.3 million repayable in the second year, HK$4,168.7 million repayable in the third to fifth years and HK$1,140.0 million repayable beyond the fifth year.

Approximately 30% and 66% of the Group's borrowings were on a fixed rate basis and floating rate basis, respectively, and the remaining 4% of the Group's borrowings were interest free.

Apart from the guaranteed notes, the Group's other borrowings of HK$6,398.3 million were 44% denominated in Renminbi ("**RMB**"), 48% in Hong Kong dollars ("**HKD**") and 8% in United States dollars ("**USD**").

The Group's guaranteed notes of HK$2,720.9 million were denominated in USD. The Group has entered into cross currency swap agreements with financial institutions and the guaranteed notes have been effectively converted into HKD denominated debts.

The Group's cash and bank balances of HK$3,097.3 million were 77% denominated in RMB, 15% in HKD and 8% in USD.

The Group's presentation currency is denominated in HKD. The Group's monetary assets, liabilities and transactions are principally denominated in RMB, USD and HKD. The Group, with HKD as its presentation currency, is exposed to foreign currency risk arising from the exposure of HKD against USD and RMB, respectively. Considering that the guaranteed notes have been effectively converted into HKD denominated debts and HKD is pegged against USD, the Group believes that the corresponding exposure to USD exchange rate fluctuation is nominal. However, the Group has a net exchange exposure to RMB as the Group's assets are principally located in China and the revenues are predominantly in RMB. Apart from the aforesaid cross currency swap arrangements, the Group does not have any derivative financial instruments or hedging instruments outstanding.

Certain assets of the Group have been pledged to secure borrowings and bank facilities of the Group, including investment properties with a total carrying amount of approximately HK$10,890.3 million, properties under development with a total carrying amount of approximately HK$1,085.3 million, serviced apartments and related leasehold improvements with a total carrying amount of approximately HK$428.7 million and bank balances of approximately HK$1,059.4 million.

Taking into account the amount of cash being held as at the end of the reporting period, the available banking facilities and the recurring cash flows from the Group's operating activities, the Group believes that it would have sufficient liquidity to finance its existing property development and investment projects.

Contingent Liabilities

Details of contingent liabilities of the Group as at the end of the reporting period are set out in note 35 to the financial statements.

Employees and Remuneration Policies

As at 31 July 2019, the Group employed a total of around 2,000 employees. The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programmes are offered to eligible employees.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE LAI FUNG GROUP FOR THE YEAR ENDED 31 JULY 2018

Set out below is the management discussion and analysis of the Lai Fung Group as extracted from the annual report of Lai Fung for the year ended 31 July 2018 for the purpose of providing further information relating to the financial condition and results of operations of the Lai Fung Group during such period. Such extract was prepared as at the date of such annual report (being prior to the Latest Practicable Date) and speaks as of the date of such annual report. Terms used below shall have the same meanings as defined in the said annual report.

Overview

Despite the challenging operating environment during the year under review, the business delivered an encouraging set of results underpinned by the steady and growing recurrent rental income base from investment properties of the Group.

Property Portfolio Composition

Approximate attributable GFA (in '000 square feet) and number of car-parking spaces as at 31 July 2018:

	Commercial/ Retail	Office	Serviced Apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces
Completed Properties Held for Rental[1]	1,643	1,048	—	—	2,691	799
Completed Hotel Properties and Serviced Apartments	—	—	598	—	598	—
Properties under Development[2]	1,100	1,740	821	2,052	5,713	4,380
Completed Properties Held for Sale	43[3]	—	—	486	529	2,271
Total GFA of major properties of the Group	**2,786**	**2,788**	**1,419**	**2,538**	**9,531**	**7,450**

1. *Completed and rental generating properties*
2. *All properties under construction*
3. *Completed properties for sale, including 33,699 square feet of commercial space in Zhongshan Palm Spring Rainbow Mall which is currently for self-use.*

Property Investment

Rental Income

For the year ended 31 July 2018, the Group's rental operations recorded a turnover of HK$766.2 million (2017: HK$702.1 million), representing a 9.1% increase over last year. Excluding the effect of currency translation, the growth for Renminbi denominated rental income was 3.3%. Breakdown of rental turnover by major rental properties is as follows:

	For the year ended 31 July			For the year ended 31 July			
	2018# *(HK$ million)*	**2017#** *(HK$ million)*	%	**2018** *(RMB million)*	**2017** *(RMB million)*	% Change	Year end occupancy (%)
Shanghai							
Shanghai Hong Kong Plaza	**416.9**	**399.4**	4.4	**346.4**	350.6	-1.2	Retail: 96.8% Office: 94.8% Serviced Apartments: 91.5%
Shanghai May Flower Plaza	**75.9**	**75.4**	0.7	**63.1**	66.2	-4.7	Retail: 48.2%* Hotel: 72.2%
Shanghai Regents Park	**25.0**	**20.0**	25.0	**20.7**	17.5	18.3	100.0%
Guangzhou							
Guangzhou May Flower Plaza	**113.2**	**105.5**	7.3	**94.1**	92.6	1.6	99.2%
Guangzhou West Point	**19.8**	**18.4**	7.6	**16.5**	16.1	2.5	100.0%
Guangzhou Lai Fung Tower	**105.2**	**74.9**	40.5	**87.4**	65.7	33.0	Retail: 100.0% Office: 100.0%**
Zhongshan							
Zhongshan Palm Spring	**10.2**	**8.5**	20.0	**8.5**	7.5	13.3	Retail: 75.5%** Serviced Apartments: 51.9%
Total:	**766.2**	**702.1**	9.1	**636.7**	616.2	3.3	

The exchange rates adopted for the years ended 31 July 2018 and 2017 are 0.8310 and 0.8777, respectively

* *The drop in the occupancy rate is due to the early termination of the lease of Lotte Mart on 3 July 2018. The Group is currently discussing with several prospective tenants to fill the vacancy.*

** *Excluding self-use area*

Breakdown of turnover by usage of our major rental properties is as follows:

	For the year ended 31 July 2018			For the year ended 31 July 2017		
	Group interest	Turnover (HK$ million)	Attributable GFA (square feet)	Group interest	Turnover (HK$ million)	Attributable GFA (square feet)
Shanghai						
Shanghai Hong Kong Plaza	**100%**			100%		
Retail		**181.2**	**468,434**		181.7	468,434
Office		**103.2**	**362,096**		93.4	362,096
Serviced Apartments (room revenue and F&B)		**125.2**	**355,267**		117.1	355,267
Car-parking spaces		**7.3**	**N/A**		7.2	N/A
		416.9	**1,185,797**		399.4	1,185,797
Shanghai May Flower Plaza	**100%**			100%		
Retail		**34.3**	**320,314**		35.1	320,314
Hotel (room revenue and F&B)		**37.6**	**143,846**		36.6	143,846
Car-parking spaces		**4.0**	**N/A**		3.7	N/A
		75.9	**464,160**		75.4	464,160
Shanghai Regents Park	**95%**			95%		
Retail		**21.0**	**77,959**		16.6	77,959
Car-parking spaces		**4.0**	**N/A**		3.4	N/A
		25.0	**77,959**		20.0	77,959
Guangzhou						
Guangzhou May Flower Plaza	**100%**			100%		
Retail		**98.6**	**357,424**		91.3	357,424
Office		**11.6**	**79,431**		10.9	79,431
Car-parking spaces		**3.0**	**N/A**		3.3	N/A
		113.2	**436,855**		105.5	436,855
Guangzhou West Point	**100%**			100%		
Retail		**19.8**	**171,968**		18.4	171,968
Guangzhou Lai Fung Tower	**100%**			100%		
Retail		**12.7**	**99,054**		9.4	101,283
Office		**86.6**	**606,495**		62.5	525,463
Car-parking spaces		**5.9**	**N/A**		3.0	N/A
		105.2	**705,549**		74.9	626,746
Zhongshan						
Zhongshan Palm Spring	**100%**			100%		
Retail*		**4.2**	**147,408**		3.3	127,884
Serviced Apartments (room revenue)		**6.0**	**98,556**		5.2	98,556
		10.2	**245,964**		8.5	226,440
Total:		**766.2**	**3,288,252**		702.1	3,189,925

* *Excluding self-use area*

Rental income performed steadily as a whole with almost full occupancy in all the major properties. The strong growth from Guangzhou Lai Fung Tower is primarily due to it being fully leased during the year under review.

The asset swap transaction with Guangzhou Light Industry Real Estate Development Company ("**Guangzhou Light Industry**") as announced on 15 January 2015 in relation to Guangzhou Lai Fung Tower, the office block of Guangzhou Eastern Place Phase V, was completed in August 2017. This enables the Group to consolidate its ownership of Guangzhou Lai Fung Tower completely and provide additional flexibility and strategic value to the Group. The total GFA of this property owned by the Group increased to approximately 705,500 square feet excluding car-parking spaces from that of approximately 626,700 square feet as at 31 July 2017 and the commercial area and the office building of this property excluding self-use area have been fully leased.

Review of Major Rental Properties

Shanghai Hong Kong Plaza

Shanghai Hong Kong Plaza is a twin-tower property located on both the North and South sides of the street at a prime location on Huaihaizhong Road in Huangpu District, Shanghai. The twin-towers are connected by a footbridge.

The property's total GFA is approximately 1.19 million square feet excluding 350 car-parking spaces. The property comprises an office tower, shopping arcades and a serviced apartment tower with total GFA of approximately 362,100 square feet, 468,400 square feet and 355,300 square feet, respectively. The property is directly above the Huangpi South Road Metro Station and is within walking distance of Xintiandi, a well-known landmark in Shanghai. The shopping arcades are now one of the most visible high-end retail venues for global luxury brands in the area. Anchor tenants include The Apple Store, Cartier, Coach, GAP, Tiffany and internationally renowned luxury brands and a wide array of dining options.

The serviced apartments are managed by the Ascott Group and the Group has successfully leveraged the Ascott Group's extensive experience and expertise in operating serviced apartments to position the serviced apartments as a high-end product.

The Group owns 100% of this property.

Shanghai May Flower Plaza

Shanghai May Flower Plaza is a mixed-use project located at the junction of Da Tong Road and Zhi Jiang Xi Road in Su Jia Xiang in the Jing'an District in Shanghai. This project is situated near the Zhongshan Road North Metro Station.

The Group owns 100% in the retail podium which has approximately 320,300 square feet of GFA including the basement commercial area. The asset is positioned as a community retail facility. The lease of Lotte Mart, the anchor tenant in the retail podium was terminated early on 3 July 2018. The Group is discussing with several prospective tenants to fill the vacancy.

Guangzhou May Flower Plaza

Guangzhou May Flower Plaza is a prime property situated at Zhongshanwu Road, Yuexiu District directly above the Gongyuanqian Metro Station in Guangzhou, the interchange station of Guangzhou Subway Lines No. 1 and 2. This 13-storey complex has a total GFA of approximately 436,900 square feet excluding 136 car-parking spaces.

The building comprises of retail spaces, restaurants, office units and car-parking spaces. The property is almost fully leased to tenants comprising well-known corporations, consumer brands and restaurants.

The Group owns 100% of this property.

Guangzhou West Point

Guangzhou West Point is located on Zhongshan Qi Road and is within walking distance from the Ximenkou Subway Station. This is a mixed-use property where the Group has sold all the residential and office units and retained a commercial podium with GFA of approximately 172,000 square feet. Tenants of the retail podium include renowned restaurants and local retail brands.

Guangzhou Lai Fung Tower

Guangzhou Lai Fung Tower is the office block of Phase V of Guangzhou Eastern Place, which is a multi-phase project located on Dongfeng East Road, Yuexiu District, Guangzhou. This 38-storey office building was completed in June 2016.

The asset swap transaction with Guangzhou Light Industry as announced on 15 January 2015 was completed in August 2017. As at 31 July 2018, the total GFA of this property owned by the Group increased to approximately 705,500 square feet excluding car-parking spaces from that of approximately 626,700 square feet as at 31 July 2017 and the commercial area and the office building excluding self-use area have been fully leased.

Zhongshan Palm Spring Rainbow Mall

Zhongshan Palm Spring Rainbow Mall is the commercial element of the wholly owned residential project, Zhongshan Palm Spring. Zhongshan Palm Spring is located in Caihong Planning Area, Western District of Zhongshan. It has a total GFA of approximately 181,000 square feet and excluding self-use area, the occupancy rate as at year end was approximately 75.5%.

Hotel and Serviced Apartments

Ascott Huaihai Road Shanghai

Ascott Huaihai Road in Shanghai Hong Kong Plaza is managed by the Ascott Group and it is one of a premier collection of the Ascott Limited's serviced residences in over 70 cities in Asia Pacific, Europe and the Gulf region. The residence with total GFA of approximately 357,000 square feet and approximately 355,300 square feet GFA attributable to the Group has 308 contemporary apartments of various sizes: studios (640-750 sq.ft.), one-bedroom apartments (915-1,180 sq.ft.), two-bedroom apartments (1,720 sq.ft.), three-bedroom apartments (2,370 sq.ft.) and two luxurious penthouses on the highest two floors (4,520 sq.ft.). An average occupancy rate of 87.3% was achieved during the year under review and the average room tariff was approximately HK$1,237.

STARR Hotel Shanghai

STARR Hotel Shanghai is a 17-storey hotel located in the Mayflower Lifestyle complex in Jing'an District, within walking distance to Lines 1, 3 and 4 of the Shanghai Metro Station with easy access to major motorways. There are 239 fully furnished and equipped hotel units with stylish separate living room, bedroom, fully-equipped kitchenette and luxurious bathroom amenities for short or extended stays to meet the needs of the business travelers from around the world and the total GFA is approximately 143,800 square feet. The GFA attributable to the Group is approximately 143,800 square feet. An average occupancy rate of 75.7% was achieved during the year under review and the average room tariff was approximately HK$545.

STARR Resort Residence Zhongshan

STARR Resort Residence Zhongshan comprises two 16-storey blocks located in the Palm Lifestyle complex in Zhongshan Western District at Cui Sha Road. It is 30 minutes away from Zhongshan ferry pier and an ideal place for weekend breaks with a wide range of family oriented facilities such as an outdoor Swimming Pool, Gym, Yoga Room, Reading Room, Wine Club, Card Game/Mahjong Room, Tennis Court, etc. There are 90 fully furnished serviced apartment units with kitchenette, unit type one- and two-bedroom suite and the total GFA is approximately 98,600 square feet. The resort also has an F&B outlet of 80 seats, suitable for private party and BBQ, etc. An average occupancy rate of 53.2% was achieved during the year under review and the average room tariff was approximately HK$378.

Property Development

Recognised Sales

For the year ended 31 July 2018, the Group's property development operations recorded a turnover of HK$184.6 million (2017: HK$624.6 million) from sale of properties, representing a 70.4% decrease over last year.

Total recognised sales was primarily driven by the sales performance of residential units of Guangzhou Eastern Place Phase V and Zhongshan Palm Spring of which approximately 7,521 and 84,936 square feet of residential GFA were sold, respectively, achieving sales revenue of HK$50.2 million and HK$90.5 million, respectively.

For the year ended 31 July 2018, average selling price recognised as a whole (excluding Guangzhou Dolce Vita and car-parking spaces) amounted to approximately HK$1,649 per square foot (2017: HK$983 per square foot). Sales of residential units and retail units of Guangzhou Dolce Vita performed well and achieved average selling price of HK$3,616 and HK$5,445 per square foot, respectively. This is recognised as a component of "Share of profits of joint ventures" in the consolidated income statement.

Breakdown of turnover for the year ended 31 July 2018 from property sales is as follows:

Recognised basis	No. of units	Approximate GFA *(Square feet)*	Average Selling Price# *(HK$/square foot)*	Turnover* *(HK$ million##)*	Turnover* *(RMB million)*
Guangzhou Eastern Place Residential Units – Phase V	7	7,521	6,980	50.2	41.7
Guangzhou King's Park Commercial Unit	1	3,337	2,380	7.5	6.3
Zhongshan Palm Spring Residential High-rise Units	70	84,936	1,148	90.5	75.2
Others				1.1	0.9
Subtotal	**78**	**95,794**	**1,649**	**149.3**	**124.1**
Guangzhou King's Park Car-parking Spaces	6			4.6	3.8
Guangzhou Eastern Place Car-parking Spaces	27			30.7	25.5
Total				**184.6**	**153.4**
Recognised sales from joint venture project					
Guangzhou Dolce Vita					
Residential Units**(47.5% basis)	42	92,288	3,616	313.8	260.8
Retail Units**(47.5% basis)	—	665	5,445	3.4	2.8
Subtotal	**42**	**92,953**	**3,629**	**317.2**	**263.6**
Car-parking Spaces**(47.5% basis)	45			16.1	13.4
Total				**333.3**	**277.0**

\# *Before business tax and value-added tax inclusive*

\## *The exchange rate adopted for the year ended 31 July 2018 is 0.8310*

* *After business tax and value-added tax exclusive*

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of the Group and CapitaLand China has an effective 47.5% interest. For the year ended 31 July 2018, 89 residential units and 1 retail unit were sold and the recognised sales (after business tax and value-added tax exclusive) attributable to the full project is HK$667.9 million (excluding car-parking spaces) and approximately 195,690 square feet (excluding car-parking spaces) of GFA were recognised. The recognised sales from car-parking spaces attributable to the full project is HK$33.8 million.*

Contracted Sales

As at 31 July 2018, the Group's property development operations, excluding Guangzhou Dolce Vita, has contracted but not yet recognised sales of HK$51.8 million and HK$246.9 million from sales of residential units in Zhongshan Palm Spring and studios of Hengqin Novotown Phase I, respectively and HK$3.4 million from sales of 6 car-parking spaces in Guangzhou King's Park, Guangzhou Eastern Place and Zhongshan Palm Spring. Sales of the studios of Hengqin Novotown Phase I were strong and achieved an average selling price of HK$5,207 per square foot. Excluding the effect of currency translation, the Renminbi denominated contracted but not yet recognised sales of residential units, studios and car-parking spaces, excluding Guangzhou Dolce Vita as at 31 July 2018 amounted to RMB251.0 million (31 July 2017: RMB125.7 million).

The total contracted but not yet recognised sales of the Group as at 31 July 2018 including Guangzhou Dolce Vita and car-parking spaces amounted to HK$302.5 million (31 July 2017: HK$402.8 million). The Renminbi denominated contracted but not yet recognised sales of residential units and car-parking spaces, including Guangzhou Dolce Vita as at 31 July 2018 amounted to RMB251.3 million (31 July 2017: RMB353.6 million).

Breakdown of contracted but not yet recognised sales as at 31 July 2018 is as follows:

Contracted basis	**No. of Units**	**Approximate GFA** *(Square feet)*	**Average Selling Price#** *(HK$/square foot)*	**Turnover#** *(HK$ million##)*	*(RMB million)*
Zhongshan Palm Spring					
Residential High-rise Units	31	34,614	1,497	51.8	43.0
Hengqin Novotown					
Studios	11	47,420	5,207	246.9	205.2
Subtotal	**42**	**82,034**	**3,641**	**298.7**	**248.2**
Guangzhou King's Park					
Car-parking Spaces	2			1.6	1.3
Guangzhou Eastern Place					
Car-parking Space	1			1.2	1.0
Zhongshan Palm Spring					
Car-parking Spaces	3			0.6	0.5
Subtotal				**302.1**	**251.0**
Contracted sales from joint venture project					
Guangzhou Dolce Vita					
Car-parking Space**(47.5% basis)	1			0.4	0.3
Subtotal				**0.4**	**0.3**
Total (excluding car-parking spaces)	**42**	**82,034**	**3,641**	**298.7**	**248.2**
Total (including car-parking spaces)				**302.5**	**251.3**

\# *Before business tax and value-added tax inclusive*

\## *The exchange rate adopted for the year ended 31 July 2018 is 0.8310*

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of the Group and CapitaLand China has an effective 47.5% interest. As at 31 July 2018, the contracted but not yet recognised sales from car-parking spaces attributable to the full project is HK$0.8 million.*

Review of Major Properties Completed for Sale and under Development

Shanghai Northgate Plaza redevelopment project

Shanghai Northgate Plaza I is located on Tian Mu Road West in the Jing'an District of Shanghai near the Shanghai Railway Terminal and comprises office units, a retail podium and car-parking spaces. Shanghai Northgate Plaza II is a vacant site adjacent to Northgate Plaza I. In September 2016, the Group completed the acquisition of the 6th to 11th floors of Hui Gong Building which is physically connected to Northgate Plaza I, together with the right to use 20 car-parking spaces in the basement. The Group plans to redevelop Shanghai Northgate Plaza I, Northgate Plaza II and the Hui Gong Building together under a comprehensive redevelopment plan which includes an office tower, a shopping arcade and underground car-parking spaces and is expected to add a total GFA of approximately 693,600 square feet excluding car-parking spaces to the rental portfolio of the Group. The total development cost is estimated to be approximately RMB1,698 million (equivalent to approximately HK$1,953 million). Demolition of Northgate Plaza I and Hui Gong Building was completed in May 2017 and foundation works commenced in September 2017. This project is expected to complete in the fourth quarter of 2021.

Shanghai May Flower Plaza

Shanghai May Flower Plaza is a completed mixed-use project located at the junction of Da Tong Road and Zhi Jiang Xi Road in Su Jia Xiang in the Jing'an District in Shanghai and situated near the Zhongshan Road North Metro Station.

The residential portion of Shanghai May Flower Plaza is branded "The Mid-town" which comprises 628 residential units and approximately 627,500 square feet of GFA. As of 31 July 2018, 458 car-parking spaces of this development remained unsold with a carrying amount of approximately HK$103.4 million.

Shanghai Wuli Bridge Project

In July 2014, the Group succeeded in the auction for the land use rights of a piece of land located by Huangpu River in Huangpu District in Shanghai with a site area of approximately 74,100 square feet. The proposed development has attributable GFA of approximately 83,700 square feet and is intended to be developed into a high end luxury residential project. The total development cost is estimated to be approximately RMB859 million (equivalent to approximately HK$988 million). Construction works commenced in August 2017. This project is expected to complete in the second quarter of 2019.

Guangzhou Eastern Place Phase V

Guangzhou Eastern Place is a multi-phase project located on Dongfeng East Road, Yuexiu District, Guangzhou. The current Phase V development has a total GFA attributable to the Group of approximately 1,024,900 square feet, comprising two residential blocks (GFA 319,400 square feet approximately), an office block and ancillary retail spaces (GFA 705,500 square feet approximately). Construction work of residential blocks was completed during the year ended 31 July 2015 and the office block was completed in June 2016.

The residential portion of the Guangzhou Eastern Place Phase V comprised of 317 units. For the year ended 31 July 2018, 7,521 square feet was recognised at an average selling price of HK$6,980 per square foot, which contributed HK$50.2 million to the turnover. As of 31 July 2018, 20 car-parking spaces of this development remained unsold with a carrying amount of approximately HK$12.7 million.

Guangzhou Dolce Vita

The Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of the Group and CapitaLand China has a 47.5% interest. This development in Jinshazhou, Hengsha, Baiyun District, Guangzhou has a total project GFA of approximately 5.459 million square feet. The project comprises of approximately 2,796 low-rise and high-rise residential units and shopping amenities totaling 3.833 million square feet excluding ancillary facilities and car-parking spaces. It is conveniently located near the business centre of Jinshazhou as well as several shopping and entertainment areas and is easily accessible via Guangzhou Subway Line 6 and other transport modes. Praised as the model metropolis for Guangzhou and Foshan, Jinshazhou is located in northwest Guangzhou.

During the year under review, 92,953 square feet attributable to the Group was recognised and generated attributable sale proceeds of HK$317.2 million. As at 31 July 2018, the contracted but not yet recognised sales of car-parking spaces amounted to approximately HK$0.4 million attributable to the Group. Construction of this project has been completed.

Guangzhou King's Park

This is a high-end residential development located on Donghua Dong Road in Yuexiu District. The attributable GFA is approximately 98,300 square feet excluding 57 car-parking spaces and ancillary facilities. The project was launched for sale in January 2014.

During the year under review, the sale of 1 commercial unit contributed HK$7.5 million to the turnover. As at 31 July 2018, the contracted but not yet recognised sales of the 2 car-parking spaces amounted to approximately HK$1.6 million.

Guangzhou Haizhu Plaza

Guangzhou Haizhu Plaza is located on Chang Di Main Road in Yuexiu District, Guangzhou along the Pearl River. The Group owns the entire project. The proposed development has a total project GFA of approximately 602,800 square feet and is intended to be developed for rental purposes. The total development cost is estimated to be approximately RMB1,266 million (equivalent to approximately HK$1,456 million). The completion is expected to be in the fourth quarter of 2022.

Zhongshan Palm Spring

The project is located in Caihong Planning Area, Western District of Zhongshan. The overall development has a total planned GFA of approximately 6.075 million square feet. The project will comprise of high-rise residential towers, townhouses, serviced apartments and commercial blocks totaling 4.466 million square feet.

During the year under review, 84,936 square feet of high-rise residential units were recognised at average selling prices of HK$1,148 per square foot, which contributed a total of HK$90.5 million to the sales turnover. As at 31 July 2018, contracted but not yet recognised sales for residential units amounted to HK$51.8 million, at average selling prices of HK$1,497 per square foot. As at 31 July 2018, completed units held for sale in this development amounted to 486,500 square feet with a carrying amount of approximately HK$395.9 million. The remaining GFA under development was approximately 2,099,200 square feet. The total development cost for the remaining phases is estimated to be approximately RMB1,206 million (equivalent to approximately HK$1,387 million).

Set out below is the current expectation on the development of the remaining phases:

Phase	Description	Approximate GFA* (square feet)	Expected completion
III	High-rise residential units including commercial units	523,100	Q3 2020
IV	High-rise residential units including commercial units	1,576,100	Q2 2021

* *Excluding car-parking spaces and ancillary facilities*

The Group is closely monitoring the market conditions and will adapt the pace of development accordingly.

Hengqin Novotown

On 25 September 2013, the Company announced it had successfully won Phase I of the Novotown project in Hengqin which is 80% owned by the Group and 20% owned by eSun Holdings Limited. The Phase I of Novotown has a total GFA of 4.2 million square feet including car-parking spaces and ancillary facilities. The total development cost is estimated to be approximately RMB5,447 million (equivalent to approximately HK$6,265 million). The master layout plan for Phase I of Novotown was approved in January 2015 and construction work commenced at the end of 2015. Completion is expected to be in the first half of 2019.

The expected GFA breakdown by usage is set out below:

Usage	**GFA (square feet)**
Cultural themed hotel	596,727
Cultural workshop	429,641
Cultural commercial area	523,843
Performance halls	160,937
Cultural attractions	293,292
Office	542,447
Cultural studios (for sale)	244,936
Car-parking spaces	582,827
Ancillary facilities and others	844,817
Total:	**4,219,467**

Hyatt group was engaged as the manager for the cultural themed hotel in March 2015. On 30 October 2015, a licensing agreement was entered into with Lionsgate LBE, Inc. for the development and operation of the Lionsgate Entertainment WorldTM in one of the two performance halls in the Phase I of Novotown. Village Roadshow Theme Parks, the world renowned theme park operator with attractions across Australia and America, was appointed in July 2016 to consult during the construction phase, oversee its preopening and to operate the Lionsgate Entertainment WorldTM for a minimum of ten years. The Lionsgate Entertainment WorldTM is expected to feature attractions, retail, and dining experiences themed around Lionsgate's most captivating global film franchises, including The Hunger Games, The Twilight Saga, The Divergent Series, Now You See Me, Gods of Egypt and Escape Plan.

The Group also entered into licensing agreements on 30 October 2015 with a master license holder of National Geographic Society to develop a family edutainment center called National Geographic Ultimate Explorer, the size of which is expected to be approximately 50,200 square feet, containing 18 individual attractions including rides, F&B facilities, retail premises, virtual reality and/or 4-D interactive experiences, and other types of entertainment and educational attractions.

In June 2017, the Group entered into a cooperation agreement with Trans-Island Limousine Service Limited, a wholly-owned subsidiary of Kwoon Chung Bus Holdings Limited for the development of a cross-border bus service between Hong Kong and Hengqin. The sole and exclusive bus terminus in Hengqin will be located at the Novotown.

In January 2017, the Group entered into a shareholders' agreement with Sanitas Management Company Limited, which owns the Taipei Beitou Health Management Hospital in Taiwan to form a joint venture company codeveloping a healthcare and beauty center in the Phase I of Novotown. This healthcare tourism destination is expected to have an area of approximate 80,000 square feet, providing visitors with comprehensive medical check-ups, beauty consultation and wellness services.

In June 2017, the Group entered into a licence agreement with Real Madrid in relation to the development and operation of the Real Madrid LBE in Novotown. In November 2017, the Group entered into a cooperation agreement with Harrow International (China) Management Services Limited and ILA Holdings Limited bringing Harrow International China Group, the world's leading learning institution, to set up ILA Hengqin in Hengqin. Real Madrid LBE and the ILA Hengqin are planned to be launched in Phase II of the Novotown project in Hengqin, subject to the acquisition of the land for Phase II. Discussions between the Group and the Hengqin government regarding the land concession and the Phase II development of the Novotown are ongoing.

The Group and Porsche did not reach a final agreement in relation to the licensing of Porsche's intellectual property rights and the provision of consultation services for the development of the auto experience theme centre in Phase II of Novotown prior to the expiration of the framework agreement entered into in September 2017.

Capital Structure, Liquidity and Debt Maturity Profile

As at 31 July 2018, cash and bank balances held by the Group amounted to HK$2,437.9 million and undrawn facilities of the Group was HK$3,552.0 million.

As at 31 July 2018, the Group had total borrowings amounting to HK$7,445.6 million (2017: HK$6,091.4 million), representing an increase of HK$1,354.2 million from 2017. The consolidated net assets attributable to the owners of the Company amounted to HK$15,502.9 million (2017: HK$14,584.1 million). The gearing ratio, being net debt (total borrowings less cash and bank balances) to net assets attributable to the owners of the Company was approximately 32% (2017: 24%). The maturity profile of the Group's borrowings of HK$7,445.6 million is well spread with HK$419.2 million repayable within 1 year, HK$1,184.2 million repayable in the second year, HK$5,648.1 million repayable in the third to fifth years and HK$194.1 million repayable beyond the fifth year.

Approximately 45% and 51% of the Group's borrowings were on a fixed rate basis and floating rate basis, respectively, and the remaining 4% of the Group's borrowings were interest free.

Apart from the guaranteed notes, the Group's other borrowings of HK$4,720.1 million were 53% denominated in Renminbi ("**RMB**"), 37% in Hong Kong dollars ("**HKD**") and 10% in United States dollars ("**USD**").

The Group's guaranteed notes of HK$2,725.5 million were denominated in USD. The Group has entered into cross currency swap agreements with financial institutions and the guaranteed notes have been effectively converted into HKD denominated debts.

The Group's cash and bank balances of HK$2,437.9 million were 85% denominated in RMB, 8% in HKD and 7% in USD.

The Group's presentation currency is denominated in HKD. The Group's monetary assets, liabilities and transactions are principally denominated in RMB, USD and HKD. The Group, with HKD as its presentation currency, is exposed to foreign currency risk arising from the exposure of HKD against USD and RMB, respectively. Considering that HKD is pegged against USD, the Group believes that the corresponding exposure to USD exchange rate fluctuation is nominal. However, the Group has a net exchange exposure to RMB as the Group's assets are principally located in China and the revenues are predominantly in RMB. Apart from the aforesaid cross currency swap arrangements, the Group does not have any derivative financial instruments or hedging instruments outstanding.

Certain assets of the Group have been pledged to secure borrowings of the Group, including investment properties with a total carrying amount of approximately HK$11,575.2 million, properties under development with a total carrying amount of approximately HK$1,366.7 million, serviced apartments and related leasehold improvements with a total carrying amount of approximately HK$464.7 million, construction in progress with a total carrying amount of approximately HK$904.2 million and bank balances of approximately HK$650.7 million.

Taking into account the amount of cash being held as at the end of the reporting period, the available banking facilities and the recurring cash flows from the Group's operating activities, the Group believes that it would have sufficient liquidity to finance its existing property development and investment projects.

Contingent Liabilities

Details of contingent liabilities of the Group as at the end of the reporting period are set out in note 34 to the financial statements.

Employees and Remuneration Policies

As at 31 July 2018, the Group employed a total of around 1,300 employees. The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programmes are offered to eligible employees.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE LAI FUNG GROUP FOR THE YEAR ENDED 31 JULY 2017

Set out below is the management discussion and analysis of the Lai Fung Group as extracted from the annual report of Lai Fung for the year ended 31 July 2017 for the purpose of providing further information relating to the financial condition and results of operations of the Lai Fung Group during such period. Such extract was prepared as at the date of such annual report (being prior to the Latest Practicable Date) and speaks as of the date of such annual report. Terms used below shall have the same meanings as defined in the said annual report.

Overview

Despite the challenging operating environment during the year under review, the business delivered an encouraging set of results underpinned by the steady and growing recurrent rental income base from investment properties of the Group.

Property Portfolio Composition

Approximate attributable GFA (in '000 square feet) and number of car-parking spaces as at 31 July 2017:

	Commercial/ Retail	Office	Serviced Apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces
Completed Properties Held for Rental[1]	1,625	967	—	—	2,592	799
Completed Hotel Properties and Serviced Apartments	—	—	598	—	598	—
Properties under Development[2]	1,109	1,745	821	2,051	5,726	4,402
Completed Properties Held for Sale	63[3]	77	—	671	811	2,319
Total GFA of major properties of the Group	**2,797**	**2,789**	**1,419**	**2,722**	**9,727**	**7,520**

1. *Completed and rental generating properties*
2. *All properties under construction*
3. *Completed properties for sale, including 53,223 square feet of commercial space in Zhongshan Palm Spring which is currently for self-use and expected to be reclassified as completed properties held for rental purpose as it is being leased out over time.*

Property Investment

Rental Income

For the year ended 31 July 2017, the Group's rental operations recorded a turnover of HK$702.1 million (2016: HK$629.4 million), representing an 11.6% increase over last year. Excluding the effect of currency translation against a depreciated Renminbi, the growth for Renminbi denominated rental income was 17.0%. Breakdown of rental turnover by major rental properties is as follows:

	For the year ended 31 July			For the year ended 31 July			
	2017#	2016#	%	**2017**	2016	%	Year end
	(HK$ million)	*(HK$ million)*	Change	***(HK$ million)***	*(RMB million)*	Change	occupancy (%)
Shanghai							
Shanghai Hong Kong Plaza	**399.4**	398.2	0.3	**350.6**	333.2	5.2	Retail: 95.2% Office: 91.8% Serviced Apartments: 85.3%
Shanghai May Flower Plaza	**75.4**	71.4	5.6	**66.2**	59.7	10.9	Retail: 100.0% Hotel: 81.6%
Shanghai Regents Park	**20.0**	14.3	39.9	**17.5**	12.0	45.8	100.0%
Shanghai Northgate Plaza I	**—**	4.9	-100.0	**—**	4.1	-100.0	0.0%*
Guangzhou							
Guangzhou May Flower Plaza	**105.5**	109.5	-3.7	**92.6**	91.6	1.1	99.2%
Guangzhou West Point	**18.4**	17.2	7.0	**16.1**	14.4	11.8	99.6%
Guangzhou Lai Fung Tower	**74.9**	6.2	1,108.1	**65.7**	5.2	1,163.5	Retail: 100.0% Office: 100.0%**
Zhongshan							
Zhongshan Palm Spring	**8.5**	7.7	10.4	**7.5**	6.4	17.2	Retail: 86.4%*** Serviced Apartments: 56.9%
Total:	**702.1**	629.4	11.6	**616.2**	526.6	17.0	

\# *The exchange rates adopted for the years ended 31 July 2017 and 2016 are 0.8777 and 0.8367, respectively*

* *All tenants were vacated for project redevelopment and demolition has been completed in May 2017*

** *Excluding the office area that is subject to the asset swap transaction as announced by the Company on 15 January 2015 and the asset swap transaction has been completed in August 2017*

*** *Excluding self-use area*

Breakdown of turnover by usage of our major rental properties is as follows:

	For the year ended 31 July 2017			For the year ended 31 July 2016		
	Group interest	Turnover *(HK$ million)*	Attributable GFA *(square feet)*	Group interest	Turnover *(HK$ million)*	Attributable GFA *(square feet)*
Shanghai						
Shanghai Hong Kong Plaza	**100%**			100%		
Retail		**181.7**	**468,434**		175.4	468,434
Office		**93.4**	**362,096**		93.0	360,687
Serviced Apartments (room revenue and F&B)		**117.1**	**355,267**		123.3	354,239
Car-parking spaces		**7.2**	**N/A**		6.5	N/A
		399.4	**1,185,797**		398.2	1,183,360
Shanghai May Flower Plaza	**100%**			100%		
Retail		**35.1**	**320,314**		30.1	320,314
Hotel (room revenue and F&B)		**36.6**	**143,846**		38.3	143,846
Car-parking spaces		**3.7**	**N/A**		3.0	N/A
		75.4	**464,160**		71.4	464,160
Shanghai Regents Park	**95%**			95%		
Retail		**16.6**	**77,959**		10.7	77,959
Car-parking spaces		**3.4**	**N/A**		3.6	N/A
		20.0	**77,959**		14.3	77,959
Shanghai Northgate Plaza I*	**100%**			100%		
Retail		**—**	**—**		—	192,348
Office		**—**	**—**		4.7	130,233
Car-parking spaces		**—**	**—**		0.2	N/A
		—	**—**		4.9	322,581
Guangzhou						
Guangzhou May Flower Plaza	**100%**			100%		
Retail		**91.3**	**357,424**		94.5	357,424
Office		**10.9**	**79,431**		11.4	79,431
Car-parking spaces		**3.3**	**N/A**		3.6	N/A
		105.5	**436,855**		109.5	436,855
Guangzhou West Point	**100%**			100%		
Retail		**18.4**	**171,968**		17.2	171,968
Guangzhou Lai Fung Tower	**100%**			100%		
Retail		**9.4**	**101,283**		0.7	100,341
Office		**62.5**	**525,463**		5.1	525,463
Car-parking spaces		**3.0**	**N/A**		0.4	N/A
		74.9	**626,746**		6.2	625,804
Zhongshan						
Zhongshan Palm Spring	**100%**			100%		
Retail		**3.3**	**127,884**		2.9	112,124
Serviced Apartments (room revenue)		**5.2**	**98,556**		4.8	98,556
		8.5	**226,440**		7.7	210,680
Total:		**702.1**	**3,189,925**		629.4	3,493,367

* *Demolition of this property has been completed in May 2017 and foundation works for the redevelopment of Shanghai Northgate Plaza I, Northgate Plaza II and Hui Gong Building in Shanghai commenced in September 2017*

Rental income performed steadily as a whole with almost full occupancy in all the major properties. Rental income growth was partially offset by depreciation of Renminbi during the year under review.

The asset swap transaction with Guangzhou Light Industry Real Estate Limited ("**Guangzhou Light Industry**") as announced on 15 January 2015 in relation to Guangzhou Lai Fung Tower, the office block of Guangzhou Eastern Place Phase V, has been completed in August 2017 post year end. This enables the Group to consolidate its ownership of Guangzhou Lai Fung Tower completely and provide additional flexibility and strategic value to the Group. As at the date of this Annual Report, the total GFA of this property owned by the Group increased to approximately 707,800 square feet excluding car-parking spaces from that of approximately 626,700 square feet as at 31 July 2017 and the commercial area and the office building of this property have been fully leased.

The acquisition of Hui Gong Building was completed in September 2016. The Group plans to redevelop Shanghai Northgate Plaza I, Northgate Plaza II and the Hui Gong Building together under a comprehensive redevelopment plan which includes an office tower, a shopping arcade and underground car-parking spaces and is expected to add a total GFA of approximately 693,600 square feet excluding car-parking spaces to the rental portfolio of the Group. Demolition of Shanghai Northgate Plaza I and Hui Gong Building has been completed in May 2017 and foundation works commenced in September 2017.

Excluding self-use area of approximately 53,223 square feet, all commercial area of Zhongshan Palm Spring Rainbow Mall has been reclassified as rental properties.

Review of Major Rental Properties

Shanghai Hong Kong Plaza

Shanghai Hong Kong Plaza is a twin-tower property located on both the North and South sides of the street at a prime location on Huaihaizhong Road in Huangpu District, Shanghai. The twin-towers are connected by a footbridge.

The property's total GFA is approximately 1.19 million square feet excluding 350 car-parking spaces. The property comprises an office tower, shopping arcades and a serviced apartment tower with total GFA of approximately 362,100 square feet, 468,400 square feet and 355,300 square feet, respectively. The property is directly above the Huangpi South Road Metro Station and is within walking distance of Xintiandi, a well-known landmark in Shanghai. The shopping arcades are now one of the most visible high-end retail venues for global luxury brands in the area. Anchor tenants include The Apple Store, Cartier, Coach, GAP, Tiffany and internationally renowned luxury brands and a wide array of dining options. Asset enhancement aimed at improving foot traffic at the higher levels of the retail podium of the Shanghai Hong Kong Plaza has been completed and new tenants have moved in by the end of 2014.

The serviced apartments are managed by the Ascott Group and the Group has successfully leveraged the Ascott Group's extensive experience and expertise in operating serviced apartments to position the serviced apartments as a high-end product.

The Group owns 100% of this property.

Shanghai May Flower Plaza

Shanghai May Flower Plaza is a mixed-use project located at the junction of Da Tong Road and Zhi Jiang Xi Road in Su Jia Xiang in the Jing'an District in Shanghai. This project is situated near the Zhongshan Road North Metro Station.

The Group owns 100% in the retail podium which has approximately 320,300 square feet of GFA including the basement commercial area. The asset is positioned as a community retail facility.

Guangzhou May Flower Plaza

Guangzhou May Flower Plaza is a prime property situated at Zhongshanwu Road, Yuexiu District directly above the Gongyuanqian Metro Station in Guangzhou, the interchange station of Guangzhou Subway Lines No. 1 and 2. This 13-storey complex has a total GFA of approximately 436,900 square feet excluding 136 car-parking spaces.

The building comprises of retail spaces, restaurants, office units and car-parking spaces. The property is almost fully leased to tenants comprising well-known corporations, consumer brands and restaurants.

The Group owns 100% of this property.

Guangzhou West Point

Guangzhou West Point is located on Zhongshan Qi Road and is within walking distance from the Ximenkou Subway Station. This is a mixed-use property where the Group has sold all the residential and office units and retained a commercial podium with GFA of approximately 172,000 square feet. Tenants of the retail podium include renowned restaurants and local retail brands.

Guangzhou Lai Fung Tower

Guangzhou Lai Fung Tower is the office block of Phase V of Guangzhou Eastern Place, which is a multi-phase project located on Dongfeng East Road, Yuexiu District, Guangzhou. This 38-storey office building was completed in June 2016.

The asset swap transaction with Guangzhou Light Industry as announced on 15 January 2015 has been completed in August 2017 post year end. As at the date of this Annual Report, the total GFA of this property owned by the Group increased to approximately 707,800 square feet excluding car-parking spaces from that of approximately 626,700 square feet as at 31 July 2017 and the commercial area and the office building have been fully leased.

Zhongshan Palm Spring Rainbow Mall

Zhongshan Palm Spring Rainbow Mall is the commercial element of the Group's wholly-owned residential project, Zhongshan Palm Spring. Zhongshan Palm Spring is located in Caihong Planning Area, Western District of Zhongshan. It has a total GFA of approximately 181,100 square feet and excluding self-use area, the occupancy rate as at year end was approximately 86.4%.

Hotel and Serviced Apartments

Ascott Huaihai Road Shanghai

Ascott Huaihai Road in Shanghai Hong Kong Plaza is managed by the Ascott Group and it is one of a premier collection of the Ascott Limited's serviced residences in over 70 cities in Asia Pacific, Europe and the Gulf region. The residence with total GFA of approximately 357,000 square feet and approximately 355,300 square feet GFA attributable to the Group has 308 contemporary apartments of various sizes: studios (640-750 sq.ft.), one-bedroom apartments (915-1,180 sq.ft.), two-bedroom apartments (1,720 sq.ft.), three-bedroom apartments (2,370 sq.ft.) and two luxurious penthouses on the highest two floors (4,520 sq.ft.). An average occupancy rate of 83.1% was achieved during the year under review and the average room tariff was approximately HK$1,220.

STARR Hotel Shanghai

STARR Hotel Shanghai is a 17-storey hotel located in the Mayflower Lifestyle complex in Jing'an District, within walking distance to Lines 1, 3 and 4 of the Shanghai Metro Station with easy access to major motorways. There are 239 fully furnished and equipped hotel units with stylish separate living room, bedroom, fully-equipped kitchenette and luxurious bathroom amenities for short or extended stays to meet the needs of the business travelers from around the world and the total GFA is approximately 143,800 square feet. The GFA attributable to the Group is approximately 143,800 square feet. An average occupancy rate of 79.1% was achieved during the year under review and the average room tariff was approximately HK$507.

STARR Resort Residence Zhongshan

STARR Resort Residence Zhongshan comprises two 16-storey blocks located in the Palm Lifestyle complex in Zhongshan Western District at Cui Sha Road. It is 30 minutes away from Zhongshan ferry pier and an ideal place for weekend breaks with a wide range of family oriented facilities such as an outdoor Swimming Pool, Gym, Yoga Room, Reading Room, Wine Club, Card Game/Mahjong Room, Tennis Court, etc. There are 90 fully furnished serviced apartment units with kitchenette, unit type: one- and two-bedroom suite and the total GFA is approximately 98,600 square feet. The resort also has an F&B outlet of 80 seats, suitable for private party and BBQ, etc. An average occupancy rate of 50.0% was achieved during the period under review and the average room tariff was approximately HK$354.

PROPERTY DEVELOPMENT

Recognised Sales

For the year ended 31 July 2017, the Group's property development operations recorded a turnover of HK$624.6 million (2016: HK$1,414.1 million) from sale of properties, representing a 55.8% decrease in sales revenue over last year.

Total recognised sales was primarily driven by the sales performance of residential units of Guangzhou Eastern Place Phase V and Zhongshan Palm Spring of which approximately 21,364 and 641,366 square feet of residential GFA were sold, respectively, achieving sales revenue of HK$129.2 million and HK$485.3 million, respectively.

For the year ended 31 July 2017, average selling price recognised as a whole (excluding Guangzhou Dolce Vita and car-parking spaces) amounted to approximately HK$983 per square foot (2016: HK$4,207 per square foot). Sales of residential units of Guangzhou Dolce Vita performed well and achieved an average selling price of HK$2,584 per square foot (2016: HK$2,915 per square foot). This is recognised as a component of "Share of profits of joint ventures" in the consolidated income statement.

Breakdown of turnover for the year ended 31 July 2017 from property sales is as follows:

Recognised basis	No. of units	Approximate GFA	Average Selling Price[#]	Turnover*	
		(Square feet)	(HK$/square foot)	(HK$ million[##])	(RMB million)
Guangzhou Eastern Place					
Residential Units — Phase V	19	21,364	6,481	129.2	113.4
Zhongshan Palm Spring					
Residential High-Rise Units	479	597,959	743	420.1	368.7
Residential House Units	15	43,407	1,582	65.2	57.2
Others				0.4	0.4
Subtotal	**513**	**662,730**	**983**	**614.9**	**539.7**
Guangzhou King's Park					
Car-parking Spaces	14			9.0	7.9
Guangzhou West Point					
Car-parking Spaces	1			0.7	0.6
Total				**624.6**	**548.2**
Recognised sales from joint venture project					
Guangzhou Dolce Vita					
Residential Units**(47.5% basis)	514	737,122	2,570	1,794.7	1,575.2
Retail Units**(47.5% basis)	2	2,521	6,521	15.6	13.7
Subtotal	**516**	**739,643**	**2,584**	**1,810.3**	**1,588.9**
Car-parking Spaces** (47.5% basis)	373			122.4	107.4
Total				**1,932.7**	**1,696.3**

\# *Before business tax and value-added tax inclusive*

\## *The exchange rate adopted for the year ended 31 July 2017 is 0.8777*

* *After business tax and value-added tax exclusive*

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of the Group and CapitaLand China has an effective 47.5% interest. For the year ended 31 July 2017, the recognised sales (after business tax and value-added tax exclusive) attributable to the full project was HK$3,811.2 million (excluding car-parking spaces) and approximately 1,557,142 square feet (excluding car-parking spaces) of GFA were recognised. The recognised sales from car-parking spaces attributable to the full project was HK$257.7 million.*

Contracted Sales

As at 31 July 2017, the Group's property development operations, excluding Guangzhou Dolce Vita, has contracted but not yet recognised sales of HK$91.1 million and HK$49.7 million from sales of residential units in Zhongshan Palm Spring and Guangzhou Eastern Place Phase V, respectively and HK$2.3 million from sales of 3 car-parking spaces in Guangzhou King's Park. Sales of the remainder of the completed residential units of Zhongshan Palm Spring were strong and achieved an average selling price of HK$1,087 per square foot. Excluding the effect of currency translation against a depreciated Renminbi, the Renminbi denominated contracted but not yet recognised sales of residential units and car-parking spaces, excluding Guangzhou Dolce Vita as at 31 July 2017 amounted to RMB125.7 million (31 July 2016: RMB484.4 million).

The total contracted but not yet recognised sales of the Group as at 31 July 2017 including Guangzhou Dolce Vita and car-parking spaces amounted to HK$402.8 million (31 July 2016: HK$2,249.1 million). The Renminbi denominated contracted but not yet recognised sales of residential units and car-parking spaces, including Guangzhou Dolce Vita as at 31 July 2017 amounted to RMB353.6 million (31 July 2016: RMB1,881.8 million).

Breakdown of contracted but not yet recognised sales as at 31 July 2017 is as follows:

Contracted basis	No. of Units	Approximate GFA	Average Selling Price#	Turnover#	
		(Square feet)	*(HK$/square foot)*	*(HK$ million##)*	*(RMB million)*
Guangzhou Eastern Place Residential Units — Phase V	7	7,522	6,607	49.7	43.6
Zhongshan Palm Spring Residential High-rise Units	69	83,791	1,087	91.1	80.0
Subtotal	**76**	**91,313**	**1,542**	**140.8**	**123.6**
Guangzhou King's Park Car-parking Spaces	3			2.3	2.1
Subtotal				**143.1**	**125.7**
Contracted sales from joint venture project					
Guangzhou Dolce Vita					
Residential Units** (47.5% basis)	38	80,140	3,203	256.6	225.2
Car-parking Spaces** (47.5% basis)	9			3.1	2.7
Subtotal				**259.7**	**227.9**
Total (excluding car-parking spaces)	**114**	**171,453**	**2,318**	**397.4**	**348.8**

\# *Before business tax and value-added tax inclusive*

\## *The exchange rate adopted for the year ended 31 July 2017 is 0.8777*

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of the Group and CapitaLand China has an effective 47.5% interest. As at 31 July 2017, the contracted but not yet recognised sales attributable to the full project was HK$540.2 million (excluding car-parking spaces) and approximately 168,715 square feet of GFA (excluding car-parking spaces) were sold. The contracted but not yet recognised sales from car-parking spaces attributable to the full project was HK$6.5 million.*

Review of Major Properties Completed for Sale and under Development

Shanghai Northgate Plaza redevelopment project

Shanghai Northgate Plaza I is located on Tian Mu Road West in the Jing'an District of Shanghai near the Shanghai Railway Terminal and comprises office units, a retail podium and car-parking spaces. Shanghai Northgate Plaza II is a vacant site adjacent to Northgate Plaza I. In September 2016, the Group completed the acquisition of the 6th to 11th floors of Hui Gong Building which is physically connected to Northgate Plaza I, together with the right to use 20 car-parking spaces in the basement. The Group plans to redevelop Shanghai Northgate Plaza I, Northgate Plaza II and the Hui Gong Building together under a comprehensive redevelopment plan which includes an office tower, a shopping arcade and underground car-parking spaces and is expected to add a total GFA of approximately 693,600 square feet excluding car-parking spaces to the rental portfolio of the Group. Demolition of Northgate Plaza I and Hui Gong Building has been completed in May 2017 and foundation works commenced in September 2017.

Shanghai May Flower Plaza

Shanghai May Flower Plaza is a completed mixed-use project located at the junction of Da Tong Road and Zhi Jiang Xi Road in Su Jia Xiang in the Jing'an District in Shanghai and situated near the Zhongshan Road North Metro Station.

The residential portion of Shanghai May Flower Plaza is branded "The Mid-town" which comprises 628 residential units with a total GFA of approximately 627,500 square feet. The for sale portion of the office apartments comprised of 96 units with a total GFA of approximately 57,500 square feet. All residential units and office apartments units have been sold out. As of 31 July 2017, 458 car-parking spaces of this development remained unsold with a carrying amount of approximately HK$104.2 million.

Shanghai Wuli Bridge Project

In July 2014, the Group succeeded in the auction for the land use rights of a piece of land located by Huangpu River in Huangpu District in Shanghai with a site area of approximately 74,100 square feet. The proposed development has attributable GFA of approximately 83,700 square feet and is intended to be developed into a high end luxury residential project. Construction work commenced in August 2017. This project is expected to complete in the first quarter of 2019.

Guangzhou Eastern Place Phase V

Guangzhou Eastern Place is a multi-phase project located on Dongfeng East Road, Yuexiu District, Guangzhou. The current Phase V development will have a total GFA attributable to the Group of approximately 946,100 square feet, comprising two residential blocks (GFA 319,400 square feet approximately), an office block and ancillary retail spaces (GFA 626,700 square feet approximately). Construction work of residential blocks was completed during the year ended 31 July 2015 and the office block was completed in June 2016.

The residential portion of the Guangzhou Eastern Place Phase V comprised of 317 units. For the year ended 31 July 2017, 21,364 square feet was recognised at an average selling price of HK$6,481 per square foot, which contributed HK$129.2 million to the turnover. As at 31 July 2017, completed residential units held for sale in this development amounted to approximately 7,522 square feet with a carrying amount of approximately HK$19.9 million.

Guangzhou Dolce Vita

The Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of the Group and CapitaLand China has a 47.5% interest. This development in Jinshazhou, Hengsha, Baiyun District, Guangzhou has a total project GFA of approximately 5.459 million square feet. The project comprises of approximately 2,796 low-rise and high-rise residential units and shopping amenities totaling 3.833 million square feet excluding ancillary facilities and car-parking spaces. It is conveniently located near the business centre of Jinshazhou as well as several shopping and entertainment areas and is easily accessible via Guangzhou Subway Line 6 and other transport modes. Praised as the model metropolis for Guangzhou and Foshan, Jinshazhou is located in northwest Guangzhou.

During the year under review, 739,643 square feet attributable to the Group was recognised and generated attributable sale proceeds of HK$1,810.3 million. As at 31 July 2017, contracted but not yet recognised sales excluding car-parking spaces amounted to HK$256.6 million at average selling prices of HK$3,203 per square foot. Up to the year end, constructions of this project have been completed except for the commercial units with a total GFA of approximately 18,900 square feet that are currently used by the Group as a sales centre for the project. These commercial units are expected to be refurbished for sale by end of 2017.

Guangzhou King's Park

This is a high-end residential development located on Donghua Dong Road in Yuexiu District. The attributable GFA is approximately 98,300 square feet excluding 57 car-parking spaces and ancillary facilities. The project was launched for sale in January 2014.

During the year under review, the sales of 14 car-parking spaces contributed HK$9.0 million to the turnover. As at 31 July 2017, the contracted but not yet recognised sales of the 3 car-parking spaces amounted to approximately HK$2.3 million.

Guangzhou Haizhu Plaza

Guangzhou Haizhu Plaza is located on Chang Di Main Road in Yuexiu District, Guangzhou along the Pearl River. The Group owns the entire project. The proposed development has a total project GFA of approximately 602,800 square feet and is intended to be developed for rental purposes. The completion is expected to be in the first half of 2021.

Zhongshan Palm Spring

The project is located in Caihong Planning Area, Western District of Zhongshan. The overall development has a total planned GFA of approximately 6.075 million square feet. The project will comprise of high-rise residential towers, townhouses, serviced apartments and commercial blocks totaling 4.466 million square feet.

During the year under review, 43,407 square feet of house units and 597,959 square feet of residential units were recognised at average selling prices of HK$1,582 and HK$743 per square foot, respectively, which contributed a total of HK$485.3 million to the sales turnover. As at 31 July 2017, contracted but not yet recognised sales for high-rise residential units amounted to HK$91.1 million, at average selling prices of HK$1,087 per square foot. As at 31 July 2017, completed residential units held for sale in this development amounted to 571,600 square feet with a carrying amount of approximately HK$456.3 million. The remaining GFA under development was approximately 2,099,200 square feet.

Set out below is the current expectation on the development of the remaining phases:

Phase	**Description**	**Approximate GFA* (square feet)**	**Expected completion**
III	High-rise residential units including commercial units	523,100	Q3 2020
IV	High-rise residential units including commercial units	1,576,100	Q3 2022

* *Excluding car-parking spaces and ancillary facilities*

The Group is closely monitoring the market conditions and will adapt the pace of development accordingly.

Hengqin Novotown

On 25 September 2013, the Company announced it had successfully won Phase I of the Novotown project in Hengqin which is 80% owned by the Group and 20% owned by eSun Holdings Limited. The Phase I of Novotown has a total GFA of 4.2 million square feet including car-parking spaces and ancillary facilities. The minimum investment requirement for the Phase I of Novotown is approximately RMB3.0 billion (equivalent to approximately HK$3.5 billion), of which approximately RMB523.3 million (equivalent to approximately HK$606.7 million) is land cost as per the land grant contract entered into between the Group and The Land and Resources Bureau of Zhuhai on 27 September 2013. The master layout plan for Phase I of Novotown has been approved in January 2015 and construction work commenced at the end of 2015.

The expected GFA breakdown of Hengqin Novotown Phase I by usage is set out below:

Usage	GFA (square feet)
Cultural themed hotel	596,727
Cultural workshop	429,641
Cultural commercial area	523,843
Performance halls	167,982
Cultural attractions	286,247
Office	542,447
Cultural studios (for sale)	250,553
Car-parking spaces	593,797
Ancillary facilities and others	828,800
Total	**4,220,037**

Hyatt group was engaged as the manager for the cultural themed hotel in March 2015. On 30 October 2015, a licensing agreement was entered into with Lionsgate LBE, Inc. for the development and operation of an immersive experience center in one of the two performance halls in Novotown. Village Roadshow Theme Parks, the world renowned theme park operator with attractions across Australia and America, was appointed in July 2016 to consult during the construction phase of the Lionsgate-themed immersive experience center in Phase I of Novotown, oversee the preopening and to operate the immersive experience center for a minimum of ten years. The immersive experience center is expected to feature attractions, retail, and dining experiences themed around some of Lionsgate's most captivating global film franchises, including The Hunger Games, The Divergent Series, Now You See Me and three additional film franchises yet to be announced.

The Group also entered into licensing agreements on 30 October 2015 with a master license holder of National Geographic Society to develop a Family Edutainment Center. The size of the Family Edutainment Center is expected to be approximately 50,200 square feet, containing no less than 5 individual attractions including rides, F&B facilities, retail premises, virtual reality and/or 4-D interactive experiences, and other types of entertainment and educational attractions.

In April 2016, the Group entered into a cooperation framework agreement with Trans-Island Limousine Service Limited, a wholly-owned subsidiary of Kwoon Chung Bus Holdings Limited for the development of a cross-border bus service between Hong Kong and Hengqin. The sole and exclusive bus terminus in Hengqin will be located at the Novotown.

In January 2017, the Group entered into a shareholders' agreement with Sanitas Management Company Limited, which owns the Taipei Beitou Health Management Hospital in Taiwan to form a joint venture company co-developing a healthcare and beauty center in the Phase I of Novotown. This healthcare tourism destination is expected to have an area of approximately 86,000 square feet, providing visitors with comprehensive medical check-ups, beauty consultation and wellness services.

In June 2017, the Group entered into a licence agreement with Real Madrid in relation to the development and operation of a location based entertainment centre in Novotown and subsequent to the year end, the Group entered into a framework agreement in September 2017 with Porsche in relation to the development and operation of an auto experience theme centre in Novotown. Both Real Madrid LBE and the Porsche Experience Centre are planned to be launched in Phase II of the Novotown project in Hengqin, subject to the acquisition of the land for Phase II. Discussions between the Group and the Hengqin government regarding the land concession and the Phase II development of the Novotown are ongoing.

Capital Structure, Liquidity and Debt Maturity Profile

As at 31 July 2017, cash and bank balances held by the Group amounted to HK$2,628.4 million and undrawn facilities of the Group was HK$3,528.0 million.

As at 31 July 2017, the Group had total borrowings amounting to HK$6,091.4 million (2016: HK$5,977.4 million), representing an increase of HK$114.0 million from 2016. The consolidated net assets attributable to the owners of the Company amounted to HK$14,584.1 million (2016: HK$13,314.8 million). The gearing ratio, being net debt (total borrowings less cash and bank balances) to net assets attributable to the owners of the Company was approximately 24% (2016: 18%). The maturity profile of the Group's borrowings of HK$6,091.4 million is well spread with HK$2,355.1 million repayable within 1 year, HK$692.9 million repayable in the second year, HK$2,954.2 million repayable in the third to fifth years and HK$89.2 million repayable beyond the fifth year.

Approximately 48% and 48% of the Group's borrowings were on a fixed rate basis and floating rate basis, respectively, and the remaining 4% of the Group's borrowings were interest free.

Apart from the fixed rate senior notes, the Group's other borrowings of HK$4,011.0 million were 55% denominated in Renminbi ("**RMB**"), 33% in Hong Kong dollars ("**HKD**") and 12% in United States dollars ("**USD**").

The Group's fixed rate senior notes of HK$2,080.4 million were denominated in RMB. On 25 April 2013, issue date of the RMB denominated senior notes ("**2013 Notes**"), the Group entered into cross currency swap agreements with financial institutions for the purpose of hedging the foreign currency risk arising from such notes. Accordingly, the 2013 Notes have been effectively converted into USD denominated loans.

The Group's cash and bank balances of HK$2,628.4 million were 81% denominated in RMB, 11% in HKD and 8% in USD.

The Group's presentation currency is denominated in HKD. The Group's monetary assets, liabilities and transactions are principally denominated in RMB, USD and HKD. The Group, with HKD as its presentation currency, is exposed to foreign currency risk arising from the exposure of HKD against USD and RMB, respectively. Considering that HKD is pegged against USD, the Group believes that the corresponding exposure to USD exchange rate fluctuation is nominal. However, the Group has a net exchange exposure to RMB as the Group's assets are principally located in China and the revenues are predominantly in RMB. Apart from the aforesaid cross currency swap arrangements, the Group does not have any derivative financial instruments or hedging instruments outstanding.

Certain assets of the Group have been pledged to secure borrowings of the Group, including investment properties with a total carrying amount of approximately HK$10,401.2 million, properties under development with a total carrying amount of approximately HK$497.2 million, serviced apartments and related properties with a total carrying amount of approximately HK$517.6 million, construction in progress with a total carrying amount of approximately HK$726.1 million and bank balances of approximately HK$401.3 million.

Taking into account the amount of cash being held as at the end of the reporting period, the available banking facilities, expected refinancing of the fixed rate senior notes and the recurring cash flows from the Group's operating activities, the Group believes that it would have sufficient liquidity to finance its existing property development and investment projects.

Contingent Liabilities

Details of contingent liabilities of the Group as at the end of the reporting period are set out in note 34 to the financial statements.

Employees and Remuneration Policies

As at 31 July 2017, the Group employed a total of around 1,300 employees. The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programmes are offered to eligible employees.

The following unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only and is set out below to provide further information on how the LF Offers might have affected the financial position of the Group after the completion of the LF Offers.

Although reasonable care has been exercised in preparing the pro forma financial information, it is hypothetical in nature and the figures are inherently subject to adjustments and may not give a true and complete picture of the actual financial condition of the Group as at 31 July 2019 or at any future date.

The unaudited pro forma financial information should be read in conjunction with the other financial information included in this circular.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

(i) Introduction

The following is the illustrative unaudited pro forma consolidated financial information (the "**Unaudited Pro Forma Financial Information**") of the Group immediately after the conditional voluntary general cash offers by HSBC on behalf of the Offeror to acquire all of the issued shares of Lai Fung (other than those already owned or agreed to be acquired by LSD, the Offeror or other wholly-owned subsidiaries of LSD) and to cancel all the outstanding share options of Lai Fung (the "**Acquisition**"). As at 31 July 2019, LSD was a 56.07%-owned subsidiary of LSG.

The Unaudited Pro Forma Financial Information comprises the unaudited pro forma consolidated statement of financial position of the Group as at 31 July 2019, which has been prepared by the Directors in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Acquisition.

The preparation of the unaudited pro forma consolidated statement of financial position of the Group is based on the audited consolidated statement of financial position of LSG as at 31 July 2019, which has been extracted from the published annual report of LSG for the year ended 31 July 2019, and adjusted in accordance with the pro forma adjustments described in the notes thereto, as if the Acquisition had been completed on 31 July 2019.

The pro forma adjustments of the Acquisition that are directly attributable to the transactions are summarised in the accompanying notes.

The Unaudited Pro Forma Financial Information has been prepared on a number of assumptions, estimates and currently available information, is subject to uncertainties and has been prepared for illustrative purposes only. Because of its hypothetical nature, it may not purport to describe the financial position of the Group had the Acquisition been completed on 31 July 2019 to which it is made up or at any future date. The Unaudited Pro Forma Financial Information does not purport to predict the future financial position of the Group.

The Unaudited Pro Forma Financial Information should be read in conjunction with the published annual report of LSG for the year ended 31 July 2019 and the other financial information included elsewhere in this circular. For the avoidance of doubt, the Unaudited Pro Forma Financial Information does not take into account any trading or other transactions subsequent to 31 July 2019.

For the purpose of the Unaudited Pro Forma Financial Information, the Acquisition refers to the following two possible scenarios of the result of the LF Offers:

- In Scenario I, it is assumed that the LF Offers will be accepted in full by all LF Offer Shareholders. Accordingly, in Scenario I, upon completion of the Acquisition, LSD will hold 100% of the LF Shares.

- In Scenario II, it is assumed that the LF Offers will only be accepted in full by eSun such that LSD will hold 50.995% of the LF Shares (50.99% held directly by the Offeror and 0.005% held by Transtrend) upon completion of the Acquisition, being the aggregate of LF Shares held by eSun (representing approximately 50.99% of the issued share capital of Lai Fung) and LF Shares held by LSD through Transtrend (representing approximately 0.005% of the issued share capital of Lai Fung) as at the Latest Practicable Date.

(ii) Unaudited pro forma consolidated statement of financial position as at 31 July 2019 — Scenario I

	LSG as at 31 July 2019	Unaudited Pro Forma Adjustments Note 1	Note 2	The Group upon completion of the Acquisition as at 31 July 2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	10,604,613			10,604,613
Prepaid land lease payments	1,623,441			1,623,441
Investment properties	41,962,537			41,962,537
Properties under development	3,045,937			3,045,937
Film rights	24,608			24,608
Film products	75,022			75,022
Music catalogs	56,718			56,718
Goodwill	227,033			227,033
Other intangible assets	113,945			113,945
Investment in associates	423,002			423,002
Investments in joint ventures	7,411,355			7,411,355
Financial assets at fair value through other comprehensive income	2,136,331			2,136,331
Financial assets at fair value through profit or loss	688,656			688,656
Derivative financial instruments	53,784			53,784
Deposits, prepayments and other receivables	312,453			312,453
Deferred tax assets	39,371			39,371
Pledged and restricted bank balances and time deposits	106,343			106,343
Total non-current assets	68,905,149			68,905,149
CURRENT ASSETS				
Properties under development	3,881,234			3,881,234
Completed properties for sale	2,277,466			2,277,466
Films under production and film investments	417,242			417,242
Inventories	58,443			58,443
Financial assets at fair value through profit or loss	230,273			230,273
Debtors	302,852			302,852
Deposits, prepayments and other receivables	1,089,899			1,089,899
Prepaid tax	42,031			42,031
Pledged and restricted bank balances and time deposits	1,498,767			1,498,767
Cash and cash equivalents	3,893,697	1,517,444	(53,000)	5,358,141
	13,691,904			15,156,348
Asset classified as held for sale	142,883			142,883
Total current assets	13,834,787			15,299,231

	LSG as at 31 July 2019 *HK$'000*	Unaudited Pro Forma Adjustments *Note 1* *HK$'000*	*Note 2* *HK$'000*	The Group upon completion of the Acquisition as at 31 July 2019 *HK$'000*
CURRENT LIABILITIES				
Creditors, other payables and accruals	3,259,951			3,259,951
Deposit received, deferred income and contract liabilities	1,682,573			1,682,573
Tax payable	307,390			307,390
Bank borrowings	4,296,923			4,296,923
Other borrowings	41,440			41,440
Total current liabilities	9,588,277			9,588,277
NET CURRENT ASSETS	4,246,510			5,710,954
TOTAL ASSETS LESS CURRENT LIABILITIES	73,151,659			74,616,103
NON-CURRENT LIABILITIES				
Bank borrowings	9,665,545	3,075,843		12,741,388
Other borrowings	670,100			670,100
Guaranteed notes	5,736,654			5,736,654
Deferred tax liabilities	5,535,762			5,535,762
Other payables	87,410			87,410
Long term deposits received	266,482			266,482
Total non-current liabilities	21,961,953			25,037,796
	51,189,706			49,578,307
EQUITY				
Equity attributable to owners of the Company				
Share capital	1,250,152			1,250,152
Reserves	21,362,184	5,434,455	(53,000)	26,743,639
	22,612,336			27,993,791
Non-controlling interests	28,577,370	(6,992,854)		21,584,516
	51,189,706			49,578,307

(iii) Notes to the Unaudited Pro Forma Financial Information of the Group — Scenario I

Notes:

1. *Upon completion of the Acquisition, LSD will own 100% of the issued shares of Lai Fung. The consideration of HK$3,075,843,000 will be settled by additional bank borrowings. As LSD increases its ownership interest in Lai Fung that it already controls, the difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid is recognised directly to other reserve in equity in accordance with Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements".*

   The details of the calculation are set out as follows:

		HK$'000
Net assets attributable to owners of Lai Fung as at 31 July 2019		15,834,007
Add: Fair value adjustments as at 31 July 2019 in eSun and LSD arising from prior year acquisitions of Lai Fung*		2,951,584
Adjusted net assets attributable to owners of Lai Fung as at 31 July 2019	(a)	18,785,591
Increase in equity attributable to owners of LSD upon completion of the Acquisition ((a) x (100% - 38.06%, being the total of direct and indirect interests in Lai Fung held by LSD as at the Latest Practicable Date))	(a) x 61.94%	11,635,795
Less: Consideration (HK$8.99 x 342,140,459, being the total of 331,015,933 LF Shares to be acquired by LSD and 11,124,526 shares comprised in LF Options as at the Latest Practicable Date)		(3,075,843)
Add: Consideration receivable by eSun attributable to LSD (HK$8.99 x 168,792,467, being number of LF Shares held by eSun as at the Latest Practicable Date x 74.62%, being equity interest in eSun held by LSD as at the Latest Practicable Date)		1,132,317
Pro forma differences credited to other reserve of LSD	(b)	9,692,269
Pro forma differences credited to other reserve of LSG, adjusting with 56.07% interest in LSD held by LSG as at 31 July 2019	(b) x 56.07%	5,434,455

* *Fair value adjustments represent the aggregate of consolidation adjustments arising from the following two acquisitions, being (i) the acquisition of Lai Fung by eSun as a subsidiary in 2012 (the "**2012 Acquisition**") and (ii) the acquisition of eSun by LSD as a subsidiary in 2018 (the "**2018 Acquisition**").*

Fair value adjustments of the 2012 Acquisition equal to: (a) the fair values of the identifiable assets and liabilities of Lai Fung at the completion date of the 2012 Acquisition, less (b) the carrying amounts of such assets and liabilities of Lai Fung at the completion date of the 2012 Acquisition, less (c) the accumulated depreciation of such assets (where applicable) subsequent to the 2012 Acquisition up to 31 July 2019, less (d) the impairment losses of such assets (where applicable) subsequent to the 2012 Acquisition up to 31 July 2019, and (e) net of the corresponding deferred tax liabilities. Such fair value adjustments mainly arose from the property, plant and equipment, properties under development, completed properties for sale and assets held for sale of Lai Fung.

Fair value adjustments of the 2018 Acquisition equal to: (a) the fair values of the identifiable assets and liabilities of Lai Fung at the completion date of the 2018 Acquisition, less (b) the carrying amounts of such assets and liabilities of Lai Fung included in the consolidated financial statements of eSun at the completion date of the 2018 Acquisition, less (c) the accumulated depreciation and amortisation of such assets and liabilities (where applicable) subsequent to the 2018 Acquisition up to 31 July 2019, less (d) the impairment losses of such assets (where applicable) subsequent to the 2018 Acquisition up to 31 July 2019, and (e) net of the corresponding deferred tax liabilities. Such fair value adjustments mainly arose from the property, plant and equipment, properties under development, completed properties for sale, assets held for sale, interest in joint ventures and guaranteed notes of Lai Fung.

2. *The adjustment represents estimated direct legal and professional costs attributable to the Acquisition.*

Unaudited pro forma consolidated statement of financial position as at 31 July 2019 — Scenario II

	LSG as at 31 July 2019	Unaudited Pro Forma Adjustments		The Group upon completion of the Acquisition as at 31 July 2019
		Note 1	*Note 2*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	10,604,613			10,604,613
Prepaid land lease payments	1,623,441			1,623,441
Investment properties	41,962,537			41,962,537
Properties under development	3,045,937			3,045,937
Film rights	24,608			24,608
Film products	75,022			75,022
Music catalogs	56,718			56,718
Goodwill	227,033			227,033
Other intangible assets	113,945			113,945
Investment in associates	423,002			423,002
Investments in joint ventures	7,411,355			7,411,355
Financial assets at fair value through other comprehensive income	2,136,331			2,136,331
Financial assets at fair value through profit or loss	688,656			688,656
Derivative financial instruments	53,784			53,784
Deposits, prepayments and other receivables	312,453			312,453
Deferred tax assets	39,371			39,371
Pledged and restricted bank balances and time deposits	106,343			106,343
Total non-current assets	68,905,149			68,905,149
CURRENT ASSETS				
Properties under development	3,881,234			3,881,234
Completed properties for sale	2,277,466			2,277,466
Films under production and film investments	417,242			417,242
Inventories	58,443			58,443
Financial assets at fair value through profit or loss	230,273			230,273
Debtors	302,852			302,852
Deposits, prepayments and other receivables	1,089,899			1,089,899
Prepaid tax	42,031			42,031
Pledged and restricted bank balances and time deposits	1,498,767			1,498,767
Cash and cash equivalents	3,893,697	1,517,444	(53,000)	5,358,141
	13,691,904			15,156,348
Asset classified as held for sale	142,883			142,883
Total current assets	13,834,787			15,299,231

	LSG as at 31 July 2019 HK$'000	Unaudited Pro Forma Adjustments Note 1 HK$'000	Note 2 HK$'000	The Group upon completion of the Acquisition as at 31 July 2019 HK$'000
CURRENT LIABILITIES				
Creditors, other payables and accruals	3,259,951			3,259,951
Deposit received, deferred income and contract liabilities	1,682,573			1,682,573
Tax payable	307,390			307,390
Bank borrowings	4,296,923			4,296,923
Other borrowings	41,440			41,440
Total current liabilities	9,588,277			9,588,277
NET CURRENT ASSETS	4,246,510			5,710,954
TOTAL ASSETS LESS CURRENT LIABILITIES	73,151,659			74,616,103
NON-CURRENT LIABILITIES				
Bank borrowings	9,665,545	1,517,444		11,182,989
Other borrowings	670,100			670,100
Guaranteed notes	5,736,654			5,736,654
Deferred tax liabilities	5,535,762			5,535,762
Other payables	87,410			87,410
Long term deposits received	266,482			266,482
Total non-current liabilities	21,961,953			23,479,397
	51,189,706			51,136,706
EQUITY				
Equity attributable to owners of the Company				
Share capital	1,250,152			1,250,152
Reserves	21,362,184	1,145,987	(53,000)	22,455,171
	22,612,336			23,705,323
Non-controlling interests	28,577,370	(1,145,987)		27,431,383
	51,189,706			51,136,706

Notes to the Unaudited Pro Forma Financial Information of the Group — Scenario II

Notes:

1. *Upon completion of the Acquisition, LSD will own 50.99% of the issued shares of Lai Fung. The consideration of HK$1,517,444,000 will be settled by additional bank borrowings. As LSD increases its ownership interest in Lai Fung that it already controls, the difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid is recognised directly to other reserve in equity in accordance with Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements".*

   The details of the calculation are set out as follows:

		HK$'000
Net assets attributable to owners of Lai Fung as at 31 July 2019		*15,834,007*
*Add: Fair value adjustments as at 31 July 2019 in eSun and LSD arising from prior year acquisitions of Lai Fung**		*2,951,584*
Adjusted net assets attributable to owners of Lai Fung as at 31 July 2019	*(a)*	*18,785,591*
Increase in equity attributable to owners of LSD upon completion of the Acquisition ((a) x (50.99% - 38.06%, being the increase in interest in Lai Fung held by LSD as a result of acquisition of all LF Shares held by eSun as at the Latest Practicable Date))	*(a) x 12.93%*	*2,428,977*
Less: Consideration (HK$8.99 x 168,792,467, being number of LF Shares held by eSun as at the Latest Practicable Date)	*(c)*	*(1,517,444)*
Add: Consideration receivable by eSun attributable to LSD	*(c) x 74.62%*	*1,132,317*
Pro forma differences credited to other reserve of LSD	*(d)*	*2,043,850*
Pro forma gain on bargain purchase credited as other reserve of LSG, adjusting with 56.07% interest in LSD held by LSG as at 31 July 2019	*(d) x 56.07%*	*1,145,987*

* *Fair value adjustments represent the aggregate of consolidation adjustments arising from the following two acquisitions, being (i) the acquisition of Lai Fung by eSun as a subsidiary in 2012 (the "**2012 Acquisition**") and (ii) the acquisition of eSun by LSD as a subsidiary in 2018 (the "**2018 Acquisition**").*

Fair value adjustments of the 2012 Acquisition equal to: (a) the fair values of the identifiable assets and liabilities of Lai Fung at the completion date of the 2012 Acquisition, less (b) the carrying amounts of such assets and liabilities of Lai Fung at the completion date of the 2012 Acquisition, less (c) the accumulated depreciation of such assets (where applicable) subsequent to the 2012 Acquisition up to 31 July 2019, less (d) the impairment losses of such assets (where applicable) subsequent to the 2012 Acquisition up to 31 July 2019, and (e) net of the corresponding deferred tax liabilities. Such fair value adjustments mainly arose from the property, plant and equipment, properties under development, completed properties for sale and assets held for sale of Lai Fung.

Fair value adjustments of the 2018 Acquisition equal to: (a) the fair values of the identifiable assets and liabilities of Lai Fung at the completion date of the 2018 Acquisition, less (b) the carrying amounts of such assets and liabilities of Lai Fung included in the consolidated financial statements of eSun at the completion date of the 2018 Acquisition, less (c) the accumulated depreciation and amortisation of such assets and liabilities (where applicable) subsequent to the 2018 Acquisition up to 31 July 2019, less (d) the impairment losses of such assets (where applicable) subsequent to the 2018 Acquisition up to 31 July 2019, and (e) net of the corresponding deferred tax liabilities. Such fair value adjustments mainly arose from the property, plant and equipment, properties under development, completed properties for sale, assets held for sale, interest in joint ventures and guaranteed notes of Lai Fung.

2. *The adjustment represents estimated direct legal and professional costs attributable to the Acquisition.*

The following is the text of a report, prepared for the sole purpose of inclusion in this Circular from the independent reporting accountant, Ernst & Young, Certified Public Accountants.

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

EY 安永

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

To the Directors of Lai Sun Garment (International) Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Lai Sun Garment (International) Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position as at 31 July 2019, and related notes as set out in Appendix IV of the circular dated 24 April 2020 issued by the Company (the "**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 IV.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the conditional voluntary general cash offers by HSBC on behalf of Holy Unicorn Limited (the "**Offeror**"), a 56.30% owned subsidiary of the Company, to acquire all of the issued shares of Lai Fung Holdings Limited ("**Lai Fung**") (other than those already owned or agreed to be acquired by Lai Sun Development Company Limited ("**LSD**"), the Offeror or the other wholly-owned subsidiaries of LSD) and to cancel all the outstanding share options of Lai Fung (the "**Acquisition**") on the Group's financial position as at 31 July 2019 as if the Acquisition had taken place at 31 July 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 31 July 2019, 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 (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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 accountants 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 AG 7 issued by the 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 the 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 Acquisition 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 Acquisition 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 Acquisition, 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' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the Acquisition 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,

Certified Public Accountants
Hong Kong

24 April 2020

The following is the full text of the letter and valuation report prepared for the purpose of incorporation into the Composite Document, the circular of LSD dated 24 April 2020, the circular of eSun dated 24 April 2020 and this circular received from Knight Frank Petty Limited, an independent valuer, in connection with the valuation as at 31 January 2020 of the market values of the property interests of Lai Fung, its subsidiaries and associated companies which it has a direct or indirect interest of 30% or more of the voting rights.

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Board of Directors
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Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Hong Kong

24 April 2020

Dear Sirs

Various Property Interests in the People's Republic of China and Hong Kong

In accordance with your instructions for us to value the property interests held by Lai Fung Holdings Limited (the "**Company**") or its subsidiaries, associates or joint ventures (hereinafter together referred to as the "**Group**") in the People's Republic of China (the "**PRC**") and Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 31 January 2020.

Basis of Valuation

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

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

Market value is also the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In preparing our valuation report, we have complied with "The HKIS Valuation Standards 2017" published by the Hong Kong Institute of Surveyors, all requirements contained in the provision of Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and Rule 11 of the Code on Takeovers and Mergers published by the Securities and Futures Commission.

Valuation Methodology

In forming our opinion of the values of the property interests in Groups I and III which are held by the Group in the PRC for investment purpose and held by the Group in the PRC respectively, we have valued the properties by using "Income Approach — term and reversion method" by capitalization the net incomes shown on the tenancy schedules handed to us by the Group and made provisions for reversionary income potential. We have also made reference to sales evidence as available in the market.

We have valued the property interests in Groups II and V which are held by the Group in the PRC for sale purpose and held by the Group in Hong Kong for owner occupation purpose respectively by using Market Approach with reference to market comparable transactions/information and assumed sale of property interests with the benefit of vacant possession.

In valuing property interests in Group IV which are held under development by the Group in the PRC, we have valued the property interests on the basis that the properties will be developed and completed in accordance with the Group's latest development proposals provided to us. We have assumed that approvals for the proposals have been obtained without any onerous condition which would affect the values of the property interests. In arriving at our opinion of values, we have made reference to comparable transactions/information in the locality and also taken into account the construction costs that will be expended to reflect the quality of the completed developments.

Due to the specific purpose for which the buildings and structures of property no 20 (Lionsgate portion) which is held by the Group in the PRC have been designed, there is no readily identifiable market comparable, we have thus valued it by Cost Approach with reference to the depreciated replacement cost. Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deduction for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value of the land in its existing use, plus the current cost of replacement of the improvements less allowance for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property is subject to adequate potential profitability* of the business. It is assumed that the replacing of the property will be in compliance with the relevant laws and regulations and completed in timely fashion. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transactions of the complex or development is assumed.

* *The assumption of adequate potential profitability of the business is the underlying assumption for application of the depreciated replacement cost while it is considered that depreciated replacement cost of a property could represent the market value of the property valued under the condition that the business conducting inside the property is profitable so that depreciated replacement cost of the property could prudently represent the market value of the property. Otherwise, without this assumption, adopting depreciated replacement cost of the property to represent market value of the property would be in doubt since business conducting inside the property is not having adequate potential profitability.*

Title Documents and Encumbrances

We have caused land search to be made at the Land Registry for the Hong Kong property valued and have been provided by the Group with extracts of title documents relating to the property interests in the PRC. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us by the Group. In the course of our valuation, we have relied on the information given by the Group and its PRC legal advisers, Allbright Law Offices and Guangda Law Firm in April 2020, regarding the title and other legal matters relating to the properties in the PRC.

No allowance has been made in our report for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in affecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Source of Information

We have relied to a considerable extent on the information given by the Group and the legal opinion of the Group's PRC legal advisers. We have no reason to doubt the truth and accuracy of the information provided to us by the Group and/or its PRC legal advisers which is material to the valuation. We have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, completion date of buildings, particulars of occupancy, tenancy summaries, joint-venture agreements, development schemes, construction costs, sites and floor areas. Dimension, measurements and areas included in the valuation report attached are based on information provided to us and are therefore only approximations. We have not been able to carry out on-site measurements to verify the correctness of sites and floor areas of the properties. We have exercised our due diligence in verifying the provided sites and floor areas by checking against the relevant documents provided. Meanwhile, for remaining portion of the properties without relevant supporting documents, we have further assumed that the sites and floor areas shown on the documents handed to us are correct. We were also advised by the Group that no material facts have been omitted from the information provided.

Inspection and Structural Condition

We have inspected the exterior and, where possible, the interior of the properties. The inspection was carried out by our Ocean Ruan, Moira Zhou and Beny Chan in February 2020. During our inspections, we noted that the properties appeared to be in a generally reasonable state of repair commensurate with their ages and uses. However, we have not carried out investigations on site to determine the suitability of the ground conditions and the services, etc for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects, nor were any tests carried out to any of the services.

Identity of Property to be valued

We exercised reasonable care and skill to ensure that the properties, identified by the property addresses in your instructions, are the properties inspected by us and contained within our valuation report.

Environmental Issues

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuations are prepared on the assumption that the properties are unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuations will be qualified.

Compliance with Relevant Ordinances and Regulations

We have assumed that the properties have been constructed, occupied and used in full compliance with, and without contravention of any ordinances, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the properties upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorisation have been obtained, except only where otherwise stated.

Remarks

In our valuation, we have prepared the valuation based on information and data available to us as at the valuation date. While the market is influenced by various policies and regulations, increasing complexity in international trade tensions, the recent regional health issue of outbreak of Novel Coronavirus is expected to bring additional fluctuations to the real estate market. It must be recognised that the regional health problem, change in policy direction, mortgage requirements and international trade tensions could have immediate and sweeping impact on the real estate market apart from typical market variations. It should therefore be noted that any market violation, policy, geographical or other unexpected circumstances after the valuation date may affect the values of the properties.

According to the information provided by the Group, the potential tax liability which would arise on the disposal of property interest of Group V in Hong Kong is mainly stamp duty, normally borne by the purchaser and property interests of Groups I, II, III and IV in the PRC are mainly PRC land appreciation tax (at progressive rates from 30% to 60% on the appreciation amount) and PRC corporate income tax (at 25% on the gain).

Risk Factor

The current market is influenced by various policies and regulations, increasing complexity in international trade tensions and the recent regional health issue of outbreak of Novel Coronavirus. There may be a difference, be it material or not, between our estimation of market value based on the current market and the actual transaction price which will be affected by many other factors such as the above-mentioned.

Currency

Unless otherwise stated, all sums stated in our valuation reports are in Hong Kong dollars. The exchange rate adopted for conversion is HK$1 = RMB0.8993 as at the date of valuation.

Our summary of values and valuation reports are attached.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited

Clement W M Leung
MFin MCIREA MHKIS MRICS RPS (GP)
RICS Registered Valuer
Executive Director, Head of China Valuation & Advisory

Thomas H M Lam
MCIREA FRICS FHKIS RPS (GP)
RICS Registered Valuer
Executive Director, Head of Valuation & Advisory

Notes: Clement Leung is a qualified valuer who has 27 years of experiences in property valuation and consultancy services in the PRC and Hong Kong.

Thomas Lam is a qualified valuer who has 20 years of extensive experiences in market research, valuation and consultancy in the PRC, Hong Kong, Macao and the Asia Pacific region.

SUMMARY OF VALUES

	Property	Market value in existing state as at 31 January 2020	Interest attributable to the Group	Market value in existing state attributable to the Group as at 31 January 2020
Group I — Property interests held by the Group in the PRC for investment purpose				
1.	Hong Kong Plaza 282 & 283 Huaihaizhong Road Huangpu District, Shanghai The PRC (portion owned by Shanghai Li Xing Real Estate Development Co Ltd)	HK$7,013,000,000	100%	HK$7,013,000,000
2.	Various serviced apartment units in North Tower Hong Kong Plaza 282 Huaihaizhong Road Huangpu District, Shanghai The PRC (portion owned by Good Strategy Ltd)	HK$1,193,000,000	100%	HK$1,193,000,000
3.	B3 Hui Yi Garden No 18 of Alley 905, Huashan Road Xuhui District, Shanghai The PRC	HK$41,700,000	100%	HK$41,700,000
4.	Commercial portion of Regents Park 88 Huichuan Road Changning District, Shanghai The PRC	HK$233,200,000	95%	HK$221,540,000
5.	Various portions of Shanghai May Flower Plaza the junction of Da Tong Road and Zhi Jiang Xi Road, Sujiaxiang Jing'an District, Shanghai The PRC	HK$1,102,500,000	100%	HK$1,102,500,000

	Property	Market value in existing state as at 31 January 2020	Interest attributable to the Group	Market value in existing state attributable to the Group as at 31 January 2020
6.	May Flower Plaza 68 Zhongshanwu Road Yuexiu District, Guangzhou Guangdong Province The PRC	HK$2,057,000,000	100%	HK$2,057,000,000
7.	Commercial portion of West Point the junction of Zhongshan Qi Road and Guangfu Road Liwan District, Guangzhou Guangdong Province The PRC	HK$329,000,000	100%	HK$329,000,000
8.	Commercial portion of Stage I of Palm Spring Caihong Planning Area Western District, Zhongshan Guangdong Province The PRC	HK$123,300,000	100%	HK$123,300,000
9.	Lai Fung Tower 787 Dongfeng East Road Yuexiu District, Guangzhou Guangdong Province The PRC	HK$3,034,500,000	100%	HK$3,034,500,000
10.	Various portions located at the east side of Yiwener Road south side of Caihong Road west side of Tianyu Road and north side of Hengqin Main Road Hengqin New Area Zhuhai, Guangdong Province The PRC	HK$3,802,900,000	80%	HK$3,042,320,000
	Sub-total:	HK$18,930,100,000		HK$18,157,860,000

	Property	Market value in existing state as at 31 January 2020	Interest attributable to the Group	Market value in existing state attributable to the Group as at 31 January 2020
Group II — Property interests held by the Group in the PRC for sale purpose				
11.	Unsold car parking spaces of Regents Park 88 Huichuan Road Changning District, Shanghai The PRC	HK$164,800,000	95%	HK$156,560,000
12.	Unsold car parking spaces of Shanghai May Flower Plaza the junction of Da Tong Road and Zhi Jiang Xi Road, Sujiaxiang Jing'an District, Shanghai The PRC	HK$152,800,000	100%	HK$152,800,000
13.	Unsold car parking spaces of West Point the junction of Zhongshan Qi Road and Guangfu Road Liwan District, Guangzhou Guangdong Province The PRC	HK$83,900,000	100%	HK$83,900,000
14.	Unsold car parking spaces of King's Park Nos 558-596/1006-1044 Donghua Dong Road Yuexiu District, Guangzhou Guangdong Province The PRC	HK$9,400,000	100%	HK$9,400,000
15.	Various portions of Stage I and II of Palm Spring Caihong Planning Area Western District, Zhongshan Guangdong Province The PRC	HK$805,600,000	100%	HK$805,600,000

	Property	Market value in existing state as at 31 January 2020	Interest attributable to the Group	Market value in existing state attributable to the Group as at 31 January 2020
16.	Unsold car parking spaces of Dolce Vita (Xunfeng Yujinsha Yuan) Jinshazhou, Heng Sha Baiyun District, Guangzhou Guangdong Province The PRC	HK$9,700,000	50%	HK$4,850,000
17.	Unsold car parking spaces of Phase V of Eastern Place 787 Dongfeng East Road Yuexiu District, Guangzhou Guangdong Province The PRC	HK$13,200,000	100%	HK$13,200,000
18.	Unsold villa (cultural studios) located at the east side of Yiwener Road south side of Caihong Road west side of Tianyu Road and north side of Hengqin Main Road Hengqin New Area Zhuhai, Guangdong Province The PRC	HK$668,600,000	80%	HK$534,880,000
19.	Various portions of a residential development located at Wuliqiao Road 104 Jie Fang Huangpu District, Shanghai The PRC	HK$1,109,700,000	100%	HK$1,109,700,000
	Sub-total:	HK$3,017,700,000		HK$2,870,890,000

	Property	Market value in existing state as at 31 January 2020	Interest attributable to the Group	Market value in existing state attributable to the Group as at 31 January 2020
Group III — Property interests held by the Group in the PRC				
20.	Various portions located at the east side of Yiwener Road south side of Caihong Road west side of Tianyu Road and north side of Hengqin Main Road Hengqin New Area Zhuhai, Guangdong Province The PRC	HK$519,800,000	80%	HK$415,840,000
21.	Commercial portion of Eastern Place 787 Dongfeng East Road Yuexiu District, Guangzhou Guangdong Province The PRC	HK$50,600,000	100%	HK$50,600,000
	Sub-total:	HK$570,400,000		HK$466,440,000
Group IV — Property interests held under development by the Group in the PRC				
22.	A commercial development located at Tian Mu Road West and Da Tong Road Jing'an District, Shanghai The PRC	HK$2,005,500,000	100%	HK$2,005,500,000
23.	Haizhu Plaza Chang Di Main Road Yuexiu District, Guangzhou Guangdong Province The PRC	HK$1,103,000,000	100%	HK$1,103,000,000
24.	Phases 2-2 and 2-4 of Palm Spring Caihong Planning Area Western District, Zhongshan Guangdong Province The PRC	HK$2,286,300,000	100%	HK$2,286,300,000

	Property	Market value in existing state as at 31 January 2020	Interest attributable to the Group	Market value in existing state attributable to the Group as at 31 January 2020
25.	Various portions located at the east side of Yiwener Road south side of Caihong Road west side of Tianyu Road and north side of Hengqin Main Road Hengqin New Area Zhuhai, Guangdong Province The PRC	HK$2,999,300,000	80%	HK$2,399,440,000
26.	Two parcels of land located at the east side of Yiwener Road south side of Xiangjiang Road west side of Yiwenyi Road and north side of Zhishui Road Hengqin New Area Zhuhai, Guangdong Province The PRC	HK$1,346,000,000	100%	HK$1,346,000,000
	Sub-total:	HK$9,740,100,000		HK$9,140,240,000

Group V — Property interest held by the Group in Hong Kong for owner occupation purpose

	Property	Market value in existing state as at 31 January 2020	Interest attributable to the Group	Market value in existing state attributable to the Group as at 31 January 2020
27.	20th Floor of May Tower II and Car Parking Space No 57 on Ground Floor of May Towers I and II Nos 5 and 7 May Road Mid-Levels Hong Kong	HK$100,000,000	100%	HK$100,000,000
	Sub-total:	HK$100,000,000		HK$100,000,000
	Grand Total:	HK$32,358,300,000		HK$30,735,430,000

VALUATION REPORT

Group I — Property interests held by the Group in the PRC for investment purpose

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2020
1	Hong Kong Plaza 282 & 283 Huaihaizhong Road Huangpu District Shanghai The PRC (portion owned by Shanghai Li Xing Real Estate Development Co Ltd)	Hong Kong Plaza is a composite development comprising a 32-storey office tower (known as South Tower) and a 32-storey serviced apartment tower (known as North Tower), each surmounting a 7-level (including 3 basement levels) commercial/car parking podium. The North Tower and South Tower are connected together by a flyover. The property was completed in October 1997 and refurbished in 2011. The property comprises various portions of Hong Kong Plaza owned by Shanghai Li Xing Real Estate Development Co Ltd with the gross floor areas as follows:	According to the information provided, office and commercial portion of the property with a total gross floor area of approximately 28,233 sq m and a total leasable area of approximately 22,396 sq m respectively is let under various tenancies yielding a total monthly rental of approximately RMB21,450,000 with the last tenancy expiring on 30 June 2027 whilst the remaining portion of the property is vacant or for owner-occupied. In addition, the whole serviced apartment portion (including the subject serviced apartment portion and that stated in property no. 2 in this report) of the development is let under various short term tenancies and managed by Ascott Property Management (Shanghai) Co., Ltd. yielding an annual gross income of approximately RMB102,200,000.	HK$7,013,000,000 (HONG KONG DOLLARS SEVEN BILLION AND THIRTEEN MILLION ONLY) (Portion A: HK$6,179,000,000 Portion B: HK$834,000,000) (100% interest attributable to the Group: HK$7,013,000,000) *(please see notes 6 and 7)*

South Tower Use	Floor	Approximate Gross Floor Area sq m	sq ft
Commercial	B1	3,275.25	35,255
	1	4,174.85	44,938
	2	4,098.90	44,120
	3	4,702.15	50,614
	4	4,812.51	51,802
Office	6-38	33,639.52	362,096
Total:		**54,703.18**	**588,825**

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2020

North Tower Use	Floor	Approximate Gross Floor Area *sq m*	Approximate Gross Floor Area *sq ft*
Commercial	B1	2,958.93	31,850
	1	3,952.47	42,544
	2	3,970.76	42,741
	3	4,636.30	49,905
	4	4,622.00	49,751
Commercial/ Club House/ Restaurant	6-7	2,314.46	24,913
Serviced Apartment	8-38	13,332.28	143,509
Total:		**35,787.20**	**385,213**

The property also comprises a total of 350 car parking spaces in B1 to B3 levels of the podium and various advertising boards.

The land use rights of the property have been granted for a term from 16 September 1992 to 15 September 2042.

Notes:

1. Pursuant to two State-owned Land Use Right Certificates Nos 001161 and 001162 both issued by the Shanghai Real Estate Administration Bureau and dated 17 July 1995, the titles to the property with a total site area of 14,645 sq m are both held by Shanghai Li Xing Real Estate Development Co Ltd ("**Shanghai Li Xing**"), a 100% owned subsidiary of the Company, for a common term commencing from 16 September 1992 to 15 September 2042 for commercial and office uses.

2. Pursuant to five Real Estate Title Certificates Nos Hu Fang Di Shi Zi (1998) Di 002601, Hu Fang Di Shi Zi (2001) Di 007656, Hu Fang Di Lu Zi (2008) Di 002196, Hu Fang Di Lu Zi (2011) Di 000751 and Hu (2017) Huang Zi 001203 all issued by the Shanghai Real Estate Administration Bureau dated 25 June 1998, 10 October 2001, 31 August 2008, 29 March 2011 and 14 February 2017 respectively, the title to portion of the property with respective gross floor area of 69,731.66 sq m, 1,211.83 sq m, 130.91 sq m, 130.91 sq m and 130.91 sq m is held by Shanghai Li Xing for composite use (refer to whole South Tower of the property including basement). As advised by the Company, portion of the property under title certificate No. Hu Fang Di Shi Zi (1998) Di 002601 has been sold.

3. Pursuant to the Shanghai Certificate of Real Estate Ownership No Hu Fang Di Lu Zi (2011) Di 000021 issued by the Shanghai Planning, Land and Resources Administration Bureau dated 4 January 2011, the title to portion of the property with a total gross floor area of 44,132.55 sq m is held by Shanghai Li Xing for office, residential, commercial and others uses (refer to North Tower of the property including basement).

4. Pursuant to twenty three Shanghai Certificates of Real Estate Ownership all issued by the Shanghai Planning, Land and Resources Administration Bureau, the title to portion of the property with a total gross floor area of 2,192.45 sq m is held by Shanghai Li Xing for apartment use (refer to North Tower of the property). The details of which are listed as follows:

	Certificate No	Tower	Unit	Use	Gross Floor Area
1.	Hu Fang Di Lu Zi (2008) Di 002406	North	2612	Apartment	64.92 sq m
2.	Hu Fang Di Lu Zi (2009) Di 003023	North	2807	Apartment	127.41 sq m
3.	Hu Fang Di Lu Zi (2009) Di 003102	North	2805	Apartment	97.33 sq m
4.	Hu Fang Di Lu Zi (2009) Di 004295	North	2512	Apartment	64.92 sq m
5.	Hu Fang Di Lu Zi (2009) Di 004300	North	2804	Apartment	98.39 sq m
6.	Hu Fang Di Lu Zi (2009) Di 004466	North	3107	Apartment	127.41 sq m
7.	Hu Fang Di Lu Zi (2010) Di 000094	North	2810	Apartment	133.96 sq m
8.	Hu Fang Di Lu Zi (2010) Di 000479	North	2205	Apartment	95.45 sq m
9.	Hu Fang Di Lu Zi (2010) Di 000489	North	2306	Apartment	131.19 sq m
10.	Hu Fang Di Lu Zi (2010) Di 000574	North	2501	Apartment	64.92 sq m
11.	Hu Fang Di Lu Zi (2010) Di 000609	North	2811	Apartment	116.25 sq m
12.	Hu Fang Di Lu Zi (2010) Di 000675	North	2604	Apartment	98.39 sq m
13.	Hu Fang Di Lu Zi (2010) Di 000797	North	2209	Apartment	95.21 sq m
14.	Hu Fang Di Lu Zi (2010) Di 001134	North	2505	Apartment	97.33 sq m
15.	Hu Fang Di Lu Zi (2010) Di 001310	North	2212	Apartment	62.93 sq m
16.	Hu Fang Di Lu Zi (2010) Di 001348	North	2608	Apartment	97.33 sq m
17.	Hu Fang Di Lu Zi (2010) Di 001349	North	2812	Apartment	64.92 sq m
18.	Hu Fang Di Lu Zi (2010) Di 001350	North	2801	Apartment	64.92 sq m
19.	Hu Fang Di Lu Zi (2010) Di 002334	North	2705	Apartment	97.33 sq m
20.	Hu Fang Di Huang Zi (2012) Di 052466	North	2202	Apartment	99.71 sq m
21.	Hu Fang Di Huang Zi (2013) Di 052704	North	2304	Apartment	98.39 sq m
22.	Hu Fang Di Huang Zi (2014) Di 051673	North	2504	Apartment	98.39 sq m
23.	Hu Fang Di Huang Zi (2016) Di 052998	North	2208	Apartment	95.45 sq m
				Total:	**2,192.45 sq m**

5. Pursuant to the Business Licence with Unified Social Credit No 913100006072415998 dated 15 November 2018, Shanghai Li Xing was established with an operation period from 28 April 1993 to 27 April 2043.

6. Pursuant to the management agreement entered into between Shanghai Li Xing and Ascott Property Management (Shanghai) Co., Ltd. ("**Ascott**") on 5 May 2009, Ascott agreed to provide certain management services to Shanghai Li Xing in relation to units of serviced apartments owned by the Group. The salient conditions stipulated in the management agreement are, inter-alia, listed as follows:

(i)	Term	:	an initial term of 10 years commencing from the date when the official operations and leasing activity of the serviced apartments commence and renewable for two successive terms of five years at the option of Ascott and subject to the agreement of Shanghai Li Xing
(ii)	Base management fee	:	2% of total revenue + X% of gross operating profit ("**GOP**") (X=4 if GOP margin is less than 50%; X=5 if GOP margin is less than 55% but more than or equal to 50%; X=5.5 if GOP margin is less than 60% but more than or equal to 55%; and X=6 if GOP margin is more than or equal to 60%)
(iii)	Other service fee	:	— RMB160 per serviced apartment unit per month for provision of computer modular programs for use in connection with the management and operation of a serviced apartment — RMB2,000,000 per annum adjusted annually from year 3 onwards in accordance with the Singapore Consumer Price Index subject to a cap of RMB2,500,000 per annum for global marketing services and use of the intellectual property rights of Ascott Group

In the course of our valuation, we have taken into account of the above-mentioned management agreement.

7. According to the Group's specific terms of instruction to provide the breakdown of the market value of property, they are listed as follows:

Portion	**Property**	**Market value in existing state as at 31 January 2020**
A.	Commercial and office portion in South Tower, Commercial portion in North Tower, 350 car parking spaces in B1 to B3 levels of the podium and advertising boards	HK$6,179,000,000
B.	Club house, restaurant and serviced apartment portion in 6/F to 38/F of North Tower	HK$834,000,000
		HK$7,013,000,000

8. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

(i) Shanghai Li Xing legally owns the building ownership of the property;
(ii) Portion of the property is subject to a mortgage and the mortgage is valid and enforceable;
(iii) Shanghai Li Xing can sell, lease, transfer or re-mortgage the property according to the relevant laws and regulations and subject to approval from the mortgagee; and
(iv) Except for the mortgage mentioned in note (8) (ii), the property is free from encumbrances.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2020
2	Various serviced apartment units in North Tower Hong Kong Plaza 282 Huaihaizhong Road Huangpu District Shanghai The PRC (portion owned by Good Strategy Ltd) *(please see note 2 for details)*	Hong Kong Plaza is a composite development comprising a 32-storey office tower (known as South Tower) and a 32-storey serviced apartment tower (known as North Tower), surmounting a common 7-level (including 3 basement levels) commercial/car parking podium. The North Tower and South Tower are connected together by a flyover. The property was completed in October 1997 and refurbished in 2011. The property comprises various serviced apartment units in the North Tower of Hong Kong Plaza owned by Good Strategy Ltd with a total gross floor area of approximately 19,672.77 sq m (211,758 sq ft). The gross floor area of each unit ranges from 60.70 sq m (653 sq ft) to 276.98 sq m (2,981 sq ft). The land use rights of the property have been granted for a term commencing from 3 January 2000 to 15 September 2042.	The whole serviced apartment portion (including the subject property and the serviced apartment portion stated in property no. 1 in this report) of the development is let under various short term tenancies and managed by Ascott Property Management (Shanghai) Co., Ltd. yielding an annual gross income of approximately RMB102,200,000.	HK$1,193,000,000 (HONG KONG DOLLARS ONE BILLION ONE HUNDRED AND NINETY THREE MILLION ONLY) (100% interest attributable to the Group: HK$1,193,000,000) *(please see note 3)*

Notes:

1. Pursuant to 181 Real Estate Title Certificates Nos Hu Fang Di Shi Zi (2000) Di 000372-000395, 000410-000451, 000454-000458, 000485-000507, 000510-000569, 000572-000597 and 000640 all issued by the Shanghai Real Estate and Land Administration Bureau, the property with a total gross floor area of approximately 19,672.77 sq m is held by Good Strategy Limited, a 100% owned subsidiary of the Company, for composite use.

2. The property comprises Unit Nos 1 to 13 on each of 15th to 21st floors and Unit Nos 1 to 6 on each of 34th to 36th floors, Unit Nos 3, 6, 7 and 10 on 22nd floor, Unit Nos 3, 7, 10 and 11 on 23rd floor, Unit Nos 3, 6, 7 and 11 on 25th floor, Unit Nos 2, 3, 6, 7, 10 and 11 on 26th floor, Unit Nos 2, 3, 6, 7, 10 and 11 on 27th floor, Unit Nos 2, 3, and 6 on 28th floor, Unit Nos 2, 3, 6, 7, 10 and 11 on 29th floor, Unit Nos 2, 3, 6 and 11 on 30th floor, Unit Nos 2, 3, 4, 6, 9, 10, 11 and 12 on 31st floor, Unit Nos 1, 2, 3, 4, 8, 10, 11 and 12 on 32nd floor and Unit Nos 1, 2, 3, 4, 9, 10, 11 and 12 on 33rd floor.

3. Pursuant to the management agreement entered into between Shanghai Li Xing Real Estate Development Co Ltd ("**Shanghai Li Xing**") and Ascott Property Management (Shanghai) Co., Ltd. ("**Ascott**") on 5 May 2009, Ascott agreed to provide certain management services to Shanghai Li Xing in relation to units of serviced apartments owned by the Group. The salient conditions stipulated in the management agreement are, inter-alia, listed as follows:

(i)	Term	:	an initial term of 10 years commencing from the date when the official operations and leasing activity of the serviced apartments commence and renewable for two successive terms of five years at the option of Ascott and subject to the agreement of Shanghai Li Xing
(ii)	Base management fee	:	2% of total revenue + X% of gross operating profit ("**GOP**") (X=4 if GOP margin is less than 50%; X=5 if GOP margin is less than 55% but more than or equal to 50%; X=5.5 if GOP margin is less than 60% but more than or equal to 55%; and X=6 if GOP margin is more than or equal to 60%)
(iii)	Other service fee	:	— RMB160 per serviced apartment unit per month for provision of computer modular programs for use in connection with the management and operation of a serviced apartment — RMB2,000,000 per annum adjusted annually from year 3 onwards in accordance with the Singapore Consumer Price Index subject to a cap of RMB2,500,000 per annum for global marketing services and use of the intellectual property rights of Ascott Group

In the course of our valuation, we have taken into account of the above-mentioned management agreement.

4. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

(i) Good Strategy Limited legally owns the building ownership of the property;
(ii) The property is subject to a mortgage and the mortgage is valid and enforceable;
(iii) Good Strategy Limited can sell, lease, transfer or re-mortgage the property according to the relevant laws and regulations and subject to approval from the mortgagee; and
(iv) Except for the mortgage mentioned in note (4) (ii), the property is free from encumbrances.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2020
3	B3 Hui Yi Garden No 18 of Alley 905 Huashan Road Xuhui District Shanghai The PRC	The property comprises a 3-storey detached house, a garden and a car parking lot all standing on a levelled site with an area of 415.98 sq m (4,478 sq ft). The 3-storey detached house is of brick/reinforced concrete structure completed in 1993 with a total gross floor area of approximately 317.80 sq m (3,421 sq ft) and the site area of the garden is approximately 179 sq m (1,927 sq ft). The land use rights of the property have been granted for an unspecified term *(please see note 2 below for details)*.	As advised, the property is currently vacant.	HK$41,700,000 (HONG KONG DOLLARS FORTY ONE MILLION AND SEVEN HUNDRED THOUSAND ONLY) (100% interest attributable to the Group: HK$41,700,000) *(please see note 2)*

Notes:

1. Pursuant to the Real Estate Title Certificate No Hu Fang Di Shi Zi (2002) Di 010907 dated 30 October 2002 issued by the Shanghai Real Estate and Land Resources Administration Bureau, the title to the land with a common area of approximately 415.98 sq m and the 3-storey building with a gross floor area of approximately 317.80 sq m is vested in Canvex Limited, a 100% owned subsidiary of the Company, for residential use for an unspecified term.

2. As advised by the Company, land use rights of the property will be granted for a land use rights term of 70 years for residential use subject to a land premium of approximately RMB6,360,000 and we have deducted the aforesaid land premium in the course of our valuation.

3. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

   (i) Canvex Limited legally owns the building ownership of the property;

   (ii) The land use rights term of the property will be changed to a maximum of 70 years after paying a land premium according to the Notice on the issue of land premium about land use rights transfer of garden terrace and non-domestic housing and confirmation from Canvex Limited;

   (iii) Canvex Limited can sell, lease, transfer or mortgage the property according to the relevant laws and regulations; and

   (iv) The property is free from mortgage and other encumbrances.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2020
4	Commercial portion of Regents Park 88 Huichuan Road Changning District Shanghai The PRC	Regents Park (the "**Development**") is a large-scale residential/commercial composite development developed in two phases. The property comprises commercial portion of the Development with a total gross floor area of approximately 7,623.79 sq m (82,062 sq ft) completed in 2006. The land use rights of the Development have been granted for a term of 70 years commencing from 4 May 1996 for residential use.	According to the information provided, the property is fully leased subject to various tenancies yielding a total monthly rental of approximately RMB1,580,000 with last tenancy expiring on 15 March 2027.	HK$233,200,000 (HONG KONG DOLLARS TWO HUNDRED THIRTY THREE MILLION AND TWO HUNDRED THOUSAND ONLY) (95% interest attributable to the Group: HK$221,540,000)

Notes:

1. Pursuant to the Shanghai Real Estate Title Certificate No Hu Fang Di Chang Zi (2006) Di 010832 issued by the Shanghai Housing and Land Resources Administration Bureau dated 10 June 2006, the title to the Development (Phase I and basement car park) with a total gross floor area of 114,009.40 sq m is held by Shanghai Wa Yee Real Estate Development Co., Limited ("**Shanghai Wa Yee**"), a 95% owned subsidiary of the Company, for a land use rights term of 70 years from 4 May 1996 to 3 May 2066 for residential use. As advised by the Company, portion of the property under this Title Certificate has been sold.

2. Pursuant to the Business Licence with Unified Social Credit No 9131000060737771XE dated 3 June 2016, Shanghai Wa Yee was established with an operation period from 3 September 1997 to 19 August 2067.

3. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

   (i) Shanghai Wa Yee legally owns the building ownership of the property;
   (ii) Shanghai Wa Yee can sell, lease, transfer or mortgage the property according to the relevant laws and regulations; and
   (iii) The property is free from mortgage and other encumbrances.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2020
5	Various portions of Shanghai May Flower Plaza the junction of Da Tong Road and Zhi Jiang Xi Road Sujiaxiang Jing'an District Shanghai The PRC	Shanghai May Flower Plaza (the "**Development**") is a composite development with residential and office apartment towers erected on a commercial podium. The Development also comprises a 3-storey basement for car park use. The property comprises commercial portion and 239 office apartment units in Tower 4 of the Development with a total gross floor area of approximately 29,757.87 sq m (320,314 sq ft) and 13,363.58 sq m (143,846 sq ft) respectively completed in 2011 with gross floor areas as follows:	According to the information provided, commercial portion of the property with a total leasable area of approximately 24,158 sq m is let under various tenancies yielding a total monthly rental of approximately RMB2,110,000 with last tenancy expiring on 30 June 2034 whilst the remaining commercial portion of the property is vacant or owner-occupied. The office apartment portion of the property is currently operated as serviced apartment.	HK$1,102,500,000 (HONG KONG DOLLARS ONE BILLION ONE HUNDRED TWO MILLION AND FIVE HUNDRED THOUSAND ONLY) (100% interest attributable to the Group: HK$1,102,500,000) *(please see note 6)*

Use/Level	Approximate Gross Floor Area *sq m*	*sq ft*
Commercial (Basement 1)	11,961.06	128,749
Commercial (Level 1)	6,413.88	69,039
Commercial (Level 2)	7,260.09	78,148
Commercial (Level 3)	1,541.54	16,593
Commercial (Level 4)	1,639.54	17,648
Commercial (Level 5)	941.76	10,137
Office apartment	13,363.58	143,846
Total:	**43,121.45**	**464,160**

The land use rights of the Development have been granted for terms of 70 years for residential use, 40 years for commercial use and 50 years for office use commencing from 5 February 2007.

Notes:

1. Pursuant to the Shanghai Certificate of Real Estate Ownership Hu Fang Di Zha Zi No (2007) 017286 issued by the Shanghai Housing and Land Resources Administration Bureau dated 12 November 2007, the land use rights of the Development, having a site area of 19,742 sq m, is vested in Shanghai Hu Xin Real Estate Development Co., Ltd ("**Shanghai Hu Xin**"), a 100% owned subsidiary of the Company, for land use rights terms of 70 years for residential use, 40 years for commercial use and 50 years for office use commencing from 5 February 2007.

2. Pursuant to the Shanghai Certificate of Real Estate Ownership No Hu Fang Di Zha Zi (2012) Di 006136 issued by the Shanghai Planning, Land and Resources Administration Bureau dated 30 June 2012, the title to the Development with a total gross floor area of 137,129.94 sq m is held by Shanghai Hu Xin.

3. Pursuant to the Business Licence with Unified Social Credit No 91310000607350656K dated 4 March 2016, Shanghai Hu Xin was established with an operation period from 23 April 1995 to 22 April 2065.

4. Pursuant to the Construction Work Completion Recording Certificate No 2011SH0470 dated 13 December 2011, the construction work of the Development with a total gross floor area of 147,923 sq m was completed and recorded.

5. According to the Group's specific terms of instruction to provide the breakdown of the market value of property, they are listed as follows:

Portion	**Market value in existing state as at 31 January 2020**
Commercial portion	HK$627,000,000
Office apartment units	HK$475,500,000
	HK$1,102,500,000

6. As per your specific terms of instruction, we have valued the office apartment portion of the property on vacant possession basis.

7. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

   (i) Shanghai Hu Xin legally owns the building ownership of the property;
   (ii) Shanghai Hu Xin can sell, lease, transfer or mortgage the property according to the relevant laws and regulations; and
   (iii) The property is free from mortgage and other encumbrances.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2020
6	May Flower Plaza 68 Zhongshanwu Road Yuexiu District Guangzhou Guangdong Province The PRC	May Flower Plaza is erected on an irregular-shaped site with an area of approximately 3,912.27 sq m (42,112 sq ft). The property comprises the whole of May Flower Plaza including a 13-storey office and commercial tower erected over four basement levels completed in 2005 with approximate gross floor areas (excluding public ancillary facilities area of about 1,037.04 sq m) as follows:	According to the information provided, office and retail portion of the property (including cinema) with a total gross floor area of approximately 39,307 sq m is subject to various tenancies yielding a total monthly rental of approximately RMB7,160,000 with last tenancy expiring on 31 October 2030 whilst the remaining portion of the property is vacant or owner-occupied.	HK$2,057,000,000 (HONG KONG DOLLARS TWO BILLION AND FIFTY SEVEN MILLION ONLY) (100% interest attributable to the Group: HK$2,057,000,000)

Use	Floor	Approximate Gross Floor Area *sq m*	*sq ft*
Car park	B4	3,864.36	41,596
Car park	B3	3,677.21	39,581
Retail/Car park	B2	3,430.32	36,924
Retail/Car park	B1	2,544.93	27,394
Retail	L1	2,288.92	24,638
Retail	L2	4,245.21	45,695
Retail	L3	4,103.83	44,174
Retail	L4	3,978.91	42,829
Retail	L5	3,406.65	36,669
Cinema	L6	3,310.88	35,638
Cinema/Office	L7	1,732.81	18,652
Retail	L8	3,363.03	36,200
Retail	L9	2,140.67	23,042
Office	L10	2,079.35	22,382
Office	L11	1,760.05	18,945
Office	L12	1,769.96	19,052
Office	L13	1,769.96	19,052
Total:		**49,467.05**	**532,463**

The basement levels of the property accommodate a total of approximately 136 car parking spaces and the property also comprises various advertising boards.

The land use rights of the property have been granted for terms of 40 years for commercial use and 50 years for other uses commencing from 14 October 1997.

Notes:

1. Pursuant to nineteen Guangzhou Real Estate Title Certificates all issued by the Guangzhou Land Resources and Real Estate Administration Bureau in 2016, the title to the property with a total gross floor area of approximately 49,467.05 sq m is vested in Guangzhou Jieli Real Estate Co Ltd ("**Guangzhou Jieli**"), a 100% owned subsidiary of the Company. Details of which are as follows:

Certificate No	**Level**	**Use**	**Gross Floor Area** *(sq m)*
1. Yue (2016) Guangzhou Shi Bu Dong Chan Quan Di 00243486	Basement 4	Car park	3,864.36
2. Yue (2016) Guangzhou Shi Bu Dong Chan Quan Di 00243505	Basement 3	Car park	3,677.21
3. Yue (2016) Guangzhou Shi Bu Dong Chan Quan Di 00243488	Basement 2	Commercial and catering	2,707.16
4. Yue (2016) Guangzhou Shi Bu Dong Chan Quan Di 00243489	Basement 2	Car park	723.16
5. Yue (2016) Guangzhou Shi Bu Dong Chan Quan Di 00243490	Basement 1	Commercial and catering	1,927.46
6. Yue (2016) Guangzhou Shi Bu Dong Chan Quan Di 00243491	Basement 1	Car park	617.47
7. Yue (2016) Guangzhou Shi Bu Dong Chan Quan Di 00243492	Level 1	Commercial	2,288.92
8. Yue (2016) Guangzhou Shi Bu Dong Chan Quan Di 00243493	Level 2	Commercial and catering	4,245.21
9. Yue (2016) Guangzhou Shi Bu Dong Chan Quan Di 00243494	Level 3	Commercial and catering	4,103.83
10. Yue (2016) Guangzhou Shi Bu Dong Chan Quan Di 00243503	Level 4	Commercial	3,978.91
11. Yue (2016) Guangzhou Shi Bu Dong Chan Quan Di 00243495	Level 5	Catering	3,406.65
12. Yue (2016) Guangzhou Shi Bu Dong Chan Quan Di 00243496	Level 6	Cinema	3,310.88
13. Yue (2016) Guangzhou Shi Bu Dong Chan Quan Di 00243497	Level 7	Cinema	1,732.81
14. Yue (2016) Guangzhou Shi Bu Dong Chan Quan Di 00243498	Level 8	Catering	3,363.03
15. Yue (2016) Guangzhou Shi Bu Dong Chan Quan Di 00243487	Level 9	Catering	2,140.67
16. Yue (2016) Guangzhou Shi Bu Dong Chan Quan Di 00243499	Level 10	Office	2,079.35
17. Yue (2016) Guangzhou Shi Bu Dong Chan Quan Di 00243500	Level 11	Office	1,760.05
18. Yue (2016) Guangzhou Shi Bu Dong Chan Quan Di 00243501	Level 12	Office	1,769.96
19. Yue (2016) Guangzhou Shi Bu Dong Chan Quan Di 00243502	Level 13	Office	1,769.96
		Total:	**49,467.05**

2. Pursuant to the State-owned Land Use Rights Certificate No Sui Fu Guo Yong (1997) Zi Di Te 028 issued by the People's Government of Guangzhou dated 14 October 1997, the title to the land with a site area of approximately 5,782 sq m is held by Guangzhou Jieli for land use rights terms of 70 years for residential use, 40 years for commercial uses and 50 years for other uses.

3. Pursuant to the Business Licence No Wai S0102014023301 dated 11 July 2016, Guangzhou Jieli was established with an operation period from 31 December 1993 to 31 December 2033.

4. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

   (i) Guangzhou Jieli legally owns the property;
   (ii) The property is subject to a mortgage and the mortgage is valid and enforceable;
   (iii) Guangzhou Jieli can sell, lease or transfer the property according to the relevant laws and regulations and subject to approval from the mortgagee; and
   (iv) Except for the mortgage mentioned in note (4) (ii), the property is free from encumbrances.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2020
7	Commercial portion of West Point the junction of Zhongshan Qi Road and Guangfu Road Liwan District Guangzhou Guangdong Province The PRC	West Point (the "**Development**") is a composite development comprising a residential tower and an office tower both erected on a 4-level commercial podium and a 2-level basement car park completed in about 2010. The property comprises commercial portion on Level 1 to 4 of the Development having a total gross floor area of approximately 16,940.18 sq m (182,344 sq ft) with gross floor areas as follows:	According to the information provided, the property with a total gross floor area of approximately 16,781 sq m is subject to various tenancies yielding a total monthly rental of approximately RMB1,290,000 with last tenancy expiring on 30 April 2024 whilst the remaining portion of the property is vacant.	HK$329,000,000 (HONG KONG DOLLARS THREE HUNDRED AND TWENTY NINE MILLION ONLY) (100% interest attributable to the Group: HK$329,000,000)

Use	Level	Approximate Gross Floor Area *sq m*	*sq ft*
Retail	Level 1	3,158.96	34,003
Retail	Level 2	4,384.20	47,192
Retail	Level 3	4,546.58	48,939
Retail	Level 4	3,886.49	41,834
Sub-total:		15,976.23	171,968
Clubhouse and kiosk		963.95	10,376
Total:		**16,940.18**	**182,344**

The land use rights of the Development have been granted for terms of 70 years for residential use, 40 years for commercial, tourism and entertainment uses and 50 years for other use.

Notes:

1. Pursuant to seven Guangzhou Real Estate Title Certificates Nos Yue Fang Di Quan Zheng Sui Zi Di 0120285921 to 0120285927 all issued by the Guangzhou Land Resources and Real Estate Administration Bureau dated 11 November 2011, the title to the property with a total gross floor area of approximately 16,940.18 sq m is vested in Guangzhou Honghui Real Estate Development Co., Ltd. ("**Guangzhou Honghui**"), a 100% owned subsidiary of the Company.

2. Pursuant to the State-owned Land Use Rights Certificate No Sui Guo Yong (2005) Di 348 issued by the People's Government of Guangzhou dated 11 January 2006, the title to the property with a site area of approximately 6,003 sq m is held by Guangzhou Honghui for land use rights terms of 70 years for residential use, 40 years for commercial, tourism and entertainment uses and 50 years for other use.

3. Pursuant to the Business Licence with Unified Social Credit No 91440101618416067K dated 14 November 2017, Guangzhou Honghui was established with an operation period from 11 February 1993 to 11 February 2022.

4. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

   (i) Guangzhou Honghui legally owns the property;
   (ii) Guangzhou Honghui can sell, lease or transfer the property according to the relevant laws and regulations; and
   (iii) The property is free from mortgage and other encumbrances.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2020
8	Commercial portion of Stage I of Palm Spring Caihong Planning Area Western District Zhongshan Guangdong Province The PRC	Palm Spring (the "**Development**") is a large-scale residential development having a total site area of approximately 236,649.80 sq m (2,547,298 sq ft). The Development is planned to be developed by various stages with a total gross floor area of approximately 564,388 sq m (6,075,072 sq ft). The property comprises various units on Levels 1 to 3 of commercial centre of Stage I of the Development with a total gross floor area of 13,694.52 sq m (147,408 sq ft) completed in 2012 and the gross floor area breakdowns are as follows:	According to the information provided, the property with a total gross floor area of approximately 11,406 sq m is leased subject to various tenancies yielding a total monthly rental of approximately RMB300,000 with last tenancy expiring on 31 October 2030 whilst the remaining portion of the property is vacant.	HK$123,300,000 (HONG KONG DOLLARS ONE HUNDRED TWENTY THREE MILLION AND THREE HUNDRED THOUSAND ONLY) (100% interest attributable to the Group: HK$123,300,000)

Use	Approximate Gross Floor Area *sq m*	*sq ft*
Commercial (Level 1)	3,391.74	36,509
Commercial (Level 2)	6,080.56	65,451
Commercial (Level 3)	4,222.22	45,448
Total:	**13,694.52**	**147,408**

The land use rights of the property have been granted for various terms with the last term expiring on 30 March 2075 for commercial/ residential uses.

Notes:

1. Pursuant to twenty seven State-owned Land Use Rights Certificates Nos Zhong Fu Guo Yong (2013) Di 2000884, 2000885, 2000898 to 2000904 and 2000936 to 2000953 all issued by the People's Government of Zhongshan dated 22 October 2013 and 5 November 2013, the title to the land portion of the property with a site area of approximately 22,824.96 sq m is held by 中山市寶麗房地產發展有限公司 (Zhongshan Bao Li Properties Development Co. Ltd.) ("**Zhongshan Bao Li**"), a 100% owned subsidiary of the Company for various terms expiring on 17 May 2074 and 30 March 2075 respectively for commercial/residential uses.

2. Pursuant to twenty seven Real Estate Title Certificates Nos Yue Fang Di Quan Zhong Fu Zi Di 0113018459, 0113018470, 0113019022, 0113019029, 0113019037, 0113019041, 0113019048, 0113019053, 0113019061, 0113021648, 0113021665, 0113021669, 0113021670, 0113021673, 0113021676, 0113021679, 0113021681, 0113021686, 0113021690, 0113021694, 0113021696, 0113021699, 0113021707, 0113021710, 0113021712, 0113021714 and 0113021739 all issued by the Zhongshan State Land and Resources Bureau dated 22 October 2013 and 5 November 2013, the title to the commercial portion of the Development with a total gross floor area of 16,825.23 sq m is vested in Zhongshan Bao Li.

3. Pursuant to the Business Licence with Unified Social Credit No 914420007480421393 dated 5 November 2015, Zhongshan Bao Li was established with an operation period from 17 April 2003 to 16 April 2053.

4. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

   (i) Zhongshan Bao Li legally owns the property;
   (ii) Zhongshan Bao Li can sell, lease or transfer the property according to the relevant laws and regulations; and
   (iii) The property is free from mortgage and other encumbrances.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2020
9	Lai Fung Tower 787 Dongfeng East Road Yuexiu District Guangzhou Guangdong Province The PRC	Eastern Place is a large-scale commercial/residential composite development developed by phases. The property comprises the whole of Lai Fung Tower in Phase V of Eastern Place with a total gross floor area of approximately 68,572.39 sq m (738,113 sq ft) completed in 2015 and 313 basement car parking spaces (including 216 mechanical car parking spaces). Gross floor areas are as follows:	According to the information provided, the property with a total gross floor area of approximately 64,456 sq m is let under various tenancies yielding a total monthly rental of approximately RMB8,020,000 with last tenancy expiring on 14 January 2027 whilst the remaining portion of the property is vacant or owner-occupied.	HK$3,034,500,000 (HONG KONG DOLLARS THREE BILLION THIRTY FOUR MILLION AND FIVE HUNDRED THOUSAND ONLY) (100% interest attributable to the Group: HK$3,034,500,000)

Use	Level	Approximate Gross Floor Area *sq m*	*sq ft*
Retail	L1	3,447.17	37,105
Retail	L2	2,371.19	25,524
Retail	L3&4	4,613.83	49,663
Office	L5-38	58,140.20	625,821
Total:		**68,572.39**	**738,113**

The land use rights of the property have been granted for terms of 70 years for residential use, 40 years for commercial, tourism and entertainment uses and 50 years for other use.

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate No Sui Fu Guo Yong (2003) Di 309 issued by the People's Government of Guangzhou dated 30 October 2003, the title to the land portion of the subject development with an area of approximately 17,293.00 sq m is held by Guangzhou Grand Wealth Properties Ltd ("**Guangzhou Grand Wealth**"), a 100% owned subsidiary of the Company, for land use rights terms of 70 years for residential use, 40 years for commercial, tourism and entertainment uses and 50 years for other use.

2. Pursuant to the Guangzhou Real Estate Title Certificate No Yue (2018) Guangzhou Shi Bu Dong Chan Quan Di 00162708 dated 5 November 2018, the title to portion of the property with a gross floor area of approximately 2,312.26 sq m is vested in Guangzhou Grand Wealth.

3. Pursuant to 145 Real Estate Title Certificates, the title to portion of the property with a total gross floor area of 66,260.13 sq m is vested in Guangzhou Grand Wealth.

4. Pursuant to 310 Real Estate Title Certificates, the title to 310 car parking spaces of the property is vested in Guangzhou Grand Wealth.

5. Pursuant to the Business Licence with Unified Social Credit No 91440101618425764J dated 4 June 2019, Guangzhou Grand Wealth was established with an operation period from 15 June 1994 to 15 June 2021.

6. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

   (i) Guangzhou Grand Wealth legally owns the property;
   (ii) Portion of the property is subject to a mortgage and the mortgage is valid and enforceable;
   (iii) Guangzhou Grand Wealth should hold the retail portion with a total gross floor area of 2,312.26 sq m and 216 mechanical car parking spaces of the property and has the right to lease such portions and to grant the lessee to sublease;
   (iv) Save as abovementioned, Guangzhou Grand Wealth can sell, lease or transfer the property according to the relevant laws and regulations and subject to approval from the mortgagee; and
   (v) Except for the mortgage mentioned in note (6) (ii), the property is free from encumbrances.

Property

10 Various portions located at the east side of Yiwener Road, south side of Caihong Road, west side of Tianyu Road and north side of Hengqin Main Road
Hengqin New Area
Zhuhai
Guangdong Province
The PRC

Description and tenure

The development comprises two parcels of adjacent land located at the east side of Yiwener Road, south side of Caihong Road, west side of Tianyu Road and north side of Hengqin Main Road in Hengqin New Area of Zhuhai. The total site area is approximately 130,173.16 sq m.

The development is located at Hengqin New Area which is situated at the southern part of Zhuhai. The locality is planned to be tourist and leisure area. It takes about 30 minutes to drive to city centre of Zhuhai.

The development is planned to be developed into a comprehensive development including commercial, office, hotel, cultural development with a total plot ratio gross floor area of approximately 260,289.94 sq m (2,801,761 sq ft).

The property comprises a 4-storey shopping mall, hotel and three cultural halls of the development with a total gross floor area of approximately 118,620.57 sq m (1,276,832 sq ft) completed in about 2019 and the gross floor area breakdowns are as follows:

Use	Approximate Gross Floor Area *sq m*	*sq ft*
Shopping mall	48,877.43	526,117
Hotel	55,254.20	594,756
Cultural hall (multi-purpose)	3,720.00	40,042
Cultural hall (wedding)	617.00	6,641
Cultural hall (other)	10,151.94	109,276
Total:	**118,620.57**	**1,276,832**

The property also comprises 291 above ground car parking spaces and 1,553 basement car parking spaces.

The land use rights of the development have been granted for terms of 40 years for office, commercial and servicing, hotel uses and 50 years for other uses commencing from 31 December 2013.

Particulars of occupancy

According to the information provided, retail portion of the property with a total leasable area of approximately 16,239 sq m is let under various tenancies yielding a total monthly base rental of approximately RMB550,000 with last tenancy expiring on 30 December 2034.

Hotel portion of the property is currently under operation whilst the remaining portion of the property is vacant.

Market Value in existing state as at 31 January 2020

HK$3,802,900,000
(HONG KONG DOLLARS THREE BILLION EIGHT HUNDRED TWO MILLION AND NINE HUNDRED THOUSAND ONLY)

(80% interest attributable to the Group: HK$3,042,320,000)

Notes:

1. Pursuant to two Guangdong Province Real Estate Title Certificates Nos Yue Fang Di Quan Zheng Zhu Zi Di 0100244267 and 0100244268 both issued by the Zhuhai Real Estate Registration Centre dated 27 May 2014, the title to the development, having a total site area of 130,173.16 sq m, is held by 珠海橫琴麗新文創天地有限公司 (Zhuhai Hengqin Laisun Creative Cultural City Co., Ltd.) ("**珠海橫琴**"), an 80% indirectly owned subsidiary of the Company and 20% indirectly owned subsidiary of Lai Sun Development Company Limited for land use rights terms of 40 years for office, commercial and servicing, hotel uses and 50 years for other uses commencing from 31 December 2013.

2. Pursuant to an agreement entered into between 珠海大橫琴置業有限公司 (Zhuhai Da Hengqin Real Estate Co., Ltd) (the "**Investor**"), 珠海橫琴 and Winfield Concept Limited ("**Winfield**"), an 80% indirectly owned subsidiary of the Company and 20% indirectly owned subsidiary of Lai Sun Development Company Limited on 19 January 2020, the Investor has agreed to make a total capital contribution of approximately RMB948.4 million in 珠海橫琴. Upon completion of the registration of change in the equity interest held by Winfield and the Investor in 珠海橫琴, 珠海橫琴 will be held as to approximately 83.32% by Winfield and approximately 16.68% by the Investor. The salient conditions stipulated in the agreement are, inter-alia, as follows:

   (i) investment period will be thirty years from the issue date of the new business licence of 珠海橫琴 upon completion of the subscription.

   (ii) the dividend distribution will be made out of distributable profits of 珠海橫琴 generated from the operations in respect of the self-owned portion only (as agreed between the Investor, 珠海橫琴 and Winfield) to the Investor and Winfield at a 30:70 ratio. The dividend distribution paid to the Investor in each financial year shall be not less than 0.5% per annum of its capital injection to 珠海橫琴 during the investment period.

   (iii) the Investor has been granted the put option (but not an obligation) to require 珠海橫琴 or Winfield to acquire all equity interest held by the Investor in 珠海橫琴.

   (iv) before the expiration of the investment period, 珠海橫琴 and/or Winfield have/has the right to (but not an obligation) to acquire the Investor's equity interest in 珠海橫琴.

3. Pursuant to the Construction Land Use Planning Permit No Zhu Heng Xin Gui Tu (Di Gui) (2014) 13 issued by the Zhuhai Hengqin New District Management Committee — Land & Planning Bureau dated 11 March 2014, the development with a total site area of 130,137.16 sq m was permitted to be developed.

4. Pursuant to three Construction Engineering Planning Permits Nos Zhu Heng Xin Gui Tu (Jian) (2019) 028, 029 and 030 all issued by the Zhuhai Hengqin New District Management Committee — Land & Planning Bureau dated 11 April 2019, portion of the development with a total gross floor area of 349,107.95 sq m is permitted to be constructed.

5. Pursuant to three Construction Work Commencing Permits Nos 440410201611180101, 440410201611170101 and 440405201609300301 all issued by Zhuhai Hengqin New District Management Committee — Construction and Environmental Bureau in 2019, construction works of portion of the development with a total gross floor area of 349,107.95 sq m is permitted to be commenced.

6. According to the Group's specific terms of instruction to provide the breakdown of the market value of property, they are listed as follows:

Property	**Market value in existing state as at 31 January 2020**
Shopping mall, three cultural halls and 291 above ground car parking spaces and 1,553 basement car parking spaces	HK$1,770,400,000
Hotel	HK$2,032,500,000
	HK$3,802,900,000

7. As advised by the Group, the property is under the sale restriction as mentioned in note (2) (x) of property no.25 as at the date of valuation., the sale restriction portion is not fixed and may be changed from time to time as long as the total countable plot ratio gross floor area under sale restriction is not less than 50% of that of the development.

8. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

(i) 珠海横琴 legally owns the land use rights of the property;

(ii) As mentioned in note (2) (x) of property no. 25, 50% of the total countable plot ratio gross floor area of the development is restricted for sale at the moment. 珠海横琴 should hold such portion and has the right to lease such portion and to grant the lessee to sublease;

(iii) After fulfilling relevant conditions for uplifting the sales restrictions as mentioned in note (8) (ii), 珠海横琴 can sell, lease or transfer the property according to the relevant laws and regulations; and

(iv) The property is free from mortgage and other encumbrances.

Group II — Property interests held by the Group in the PRC for sale purpose

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2020
11	Unsold car parking spaces of Regents Park 88 Huichuan Road Changning District Shanghai The PRC	Regents Park (the "**Development**") is a large-scale residential/commercial composite development developed in two phases. The property comprises 247 basement car parking spaces with a total gross floor area of approximately 7,960.81 sq m (85,690 sq ft) completed in 2006. The land use rights of the Development have been granted for a term of 70 years commencing from 4 May 1996 for residential use.	As advised, the property is currently let on monthly basis.	HK$164,800,000 (HONG KONG DOLLARS ONE HUNDRED SIXTY FOUR MILLION AND EIGHT HUNDRED THOUSAND ONLY) (95% interest attributable to the Group: HK$156,560,000) *(please see note 3)*

Notes:

1. Pursuant to the Shanghai Real Estate Title Certificate No Hu Fang Di Chang Zi (2009) Di 003008 issued by the Shanghai Housing and Land Resources Administration Bureau dated 20 March 2009, the title to the property (406 basement car park) with a total gross floor area of 13,085.38 sq m is held by Shanghai Wa Yee Real Estate Development Co., Limited ("**Shanghai Wa Yee**"), a 95% owned subsidiary of the Company for a land use rights term of 70 years from 4 May 1996 to 3 May 2066 for residential use.

2. Pursuant to the Business Licence with Unified Social Credit No 9131000060737771XE dated 3 June 2016, Shanghai Wa Yee was established with an operation period from 3 September 1997 to 19 August 2067.

3. As advised by the Company, 3 car parking spaces of the property have been sold at a total consideration of approximately RMB1,800,000 prior to the date of valuation. As advised by the Company, title to the sold portions are held by Shanghai Wa Yee as at the valuation date and being duly reflected on relevant Shanghai Wa Yee's financial statements. Consequently, we have included the sold portions in the valuation. The main reason for such situation to arise is due to the fact that transactions of the sold portions have not yet been completed and/or transferred to the purchasers. We have also made reference to the contracted consideration in the course of our valuation.

4. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

   (i) Shanghai Wa Yee legally owns the property;
   (ii) Except for the sold portion as mentioned in note (3), Shanghai Wa Yee can sell, lease, transfer or mortgage the property according to the relevant laws and regulations; and
   (iii) The property is free from mortgage and other encumbrances.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2020
12	Unsold car parking spaces of Shanghai May Flower Plaza the junction of Da Tong Road and Zhi Jiang Xi Road Sujiaxiang Jing'an District Shanghai The PRC	Shanghai May Flower Plaza (the "**Development**") is a composite development with residential and office apartment towers erected on a commercial podium. The Development also comprises a 3-storey basement for car park use. The property comprises 458 basement car parking spaces of the Development completed in 2011. The land use rights of the Development have been granted for terms of 70 years for residential use, 40 years for commercial use and 50 years for office use commencing from 5 February 2007.	As advised, the property is currently subject to various licences with terms ranging from one month to one year.	HK$152,800,000 (HONG KONG DOLLARS ONE HUNDRED FIFTY TWO MILLION AND EIGHT HUNDRED THOUSAND ONLY) (100% interest attributable to the Group: HK$152,800,000)

Notes:

1. Pursuant to the Shanghai Certificate of Real Estate Ownership No Hu Fang Di Zha Zi (2012) Di 006136 issued by the Shanghai Planning, Land and Resources Administration Bureau dated 30 June 2012, the title to the Development with a total gross floor area of 137,129.94 sq m is held by Shanghai Hu Xin Real Estate Development Co., Ltd ("**Shanghai Hu Xin**"), a 100% owned subsidiary of the Company.

2. Pursuant to the Shanghai Certificate of Real Estate Ownership Hu Fang Di Zha Zi (2007) Di 017286 issued by the Shanghai Housing and Land Resources Administration Bureau dated 12 November 2007, the land use rights of the Development, having a site area of 19,742 sq m, is vested in Shanghai Hu Xin for land use rights terms of 70 years for residential use, 40 years for commercial use and 50 years for office use commencing from 5 February 2007.

3. Pursuant to the Business Licence with Unified Social Credit No 91310000607350656K dated 4 March 2016, Shanghai Hu Xin was established with an operation period from 23 April 1995 to 22 April 2065.

4. Pursuant to the Construction Work Completion Recording Certificate No 2011SH0470 dated 13 December 2011, construction work of the Development with a total gross floor area of 147,923 sq m is completed and recorded.

5. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

   (i) Shanghai Hu Xin legally owns the property;
   (ii) Shanghai Hu Xin can sell, lease, transfer or mortgage the property according to the relevant laws and regulations; and
   (iii) The property is free from mortgage and other encumbrances.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2020
13	Unsold car parking spaces of West Point the junction of Zhongshan Qi Road and Guangfu Road Liwan District Guangzhou Guangdong Province The PRC	West Point (the "**Development**") is a composite development comprising a residential tower and an office tower both erected on a 4-level commercial podium and a 2-level basement car park completed in about 2010. The property comprises 121 basement car parking spaces of the Development. The land use rights of the Development have been granted for terms of 70 years for residential use, 40 years for commercial, tourism and entertainment uses and 50 years for other use.	As advised, the property is currently let on hourly basis.	HK$83,900,000 (HONG KONG DOLLARS EIGHTY THREE MILLION AND NINE HUNDRED THOUSAND ONLY) (100% interest attributable to the Group: HK$83,900,000)

Notes:

1. Pursuant to 121 Guangzhou Real Estate Title Certificates issued in 2011, the title to the property is held by Guangzhou Honghui Real Estate Development Co., Ltd. ("**Guangzhou Honghui**"), a 100% owned subsidiary of the Company for car park use.

2. Pursuant to the State-owned Land Use Rights Certificate No Sui Guo Yong (2005) Di 348 issued by the People's Government of Guangzhou dated 11 January 2006, the title to the Development with a site area of approximately 6,003 sq m is held by Guangzhou Honghui for land use rights terms of 70 years for residential use, 40 years for commercial, tourism and entertainment uses and 50 years for other use.

3. Pursuant to the Business Licence with Unified Social Credit No 91440101618416067K dated 14 November 2017, Guangzhou Honghui was established with an operation period from 11 February 1993 to 11 February 2022.

4. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

   (i) Guangzhou Honghui legally owns the property;
   (ii) Guangzhou Honghui can sell, lease or transfer the property according to the relevant laws and regulations; and
   (iii) The property is free from mortgage and other encumbrances.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2020
14	Unsold car parking spaces of King's Park Nos 558-596/ 1006-1044 Donghua Dong Road Yuexiu District Guangzhou Guangdong Province The PRC	King's Park (the "**Development**") is a residential development erected on a roughly rectangular-shaped site with a site area of approximately 2,405.00 sq m (25,887 sq ft). The property comprises 13 basement car parking spaces of the Development completed in 2013. The land use rights of the Development have been granted for terms of 70 years for residential use, 40 years for commercial, tourism and entertainment uses and 50 years for composite and other uses.	As advised, the property is currently vacant.	HK$9,400,000 (HONG KONG DOLLARS NINE MILLION AND FOUR HUNDRED THOUSAND ONLY) (100% interest attributable to the Group: HK$9,400,000) *(please see note 4)*

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate No Sui Fu Guo Yong (2012) Di 01100013 issued by the People's Government of Guangzhou dated 6 April 2012, the title to the land, having a site area of 2,405 sq m, is held by Guangzhou Gentle Real Estate Co Ltd ("**Guangzhou Gentle**"), a 100% owned subsidiary of the Company, for land use rights terms of 70 years for residential use, 40 years for commercial, tourism & entertainment uses and 50 years for other use.

2. Pursuant to thirteen Guangzhou Real Estate Title Certificates, the title to the property is vested in Guangzhou Gentle.

3. Pursuant to the Business Licence No Wai S0102014021483 dated 12 July 2016, Guangzhou Gentle was established with an operation period from 15 June 2007 to 15 June 2027.

4. As advised by the Company, a car parking space of the property have been sold at a consideration of approximately RMB666,400 prior to the date of valuation. As advised by the Company, title to the sold portion is held by Guangzhou Gentle as at the valuation date and being duly reflected on relevant Guangzhou Gentle's financial statements. Consequently, we have included the sold portion in the valuation. The main reason for such situation to arise is due to the fact that transaction of the sold portion has not yet been completed and/or transferred to the purchaser. We have also made reference to the contracted consideration in the course of our valuation.

5. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

   (i) Guangzhou Gentle legally owns the property;
   (ii) Except for the sold portion as mentioned in note (4), Guangzhou Gentle can sell, lease or transfer the property according to the relevant laws and regulations; and
   (iii) The property is free from mortgage and other encumbrances.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2020
15	Various portions of Stage I and II of Palm Spring Caihong Planning Area Western District Zhongshan Guangdong Province The PRC	Palm Spring (the "**Development**") is a large-scale residential development having a total site area of approximately 236,649.80 sq m (2,547,298 sq ft). The Development is planned to be developed by various stages with a total gross floor area of approximately 564,388 sq m (6,075,072 sq ft). The property comprises various unsold residential units, club house and commercial centre of Stage I and II of the Development with a total gross floor area of 29,346.23 sq m (315,883 sq ft) completed in 2012 and 2017 respectively. The area details are listed as follows:	According to the information provided, the property is either vacant or owner-occupied.	HK$805,600,000 (HONG KONG DOLLARS EIGHT HUNDRED FIVE MILLION AND SIX HUNDRED THOUSAND ONLY) (100% interest attributable to the Group: HK$805,600,000) *(please see note 16)*

Use	Approximate Gross Floor Area *sq m*	*sq ft*
Residential (apartment)	11,552.66	124,353
Residential (terrace house)	12,695.90	136,659
Club house	1,966.96	21,172
Commercial centre	3,130.71	33,699
Total:	**29,346.23**	**315,883**

In addition, the property also comprises 1,215 basement car parking spaces of the Development. *(As advised by the Company, 230 basement car parking spaces among the 1,215 car parking spaces cannot be sold and will be leased on long-term basis)*.

The land use rights of the property have been granted for various terms with the last term expiring on 30 March 2075 for commercial/residential uses.

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate No Zhong Fu Guo Yong Zhong Fu Guo Yong (2011) Di 2000745 issued by the People's Government of Zhongshan, the title to portion of the Development with a site area of approximately 16,608.00 sq m is held by 中山市寶麗房地產發展有限公司 (Zhongshan Bao Li Properties Development Co. Ltd.) ("**Zhongshan Bao Li**"), a 100% owned subsidiary of the Company for various terms expiring on 30 March 2075 and 23 October 2073 respectively for commercial/residential uses.

2. Pursuant to twenty seven State-owned Land Use Rights Certificates Nos Zhong Fu Guo Yong (2013) Di 2000884, 2000885, 2000898 to 2000904 and 2000936 to 2000953 all issued by the People's Government of Zhongshan dated 22 October 2013 and 5 November 2013, the title to the land portion of the property with a site area of approximately 22,824.96 sq m is held by Zhongshan Bao Li for various terms expiring on 17 May 2074 and 30 March 2075 respectively for commercial/residential uses.

3. Pursuant to the Real Estate Title Certificate No Yue (2017) Zhongshan Shi Bu Dong Chan Quan Di 0294136, the title to the club house portion of the Development with a total gross floor area of 1,966.96 sq m is vested in Zhongshan Bao Li.

4. Pursuant to twenty seven Real Estate Title Certificates Nos Yue Fang Di Quan Zhong Fu Zi Di 0113018459, 0113018470, 0113019022, 0113019029, 0113019037, 0113019041, 0113019048, 0113019053, 0113019061, 0113021648, 0113021665, 0113021669, 0113021670, 0113021673, 0113021676, 0113021679, 0113021681, 0113021686, 0113021690, 0113021694, 0113021696, 0113021699, 0113021707, 0113021710, 0113021712, 0113021714 and 0113021739 all issued by the Zhongshan State Land and Resources Bureau dated 22 October 2013 and 5 November 2013, the title to commercial portion of the Development with a total gross floor area of 16,825.23 sq m is vested in Zhongshan Bao Li.

5. Pursuant to two Real Estate Title Certificates Nos Yue (2017) Zhongshan Shi Bu Dong Chan Quan Di 0294133 and 0294136, the title to the residential (apartment) portion of the Development with a total gross floor area of 25,635.74 sq m is vested in Zhongshan Bao Li.

6. Pursuant to thirteen Real Estate Title Certificates, the title to residential (terrace house) portion of the Development with a total gross floor area of 12,660.04 sq m is vested in Zhongshan Bao Li.

7. Pursuant to two Real Estate Title Proof Nos 2013-011237 and 2013-011239, the title to the residential (terrace house) portion of the Development with a total gross floor area of 792.11 sq m is vested in Zhongshan Bao Li.

8. Pursuant to the Real Estate Title Proof No 2013-011052 dated 27 August 2013, the title to the Development (Tower 8) with a total gross floor area of approximately 9,169.60 sq m is vested in Zhongshan Bao Li.

9. Pursuant to two Real Estate Title Certificates Nos Yue (2017) Zhongshan Shi Bu Dong Chan Quan Di 0294244 and 0090718, the title to 896 car parking spaces of the Development is vested in Zhongshan Bao Li.

10. Pursuant to the Real Estate Title Proof No 2013-011235, the title to 29 car parking spaces of the Development is vested in Zhongshan Bao Li.

11. Pursuant to the Business Licence with Unified Social Credit No 914420007480421393 dated 5 November 2015, Zhongshan Bao Li was established with an operation period from 17 April 2003 to 16 April 2053.

12. Pursuant to the Construction Work Completion Recording No Zhong Jian Yan Zi 2017 Nian Di 720 and 1121 dated 17 March 2017 and 25 April 2017 issued by the Zhongshan Housing and Urban and Rural Construction Bureau, the construction work of portion of the Development with a total gross floor area of 175,327.06 sq m is completed and recorded.

13. Pursuant to two Zhongshan Commodity Housing Pre-sale Permits Nos Zhong Jian Fang (Yu) Zi Di 2011346 and 2011445 both issued by the Zhongshan Housing and Urban and Rural Construction Bureau, pre-sale of portion of the Development with a total gross floor area of 46,807.03 sq m is permitted.

14. Pursuant to four Zhongshan Commodity Housing Pre-sale Permits Nos Zhong Jian Fang (Yu) Zi Di 2011269, 2012024, 2012023 and 2012029 all issued by the Zhongshan Housing and Urban and Rural Construction Bureau, pre-sale of portion of the Development with a total gross floor area of 27,756.91 sq m is permitted.

15. Pursuant to four Zhongshan Commodity Housing Pre-sale Permits Nos Zhong Jian Fang (Yu) Zi Di 2015103, 2015115, 2015119 and 2016181 all issued by the Zhongshan Housing and Urban and Rural Construction Bureau, pre-sale of portion of the Development with a total gross floor area of 107,887.80 sq m is permitted.

16. As advised by the Company, residential (apartment) portion and residential (terrace house) portion of the property with a total gross floor area of 1,814.59 sq m and 592.59 sq m have been sold at a total consideration of RMB27,659,862 and RMB18,042,857 respectively prior to the date of valuation. As advised by the Company, title to the sold portions are held by Zhongshan Bao Li as at the valuation date and being duly reflected on relevant Zhongshan Bao Li's financial statements. Consequently, we have included the sold portions in the valuation. The main reason for such situation to arise is due to the fact that transactions of the sold portions have not yet been completed and/or transferred to the purchasers. We have also made reference to the contracted consideration in the course of our valuation.

17. According to the Group's specific terms of instruction to provide the breakdown of the market value of property, they are listed as follows:

Property	**Market value in existing state as at 31 January 2020**
Residential (apartment, terrace house, club house and car parking spaces)	HK$774,400,000
Commercial centre	HK$31,200,000
	HK$805,600,000

18. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

(i) Zhongshan Bao Li legally owns the property;
(ii) Except for the sold portion as mentioned in note (16), Zhongshan Bao Li can sell, lease or transfer the property according to the relevant laws and regulations; and
(iii) The property is free from mortgage and other encumbrances.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2020
16	Unsold car parking spaces of Dolce Vita (Xunfeng Yujinsha Yuan) Jinshazhou Heng Sha Baiyun District Guangzhou Guangdong Province The PRC	Dolce Vita (the "**Development**") is a residential development developed in five phases. The property comprises 35 car parking spaces of the Development completed in 2014 to 2017. The land use rights of the Development have been granted for terms of 70 years for residential use, 40 years for commercial, tourist and entertainment uses and 50 years for other use commencing from 14 October 2008.	As advised, the property is currently vacant.	HK$9,700,000 (HONG KONG DOLLARS NINE MILLION AND SEVEN HUNDRED THOUSAND ONLY) (50% interest attributable to the Group: HK$4,850,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate No Sui Fu Guo Yong (2008) Di 01100190 issued by the People's Government of Guangzhou dated 17 October 2008, the title to the land, having a site area of 226,912.48 sq m, is held by Guangzhou Beautiwin Real Estate Development Co., Ltd. ("**Guangzhou Beautiwin**", a 95% owned subsidiary of Beautiwin Limited ("Beautiwin", a 50% owned joint venture of the Company)) for land use rights terms of 70 years for residential use, 40 years for commercial, tourist and entertainment uses and 50 years for other use commencing from 14 October 2008.

2. Pursuant to thirty five Guangzhou Real Estate Title Certificates all issued by the Guangzhou Land Resources and Real Estate Administration Bureau, the title to the car park potion of the property is vested in Beautiwin.

3. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

   (i) Beautiwin legally owns the property;
   (ii) Beautiwin can sell, lease or transfer the property according to the relevant laws and regulations; and
   (iii) The property is free from mortgage and other encumbrances.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2020
17	Unsold car parking spaces of Phase V of Eastern Place 787 Dongfeng East Road Yuexiu District Guangzhou Guangdong Province The PRC	Eastern Place (the "**Development**") is a large-scale commercial/residential composite development developed by phases. The property comprises 13 basement car parking spaces of Phase V of the Development completed in 2015. The land use rights of the Development have been granted for terms of 70 years for residential use, 40 years for commercial, tourism and entertainment uses and 50 years for other use.	The property is currently vacant.	HK$13,200,000 (HONG KONG DOLLARS THIRTEEN MILLION AND TWO HUNDRED THOUSAND ONLY) (100% interest attributable to the Group: HK$13,200,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate No Sui Fu Guo Yong (2003) Di 309 issued by the People's Government of Guangzhou dated 30 October 2003, the title to the land portion of the subject development with an area of approximately 17,293.00 sq m is held by Guangzhou Grand Wealth Properties Ltd ("**Guangzhou Grand Wealth**"), a 100% owned subsidiary of the Company, for land use rights terms of 70 years for residential use, 40 years for commercial, tourism and entertainment uses and 50 years for other use.

2. Pursuant to twelve Real Estate Title Certificates, the title to the property is vested in Guangzhou Grand Wealth.

3. Pursuant to the Business Licence with Unified Social Credit No 91440101618425764J dated 4 June 2019, Guangzhou Grand Wealth was established with an operation period from 15 June 1994 to 15 June 2021.

4. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

   (i) Guangzhou Grand Wealth legally owns the property;
   (ii) Guangzhou Grand Wealth can sell, lease or transfer the property according to the relevant laws and regulations; and
   (iii) The property is free from mortgage and other encumbrances.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2020
18	Unsold villa (cultural studios) located at the east side of Yiwener Road, south side of Caihong Road, west side of Tianyu Road and north side of Hengqin Main Road Hengqin New Area Zhuhai Guangdong Province The PRC	The development comprises two parcels of adjacent land located at the east side of Yiwener Road, south side of Caihong Road, west side of Tianyu Road and north side of Hengqin Main Road in Hengqin New Area of Zhuhai. The total site area is approximately 130,173.16 sq m. The development is located at Hengqin New Area which is situated at the southern part of Zhuhai. The locality is planned to be tourist and leisure area. It takes about 30 minutes to drive to city centre of Zhuhai. The development is planned to be developed into a comprehensive development including commercial, office, hotel, cultural development with a total plot ratio gross floor area of approximately 260,289.94 sq m (2,801,761 sq ft). The property comprises unsold villa (cultural studios) of the development with a total gross floor area of 14,020.40 sq m (150,916 sq ft) completed in 2018. The land use rights of the property have been granted for terms of 40 years for office, commercial and servicing, hotel uses and 50 years for other uses commencing from 31 December 2013.	The property is currently vacant.	HK$668,600,000 (HONG KONG DOLLARS SIX HUNDRED SIXTY EIGHT MILLION AND SIX HUNDRED THOUSAND ONLY) (80% interest attributable to the Group: HK$534,880,000) *(please see note 6)*

Notes:

1. Pursuant to two Guangdong Province Real Estate Title Certificates Nos Yue Fang Di Quan Zheng Zhu Zi Di 0100244267 and 0100244268 both issued by the Zhuhai Real Estate Registration Centre dated 27 May 2014, the title to the development, having a total site area of 130,173.16 sq m, is held by 珠海橫琴麗新文創天地有限公司 (Zhuhai Hengqin Laisun Creative Cultural City Co., Ltd.) ("**珠海橫琴**"), an 80% indirectly owned subsidiary of the Company and 20% indirectly owned subsidiary of Lai Sun Development Company Limited for land use rights terms of 40 years for office, commercial and servicing, hotel uses and 50 years for other uses commencing from 31 December 2013.

2. Pursuant to the Construction Land Use Planning Permit No Zhu Heng Xin Gui Tu (Di Gui) (2014) 13 issued by the Zhuhai Hengqin New District Management Committee — Land & Planning Bureau dated 11 March 2014, the development with a total site area of 130,137.16 sq m was permitted to be developed.

3. Pursuant to the Construction Engineering Planning Permit No Zhu Heng Xin Gui Tu (Jian) (2016) 008 issued by Zhuhai Hengqin New District Management Committee — Land & Planning Bureau in 2016, portion of the development with a total gross floor area of 35,508.99 sq m is permitted to be constructed.

4. Pursuant to the Construction Work Commencing Permit No 440405201605240101 issued by Zhuhai Hengqin New District Management Committee — Construction and Environmental Bureau in 2016, construction works of portion of the development with a total gross floor area of 35,508.99 sq m (above ground: 18,704.56 sq m and below ground: 16,804.43 sq m) is permitted to be commenced.

5. Pursuant to the Zhuhai Commodity Housing Pre-sale Permit No HQS2017009 dated 7 December 2017, pre-sale of portion of the development with a total gross floor area of 18,342.35 sq m was permitted.

6. As advised by the Company, portion of the property with a total gross floor area of 3,434.38 sq m have been sold at a total consideration of RMB147,144,600 prior to the date of valuation. As advised by the Company, title to the sold portions are held by 珠海橫琴 as at the valuation date and being duly reflected on relevant 珠海橫琴's financial statements. Consequently, we have included the sold portions in the valuation. The main reason for such situation to arise is due to the fact that transactions of the sold portions have not yet been completed and/or transferred to the purchasers. We have also made reference to the contracted consideration in the course of our valuation.

7. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

   (i) 珠海橫琴 legally owns the land use rights of the property;
   (ii) Except for the sold portion as mentioned in note (6), 珠海橫琴 can sell, lease or transfer the property according to the relevant laws and regulations; and
   (iii) The property is free from mortgage and other encumbrances.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2020
19	Various portions of a residential development located at Wuliqiao Road 104 Jie Fang Huangpu District Shanghai The PRC	The property comprises various portions of a residential development located at Wuliqiao Road in Huangpu District of Shanghai with a site area of approximately 6,885.20 sq m. The property comprises various residential units, club house and basement car parks with a total gross floor area of approximately 11,937.92 sq m (128,500 sq ft) completed in 2019. The area details are as follows:	The property is currently vacant.	HK$1,109,700,000 (HONG KONG DOLLARS ONE BILLION ONE HUNDRED NINE MILLION AND SEVEN HUNDRED THOUSAND ONLY) (100% interest attributable to the Group: HK$1,109,700,000)

Use	Approximate Gross Floor Area *sq m*	*sq ft*
Residential	6,583.32	70,863
Residential (basement)	649.70	6,993
Club house (basement)	248.97	2,680
Car park (basement)	4,455.93	47,964
Total:	**11,937.92**	**128,500**

The land use rights of the property have been granted for a term of 70 years for residential use expiring on 24 March 2085.

Notes:

1. Pursuant to the Shanghai Certificate of Real Estate Ownership Hu Fang Di Huang Zi (2015) Di 053145 issued by the Shanghai Housing and Land Resources Administration Bureau dated 23 September 2015, the land use rights of the property, having a site area of 6,885.2 sq m, is held by 上海麗星房地產發展有限公司 (Shanghai Li Xing Property Development Co. Ltd) ("**上海麗星**"), a 100% owned subsidiary of the Company, for a land use rights term of 70 years for residential use commencing from 25 March 2015 and expiring on 24 March 2085.

2. Pursuant to the Business Licence with Unified Social Credit No 913100003105637739 dated 9 November 2015, 上海麗星 was established with an operation period from 16 September 2014 to 15 September 2064.

3. Pursuant to the Construction Land Use Planning Permit No Hu Gui De (2015) EA31000020154388 issued by the Shanghai Planning and Land Resources Administration Bureau dated 23 April 2015, the development with a total site area of 6,885.20 sq m was permitted to be developed.

4. Pursuant to the Construction Engineering Planning Permit No Hu Jing Jian (2017) FA31000020174306 issued by the Shanghai Planning and Land Administration Bureau dated 31 March 2017, piling work of the development was permitted to be constructed.

5. Pursuant to the Construction Engineering Planning Permit No Hu Jing Jian (2017) FA31000020174766 issued by the Shanghai Planning and Land Administration Bureau dated 24 July 2017, the development of with a total gross floor area of 15,798.04 sq m was permitted to be constructed.

6. Pursuant to the Construction Work Commencement Permit No 1601HP0003D01 issued by the Shanghai Housing and Rural & Urban Construction Management Committee dated 14 April 2017, piling work of the development was permitted to be commenced.

7. Pursuant to the Construction Work Commencement Permit No 1601HP0003D02 issued by the Shanghai Housing and Rural & Urban Construction Management Committee dated 16 August 2017, construction work of the development with a total gross floor area of 15,798.04 sq m was permitted to be commenced.

8. Pursuant to the Construction Work Comprehensive Completion Recording Notice No LS190500498YS001 dated 12 August 2019, construction work of the development with a total gross floor area of 15,741.6 sq m was completed and recorded.

9. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

   (i) 上海麗星 legally owns the building ownership and construction works of the property;
   (ii) The land use rights of the property is subject to a mortgage and the mortgage is valid and enforceable;
   (iii) 上海麗星 can sell, lease or transfer the land use rights and construction works of the property according to the relevant laws and regulations and subject to approval from the mortgagee; and
   (iv) Except for the mortgage mentioned in note (9) (ii), the property is free from encumbrances.

Group III — Property interests held by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2020
20	Various portions located at the east side of Yiwener Road, south side of Caihong Road, west side of Tianyu Road and north side of Hengqin Main Road Hengqin New Area Zhuhai Guangdong Province The PRC	The development comprises two parcels of adjacent land located at the east side of Yiwener Road, south side of Caihong Road, west side of Tianyu Road and north side of Hengqin Main Road in Hengqin New Area of Zhuhai. The total site area is approximately 130,173.16 sq m. The development is located at Hengqin New Area which is situated at the southern part of Zhuhai. The locality is planned to be tourist and leisure area. It takes about 30 minutes to drive to city centre of Zhuhai. The development is planned to be developed into a comprehensive development including commercial, office, hotel, cultural development with a total plot ratio gross floor area of approximately 260,289.94 sq m (2,801,761 sq ft). The property comprises various portions of the development including cultural attractions (Lionsgate and National Geographic) with a total gross floor area of approximately 27,247.50 sq m (293,292 sq ft) completed in 2019 and the gross floor area breakdowns are as follows:	According to the information provided, Lionsgate portion of the property is leased under a tenancy for ten years expiring on 30 July 2029 subject to turnover rent whilst National Geographic portion of the property is leased under a tenancy for ten years yielding a monthly rental of approximately RMB297,000 expiring on 8 September 2029.	HK$519,800,000 (HONG KONG DOLLARS FIVE HUNDRED NINETEEN MILLION AND EIGHT HUNDRED THOUSAND ONLY) (80% interest attributable to the Group: HK$415,840,000) *(please see note 6)*

Use	Approximate Gross Floor Area sq m	sq ft
Cultural attractions (Lionsgate)	22,566.50	242,906
Cultural attractions (National Geographic)	4,681.00	50,386
Total:	**27,247.50**	**293,292**

The land use rights of the development have been granted for terms of 40 years for office, commercial and servicing, hotel uses and 50 years for other uses commencing from 31 December 2013.

Notes:

1. Pursuant to two Guangdong Province Real Estate Title Certificates Nos Yue Fang Di Quan Zheng Zhu Zi Di 0100244267 and 0100244268 both issued by the Zhuhai Real Estate Registration Centre dated 27 May 2014, the title to the development, having a total site area of 130,173.16 sq m, is held by 珠海橫琴麗新文創天地有限公司 (Zhuhai Hengqin Laisun Creative Cultural City Co., Ltd.) ("**珠海橫琴**"), an 80% indirectly owned subsidiary of the Company and 20% indirectly owned subsidiary of Lai Sun Development Company Limited for land use rights terms of 40 years for office, commercial and servicing, hotel uses and 50 years for other uses commencing from 31 December 2013.

2. Pursuant to an agreement entered into between 珠海大橫琴置業有限公司 (Zhuhai Da Hengqin Real Estate Co., Ltd) (the "**Investor**"), 珠海橫琴 and Winfield Concept Limited ("**Winfield**"), an 80% indirectly owned subsidiary of the Company and 20% indirectly owned subsidiary of Lai Sun Development Company Limited on 19 January 2020, the Investor has agreed to make a total capital contribution of approximately RMB948.4 million in 珠海橫琴. Upon completion of the registration of change in the equity interest held by Winfield and the Investor in 珠海橫琴, 珠海橫琴 will be held as to approximately 83.32% by Winfield and approximately 16.68% by the Investor. The salient conditions stipulated in the agreement are, inter-alia, as follows:

    (i) investment period will be thirty years from the issue date of the new business licence of 珠海橫琴 upon completion of the subscription.

    (ii) the dividend distribution will be made out of distributable profits of 珠海橫琴 generated from the operations in respect of the self-owned portion only (as agreed between the Investor, 珠海橫琴 and Winfield) to the Investor and Winfield at a 30:70 ratio. The dividend distribution paid to the Investor in each financial year shall be not less than 0.5% per annum of its capital injection to 珠海橫琴 during the investment period.

    (iii) the Investor has been granted the put option (but not an obligation) to require 珠海橫琴 or Winfield to acquire all equity interest held by the Investor in 珠海橫琴.

    (iv) before the expiration of the investment period, 珠海橫琴 and/or Winfield have/has the right to (but not an obligation) to acquire the Investor's equity interest in 珠海橫琴.

3. Pursuant to the Construction Land Use Planning Permit No Zhu Heng Xin Gui Tu (Di Gui) (2014) 13 issued by the Zhuhai Hengqin New District Management Committee — Land & Planning Bureau dated 11 March 2014, the development with a total site area of 130,137.16 sq m was permitted to be developed.

4. Pursuant to two Construction Engineering Planning Permits Nos Zhu Heng Xin Gui Tu (Jian) (2019) 028 and 030 both issued by the Zhuhai Hengqin New District Management Committee — Land & Planning Bureau dated 11 April 2019, portion of the development with a total gross floor area of 258,618.12 sq m is permitted to be constructed.

5. Pursuant to two Construction Work Commencing Permits Nos 440410201611180101 and 440405201609300301 both issued by Zhuhai Hengqin New District Management Committee — Construction and Environmental Bureau in 2019, construction works of portion of the development with a total gross floor area of 258,618.12 sq m is permitted to be commenced.

6. Due to the specific purpose for which the buildings and structures of portion of the property (Lionsgate) have been designed, there is no readily identifiable market comparable, we have thus valued it by Cost Approach with reference to the depreciated replacement cost. Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deduction for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value of the land in its existing use, plus the current cost of replacement of the improvements less allowance for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property is subject to adequate potential profitability* of the business. It is assumed that the replacing of the property will be in compliance with the relevant laws and regulations and completed in timely fashion. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transactions of the complex or development is assumed.

    * *The assumption of adequate potential profitability of the business is the underlying assumption for application of the depreciated replacement cost while it is considered that depreciated replacement cost of a property could represent the market value of the property valued under the condition that the business conducting inside the property is profitable so that depreciated replacement cost of the property could prudently represent the market value of the property. Otherwise, without this assumption, adopting depreciated replacement cost of the property to represent market value of the property would be in doubt since business conducting inside the property is not having adequate potential profitability.*

7. As advised by the Group, the property is under the sale restriction as mentioned in note (2) (x) of property no.25 as at the date of valuation. However, the sale restriction portion is not fixed and may be changed from time to time as long as the total countable plot ratio gross floor area under sale restriction is not less than 50% of that of the development.

8. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

   (i) 珠海横琴 legally owns the land use rights of the property;
   (ii) As mentioned in note (2) (x) of property no. 25, 50% of the total countable plot ratio gross floor area of the development is restricted for sale at the moment. 珠海横琴 should hold such portion and has the right to lease such portion and to grant the lessee to sublease;
   (iii) After fulfilling relevant conditions for uplifting the sales restrictions as mentioned in note (8) (ii), 珠海横琴 can sell, lease or transfer the property according to the relevant laws and regulations; and
   (iv) The property is free from mortgage and other encumbrances.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2020
21	Commercial portion of Eastern Place 787 Dongfeng East Road Yuexiu District Guangzhou Guangdong Province The PRC	Eastern Place (the "**Development**") is a large-scale commercial/residential composite development developed by phases. The property comprises a 3-level commercial block of the Development with a total gross floor area of 4,042 sq m (43,508 sq ft) completed in 2000. Details of gross floor area breakdown are as follows:	According to the information provided, portion of the property with a total gross floor area of approximately 787 sq m is let under various tenancies yielding a total monthly rental of approximately RMB88,000 with last tenancy expiring on 31 August 2022 whilst the remaining portion of the property is vacant or owner-occupied.	HK$50,600,000 (HONG KONG DOLLARS FIFTY MILLION AND SIX HUNDRED THOUSAND ONLY) (100% interest attributable to the Group: HK$50,600,000)

Use	Floor	Approximate Gross Floor Area *sq m*	Approximate Gross Floor Area *sq ft*
Retail	1	235	2,529
Retail	2	552	5,942
Office	2	874	9,408
Club house	1-2	2,358	25,381
Others	1-3	23	248
Total:		**4,042**	**43,508**

The land use rights of the property have been granted for a term of 50 years commencing from 30 September 1997 for composite use.

Notes:

1. Pursuant to the Guangzhou Real Estate Title Proof No A0001036 issued by the Guangzhou Land Resources and Real Estate Administration Bureau dated 8 June 2007, the title of the Development (club house and basement car park portion) with a total gross floor area of 12,369.26 sq m is vested in Guangzhou Grand Wealth Properties Ltd ("**Guangzhou Grand Wealth**"), a 100% owned subsidiary of the Company, for a term of 50 years commencing from 30 September 1997 for composite use.

2. Pursuant to the Business Licence with Unified Social Credit No 91440101618425764J dated 4 June 2019, Guangzhou Grand Wealth was established with an operation period from 15 June 1994 to 15 June 2021.

3. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

   (i) Guangzhou Grand Wealth legally owns the property;
   (ii) According to registration of transfer of community club house in the minutes about the transfer of club house (2007) No. 2 issued by the Guangzhou Real Estate Transaction Registration Centre dated 1 November 2007, the property can be sold provided that, inter-alia, 1) prior to title transfer, there is a 15-day public notice within the Development; 2) no individual owners of the Development raise objection in the period of 15-day public notice; and 3) the nature of the property for club house use would not change;
   (iii) Save as abovementioned, Guangzhou Grand Wealth can sell, lease or transfer the property according to the relevant laws and regulations; and
   (iv) The property is free from mortgage and other encumbrances.

Group IV — Property interests held under development by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2020
22	A commercial development located at Tian Mu Road West and Da Tong Road Jing'an District Shanghai The PRC	The property comprises a parcel of land with a site area of 9,961 sq m (107,220 sq ft). The property is planned to be developed into a 33-storey office building erected upon a 3-level commercial podium and three levels of car park basement with a total gross floor area of approximately 100,255 sq m (1,079,145 sq ft). The area details are listed as follows:	Superstructure works of the property is currently under construction and scheduled to be completed in third quarter of 2022.	HK$2,005,500,000 (HONG KONG DOLLARS TWO BILLION FIVE MILLION AND FIVE HUNDRED THOUSAND ONLY) (100% interest attributable to the Group: HK$2,005,500,000) *(please see notes 1, 9 and 10)*

Use	Approximate Gross Floor Area *sq m*	*sq ft*
Office	55,688	599,426
Office (transfer to government)	5,392	58,039
Retail	8,749	94,174
Other	6,636	71,430
Car park (basement)	23,790	256,076
Total:	**100,255**	**1,079,145**

The land use rights of the property have been granted for terms of 40 years and 50 years from 30 September 2016 for commercial use and office use respectively.

Notes:

1. Pursuant to the Contract for Grant of Shanghai State-owned Construction Land Use Rights No Hu Jing Gui Tu (2016) Chu Rang He Tong Bu Zi Di 15 (the "**Land Grant Contract**") entered into between the Shanghai Jing'an Planning, Land and Resources Administrative Bureau ("**Party A**"), Shanghai Hankey Real Estate Development Co Ltd ("**Shanghai Hankey**") and Shanghai Zhabei Plaza Real Estate Development Co. Ltd ("**Shanghai Zhabei**"), wholly owned subsidiaries of the Company (collectively referred to as "**Party B**") dated 30 September 2016, Party A agreed to grant the land use rights of a parcel of land to Party B. The said contract contains, inter-alia, the following salient conditions:

(i)	Total site area	:	9,961.30 sq m
(ii)	Use	:	Commercial and office
(iii)	Land use term	:	40 years for commercial use and 50 years for office use commencing from 30 September 2016
(iv)	Plot ratio	:	7.1 (above ground)
(v)	Total gross floor area	:	70,557 sq m (above ground) (commercial gross floor area ≤ 20% and office gross floor area ≥ 80%) and 23,790 sq m (below ground)
(vi)	Building height	:	Not exceeding 180 m
(vii)	Green area ratio	:	Not less than 20% of site area
(viii)	Land grant fee	:	RMB91,114,703.98
(ix)	Interest	:	Shanghai Hankey: 46% Shanghai Zhabei: 54%
(x)	Building covenant	:	Construction works should be commenced on or before 30 September 2017 and construction works should be completed on or before 29 September 2021
(xi)	Remarks:	:	— portion of the office portion of the property with a total gross floor area of 5,392 sq m will be transferred to the government at nil consideration upon completion. — office and commercial portion of the property must be held by Party B for self-operation not less than 20 years from the date of real estate title registration. — 150 basement car parking spaces of the property, upon completion, will be used by the government at nil rent.

2. Pursuant to the Real Estate Certificate No Hu (2017) Jing Zi Bu Dong Chan Quan Di 016752 issued by the Shanghai Real Estate Registration Bureau dated 25 September 2017, the land use rights of a site with site area of approximately 9,961 sq m have been granted to Shanghai Hankey and Shanghai Zhabei for a term of 40 years for commercial use and 50 years for office use commencing from 30 September 2016. The office and commercial portion of the property must be held by the Party B for self-operation not less than 20 years from the date of real estate title registration.

3. Pursuant to the Business Licences with Unified Social Credit Nos 91310000607242356N and 91310000607323391M dated 27 July 2017 and 6 August 2018, Shanghai Hankey and Shanghai Zhabei were established with an operation periods from 25 October 1993 to 24 October 2066 and from 12 September 1994 to 11 September 2067, respectively.

4. Pursuant to the Construction Land Use Planning Permit No Hu Jing De (2016) EA31010620165117 issued by the Shanghai Planning and Land Resources Administration Bureau dated 1 December 2016, the proposed development of the property with a total gross floor area of 70,557 sq m was permitted to be developed.

5. Pursuant to the Construction Engineering Planning Permit No Hu Jing Jian (2017) FA31010620174768 issued by the Shanghai Jing'an District Planning and Land Administration Bureau dated 27 July 2017, the proposed development of the property was permitted to be constructed.

6. Pursuant to the Construction Engineering Planning Permit No Hu Jing Jian (2018) FA31010620187793 issued by the Shanghai Jing'an District Planning and Land Administration Bureau dated 3 November 2018, the proposed development of the property with a total gross floor area of 100,255 sq m was permitted to be constructed.

7. Pursuant to the Construction Work Commencement Permit No 1702JA0113D01 issued by the Shanghai Jing'an District Construction and Management Committee dated 26 September 2017, piling work of the proposed development of the property was permitted to be commenced.

8. Pursuant to the Construction Work Commencement Permit No 1702JA0113D02 issued by the Shanghai Jing'an District Construction and Management Committee dated 24 January 2019, construction work of the proposed development of the property with a total gross floor area of 100,255 sq m was permitted to be commenced.

9. According to note 1 (xi) as mentioned above, portion of the office portion of the property with a total gross floor area of 5,392 sq m will be transferred to the government at nil consideration upon completion. In addition, 150 basement car parking spaces of the property, upon completion, will be used by the government at nil rent. In the course of our valuation, we have not opined any market value to such portions.

10. As advised by the Company, the construction cost incurred, outstanding construction costs (including professional fees) and outstanding ancillary facilities cost of the property were approximately RMB354,400,000, RMB789,700,000 and RMB80,200,000 respectively as at the date of valuation. Accordingly, we have taken into account the said costs in our valuation. In our opinion, the gross development value of the proposed developments of the property, assuming it were complete as at the valuation date, was estimated approximately as RMB3,097,000,000.

11. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

    (i) Shanghai Hankey and Shanghai Zhabei legally own the land use rights and construction works of the property;
    (ii) The land use rights of the property is subject to a mortgage and the mortgage is valid and enforceable;
    (iii) Shanghai Hankey and Shanghai Zhabei can transfer, lease or mortgage the land use rights and construction works of the property according to the relevant laws and regulations and subject to approval from the mortgagee and compliance of the Contract for Grant of Shanghai State-owned Construction Land Use Right as mentioned in note (1);
    (iv) According to the Contract for Grant of Shanghai State-owned Construction Land Use Rights as mentioned in note (1), there will be a monetary penalty of 0.1% of the land grant fee per day if the construction works of the property cannot be completed on or before 29 September 2021. However, Shanghai Hankey and Shanghai Zhabei can from time to time apply for postponement of the construction works completion in avoidance of the monetary penalty; and
    (v) Except for the mortgage mentioned in note (11) (ii), the property is free from encumbrances.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2020
23	Haizhu Plaza Chang Di Main Road Yuexiu District Guangzhou Guangdong Province The PRC	The property comprises an irregular-shaped site with a site area of approximately 8,427 sq m (90,708 sq ft). The property is planned to be developed into a commercial development with approximate gross floor areas listed as follows:	Foundation works of the property is currently under construction and scheduled to be completed in second quarter of 2023.	HK$1,103,000,000 (HONG KONG DOLLARS ONE BILLION ONE HUNDRED AND THREE MILLION ONLY) (100% interest attributable to the Group: HK$1,103,000,000) *(please see note 6)*

Use	Approximate Gross Floor Area *sq m*	*sq ft*
Office	44,283	476,662
Retail	9,677	104,163
Historical building	1,990	21,421
Car park	15,846	170,566
Others	2,040	21,959
Total:	**73,836**	**794,771**

The land use rights of the property have been granted for terms of 40 years for commercial, tourism and entertainment uses and 50 years for other use.

Notes:

1. Pursuant to the Contract for Grant of State-owned Land Use Rights No Sui Guo Di Chu He (97) 155 entered into between Guangzhou State Land Bureau ("**Party A**") and Guangzhou Guang Bird Property Development Ltd ("**Guangzhou Guang Bird**"), a 100% owned subsidiary of the Company ("**Party B**") dated 29 April 1997, Party A agreed to grant the land use rights of a parcel of land to Party B. The said contract contains, inter-alia, the following salient conditions:

(i)	Site area	:	8,427 sq m
(ii)	Use	:	Commercial
(iii)	Land use term	:	40 years for commercial, tourism and entertainment uses and 50 years for others use
(iv)	Plot ratio	:	12.46
(v)	Total gross floor area	:	104,500 sq m (6,650 sq m for commercial use, 96,650 sq m for office use and 1,200 sq m for club house)
(vi)	Maximum/average height	:	38 storeys
(vii)	Land grant fee	:	RMB56,108,811

2. Pursuant to the Business Licence No Wai S0102014005781 dated 8 July 2016, Guangzhou Guang Bird was established with an operation period from 18 September 1993 to 18 September 2023.

3. Pursuant to the Construction Land Use Planning Permit No Sui Gui Tu Gian Yong Zi (2006) Di 170 issued by the Guangzhou State Land Resources and Housing Administration Bureau dated 2 June 2006, the property with a site area of approximately 8,427 sq m was permitted to be developed from June 2006 to June 2008.

4. Pursuant to a letter for extension of construction period issued by the Guangzhou State Land Resources and Planning Committee dated 19 April 2018, commencement date and completion date for the construction works of the property (as mentioned in note 3) were permitted to extend to 19 April 2019 and 19 April 2021 respectively.

5. Pursuant to the Construction Engineering Planning Permit No Sui Guo Tu Gui Hua Jian Zheng (2019) 372 issued by the Guangzhou State Land Resources and Planning Committee dated 23 January 2019, portion of the property with a total gross floor area of 56,517.6 sq m (above ground) and 13,997.3 sq m (below ground) is permitted to be constructed.

6. As advised by the Company, the construction cost incurred, outstanding construction cost (including professional fees) and outstanding relocation cost, demolition cost and ancillary facilities cost of the property were approximately RMB38,700,000, RMB709,800,000 and RMB89,800,000 respectively as at the date of valuation. Accordingly, we have taken into account the said costs in our valuation. In our opinion, the gross development value of the proposed developments of the property, assuming it were complete as at the valuation date, was estimated approximately as RMB2,417,000,000.

7. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

   (i) The Contract for Grant of State-owned Land Use Rights and the Construction Land Use Planning Permit are legal and valid;

   (ii) Guangzhou Guang Bird legally owns the land use rights of the property;

   (iii) Guangzhou Guang Bird can obtain the Real Estate Certificate for the land use rights of the property within 30 days after application to relevant authority and Guangzhou Guang Bird has no legal obstacles in obtaining the Real Estate Certificate;

   (iv) Guangzhou Guang Bird can apply for the postponement of the construction works completion provided that there is no situation of non-permitted pending construction works. No penalty would arise under the aforesaid circumstance;

   (v) After obtaining the Real Estate Certificate, Guangzhou Guang Bird can sell, lease or transfer the land use rights of the property according to relevant laws and regulations; and

   (vi) The property is free from mortgage and other encumbrances.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2020
24	Phases 2-2 and 2-4 of Palm Spring Caihong Planning Area Western District Zhongshan Guangdong Province The PRC	See below	Superstructure works of the property is currently completed whilst the remaining construction works is scheduled to be completed in third quarter of 2020 to second quarter of 2021.	HK$2,286,300,000 (HONG KONG DOLLARS TWO BILLION TWO HUNDRED EIGHTY SIX MILLION AND THREE HUNDRED THOUSAND ONLY) (100% interest attributable to the Group: HK$2,286,300,000) *(please see notes 8 to 10)*

Palm Spring (the "**Development**") is a large-scale residential development comprising four roughly rectangular-shaped sites (namely plots A, B, C and D) with a total area of approximately 236,649.80 sq m (2,547,298 sq ft).

The Development is planned to be developed by various stages with a total gross floor area of approximately 564,388 sq m (6,075,072 sq ft).

The property comprises phases 2-2 and 2-4 of the Development with a proposed total gross floor area of 272,347 sq m (2,931,543 sq ft). The area details are listed as follows:

Phase 2-2

Use	Approximate Gross Floor Area *sq m*	*sq ft*
Residential (apartment)	137,639	1,481,546
Commercial	8,782	94,530
Others	2,949	31,743
Car park (basement)	44,936	483,691
Total:	**194,306**	**2,091,510**

Phase 2-4

Use	Approximate Gross Floor Area *sq m*	*sq ft*
Residential (apartment)	45,162	486,124
Commercial*	14,530	156,401
Others	1,330	14,316
Car park (basement)*	17,019	183,192
Total:	**78,041**	**840,033**

* *The gross floor area of commercial and car park (basement) portions of Phase 2-4 of the Development as mentioned above includes ancillary facilities of 11,096 sq m and 3,997 sq m respectively.*

The land use rights of the property have been granted for a term expiring on 30 March 2075 for commercial/residential uses.

Notes:

1. Pursuant to two State-owned Land Use Rights Certificates Nos Zhong Fu Guo Yong (2005) Di 200204 and Zhong Fu Guo Yong (2011) Di 2000311 both issued by the People's Government of Zhongshan, the title to portion of the Development with a site area of approximately 55,434.0 sq m and 31,614.9 sq m respectively are held by 中山市寶麗房地產發展有限公司 (Zhongshan Bao Li Properties Development Co. Ltd.) ("**Zhongshan Bao Li**"), a 100% owned subsidiary of the Company for a common term expiring on 30 March 2075 for commercial/residential uses.

2. Pursuant to the Business Licence with Unified Social Credit No 914420007480421393 dated 5 November 2015, Zhongshan Bao Li was established with an operation period from 17 April 2003 to 16 April 2053.

3. Pursuant to the Construction Land Use Planning Permit No De Zi Di 281222010030037(Bu) issued by the Zhongshan Planning Bureau dated 7 April 2010, portion of the Development with a site area of approximately 181,095.20 sq m was permitted to be developed.

4. Pursuant to two Construction Engineering Planning Permits Nos Jian Zi Di 281212017010039 and 281212017010038 both issued by the Zhongshan Urban and Rural Planning Bureau dated 19 June 2017, portion of the Development with a total gross floor area of approximately 272,347.90 sq m is permitted to be constructed.

5. Pursuant to two Construction Work Commencing Permits Nos 442000201712012201 and 442000201712051801 both issued by the Zhongshan Housing, Urban and Rural Construction Bureau dated 1 December 2017 and 5 December 2017 respectively, construction works of portion of the property with a total gross floor area of 272,347.90 sq m is permitted to be commenced, with respective contract dates of 809 days and 1214 days. As advised by the Company, the expiry dates for the construction works as stipulated in the aforesaid permits are 18 February 2020 and 2 April 2021 respectively.

6. Pursuant to the Zhongshan Commodity Housing Pre-sale Permit No Zhong Jian Fang (Yu) Zi Di 2019335 issued by the Zhongshan Housing and Urban and Rural Construction Bureau dated 17 September 2019, pre-sale of portion of the property with a total gross floor area of 24,350.73 sq m is permitted.

7. Pursuant to the Zhongshan Commodity Housing Pre-sale Permit No Zhong Jian Fang (Yu) Zi Di 2019452 issued by the Zhongshan Housing and Urban and Rural Construction Bureau dated 12 December 2019, pre-sale of portion of the property with a total gross floor area of 23,807.97 sq m is permitted.

8. The gross floor area of commercial and car park (basement) portions of Phase 2-4 of the Development as mentioned above includes ancillary facilities of 11,096 sq m and 3,997 sq m respectively. As advised by the Company, the aforesaid portions will be transferred to the government at nil consideration upon completion. Therefore, we have assigned no commercial value to these portions in the course of our valuation.

9. As advised by the Company, residential portion of Phase 2-4 of the Development with a total gross floor area of approximately 2,117 sq m have been pre-sold at a total consideration of RMB30,207,032 prior to the date of valuation. As advised by the Company, title to the pre-sold portions are held by Zhongshan Bao Li as at the valuation date and being duly reflected on relevant Zhongshan Bao Li's financial statements. Consequently, we have included the pre-sold portions in the valuation. The main reason for such situation to arise is due to the fact that transactions of the pre-sold portions have not yet been completed and/or transferred to the purchasers. We have also made reference to the contracted consideration in the course of our valuation.

10. As advised by the Company, the construction cost incurred and outstanding construction cost (including professional fee) of the proposed development of the property were approximately RMB554,300,000 and RMB715,800,000 respectively as at the date of valuation. Accordingly, we have taken into account the said costs in our valuation. In our opinion, the gross development value of the proposed developments of the property, assuming it were complete as at the valuation date, was estimated approximately as RMB3,395,000,000.

11. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

    (i) Zhongshan Bao Li legally owns the property;
    (ii) Zhongshan Bao Li can apply for the postponement of the construction works completion provided that there is no situation of non-permitted pending construction works. No penalty would arise under the aforesaid circumstance;
    (iii) Zhongshan Bao Li can sell, lease or transfer the property according to the relevant laws and regulations; and
    (iv) The property is free from mortgage and other encumbrances.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2020
25	Various portions located at the east side of Yiwener Road, south side of Caihong Road, west side of Tianyu Road and north side of Hengqin Main Road Hengqin New Area Zhuhai Guangdong Province The PRC	The development comprises two parcels of adjacent land located at the east side of Yiwener Road, south side of Caihong Road, west side of Tianyu Road and north side of Hengqin Main Road in Hengqin New Area of Zhuhai. The total site area is approximately 130,173.16 sq m. The development is located at Hengqin New Area which is situated at the southern part of Zhuhai. The locality is planned to be tourist and leisure area. It takes about 30 minutes to drive to city centre of Zhuhai. The development is planned to be developed into a comprehensive development including commercial, office, hotel, cultural development with a total plot ratio gross floor area of approximately 260,289.94 sq m (2,801,761 sq ft). The property comprises various portions of the development including office, serviced apartment (cultural workshops) and villa (cultural studios) with a total gross floor area of approximately 96,995.26 sq m (1,044,057 sq ft) and the area details are listed as follows:	The construction works of the property have been completed.	HK$2,999,300,000 (HONG KONG DOLLARS TWO BILLION NINE HUNDRED NINETY NINE MILLION AND THREE HUNDRED THOUSAND ONLY) (80% interest attributable to the Group: HK$2,399,440,000) *(please see notes 13 and 14)*

Use	Approximate Gross Floor Area *sq m*	*sq ft*
Office	50,447.75	543,020
Serviced apartment (cultural workshops)	40,136.12	432,025
Villa (cultural studios)	4,410.55	47,475
Sub-total:	**94,994.42**	**1,022,520**
Car park (below ground)	2,000.84	21,537
Total:	**96,995.26**	**1,044,057**

The land use rights of the property have been granted for terms of 40 years for office, commercial and servicing, hotel uses and 50 years for other uses commencing from 31 December 2013.

Notes:

1. Pursuant to two Guangdong Province Real Estate Title Certificates Nos Yue Fang Di Quan Zheng Zhu Zi Di 0100244267 and 0100244268 both issued by the Zhuhai Real Estate Registration Centre dated 27 May 2014, the title to the development, having a total site area of 130,173.16 sq m, is held by 珠海横琴麗新文創天地有限公司 (Zhuhai Hengqin Laisun Creative Cultural City Co., Ltd.) ("**珠海横琴**"), an 80% indirectly owned subsidiary of the Company and 20% indirectly owned subsidiary of Lai Sun Development Company Limited ("**LSD**") for land use rights terms of 40 years for office, commercial and servicing, hotel uses and 50 years for other uses commencing from 31 December 2013.

2. Pursuant to the Contract for Grant of State-owned Construction Land Use Rights No. 440401-2013-000023 (the "**Land Grant Contract**") entered into between the Land and Resources Bureau of Zhuhai ("**Party A**") and Winfield Concept Limited (永輝基業有限公司) ("**Party B**") dated 27 September 2013, Party A agreed to grant the land use rights of two parcels of land to Party B. The said contract contains, inter-alia, the following salient conditions:

(i)	Total site area	:	130,173.16 sq m (Land parcel 1: 93,137.04 sq m, Land parcel 2: 37,036.12 sq m)
(ii)	Use	:	Cultural/creative and commercial/servicing
(iii)	Land use term	:	50 years for cultural and creative uses and 40 years for commercial, office and hotel uses
(iv)	Plot ratio	:	Not exceeding 2.0
(v)	Total gross floor area	:	Not exceeding 260,346.32 sq m (Land parcel 1: 186,274.08 sq m, Land parcel 2: 74,072.24 sq m)
(vi)	Building height	:	Not exceeding 100 m
(vii)	Green area ratio	:	Not less than 30% of site area
(viii)	Land grant fee	:	RMB523,296,103.2
(ix)	Building covenant	:	Construction works should be commenced within twelve months since the handover of the land and construction works should be completed within forty-eight months since the handover of the land
(x)	Remarks	:	— Gross floor areas allocation for commercial use and hotel and office uses should not be greater than 10% and 20% respectively whilst that for cultural use should not be less than 70%. — Saleable gross floor area is restricted to 50% of total countable plot ratio gross floor area of the development.

3. Advised by the Company, Party B is an 80% indirectly owned subsidiary of the Company and 20% indirectly owned subsidiary of LSD.

4. Pursuant to the amendment of the Land Grant Contract in February 2014, the grantee of the two parcels of land was changed from Party B to 珠海横琴. Party B has established 珠海横琴 with Business Licence No 440003490000497 dated 3 January 2014 and 珠海横琴 has obtained two Guangdong Province Real Estate Title Certificates as mentioned in note 1.

5. Pursuant to an agreement entered into between 珠海大橫琴置業有限公司 (Zhuhai Da Hengqin Real Estate Co., Ltd) (the "**Investor**"), 珠海橫琴 and Party B on 19 January 2020, the Investor has agreed to make a total capital contribution of approximately RMB948.4 million in 珠海橫琴. Upon completion of the registration of change in the equity interest held by Party B and the Investor in 珠海橫琴, 珠海橫琴 will be held as to approximately 83.32% by Party B and approximately 16.68% by the Investor. The salient conditions stipulated in the agreement are, inter-alia, as follows:

   (i) investment period will be thirty years from the issue date of the new business licence of 珠海橫琴 upon completion of the subscription.

   (ii) the dividend distribution will be made out of distributable profits of 珠海橫琴 generated from the operations in respect of the self-owned portion only (as agreed between the Investor, 珠海橫琴 and Winfield) to the Investor and Party B at a 30:70 ratio. The dividend distribution paid to the Investor in each financial year shall be not less than 0.5% per annum of its capital injection to 珠海橫琴 during the investment period.

   (iii) the Investor has been granted the put option (but not an obligation) to require 珠海橫琴 or Party B to acquire all equity interest held by the Investor in 珠海橫琴.

   (iv) before the expiration of the investment period, 珠海橫琴 and/or Party B have/has the right to (but not an obligation) to acquire the Investor's equity interest in 珠海橫琴.

6. Pursuant to the Construction Land Use Planning Permit No Zhu Heng Xin Gui Tu (Di Gui) (2014) 13 issued by the Zhuhai Hengqin New District Management Committee — Land & Planning Bureau dated 11 March 2014, the development with a total site area of 130,137.16 sq m was permitted to be developed.

7. Pursuant to the Construction Engineering Planning Permit No Zhu Heng Xin Gui Tu (Jian) (2016) 009 issued by the Zhuhai Hengqin New District Management Committee — Land & Planning Bureau in 2016, portion of the development with a total gross floor area of 8,623.48 sq m is permitted to be constructed.

8. Pursuant to the Construction Engineering Planning Permit No Zhu Heng Xin Gui Tu (Jian) (2019) 028 issued by the Zhuhai Hengqin New District Management Committee — Land & Planning Bureau dated 11 April 2019, potion of the development with a total gross floor area of 159,839.87 sq m is permitted to be constructed.

9. Pursuant to the Construction Work Commencing Permit No 440410201611180101 issued by Zhuhai Hengqin New District Management Committee — Construction and Environmental Bureau in 2019, construction works of portion of the development with a total gross floor area of 159,839.87 sq m is permitted to be commenced.

10. Pursuant to the Construction Work Commencing Permit No 440405201803090101 dated 4 September 2018 issued by Zhuhai Hengqin New District Management Committee — Construction and Environmental Bureau, construction works of portion of the development with a total gross floor area of 8,623.48 sq m is permitted to be commenced.

11. Pursuant to the Zhuhai Commodity Housing Pre-sale Permit No HQS2017009-1 dated 1 July 2019, pre-sale of portion of the development with a total gross floor area of 4,410.55 sq m was permitted.

12. Pursuant to the Zhuhai Commodity Housing Pre-sale Permit No HQS20190012 dated 9 December 2019, pre-sale of portion of the development with a total gross floor area of 78,251.53 sq m was permitted.

13. As advised by the Company, serviced apartment (cultural workshops) portion of the property with a total gross floor area of approximately 2,950 sq m have been pre-sold at a total consideration of RMB97,581,000 prior to the date of valuation. As advised by the Company, title to the pre-sold portions are held by 珠海橫琴 as at the valuation date and being duly reflected on relevant 珠海橫琴's financial statements. Consequently, we have included the pre-sold portions in the valuation. The main reason for such situation to arise is due to the fact that transactions of the pre-sold portions have not yet been completed and/or transferred to the purchasers. We have also made reference to the contracted consideration in the course of our valuation.

14. As advised by the Company, the construction cost incurred and outstanding construction cost (including professional fee) of the proposed development of the property were approximately RMB1,122,500,000 and RMB289,200,000 respectively as at the date of valuation. Accordingly, we have taken into account the said costs in our valuation. In our opinion, the gross development value of the proposed developments of the property, assuming it were complete as at the valuation date, was estimated approximately as RMB3,093,000,000.

15. According to the Group's specific terms of instruction to provide the breakdown of the market value of property, they are listed as follows:

Property	Market value in existing state as at 31 January 2020
Office	HK$1,624,600,000
Serviced apartment (cultural workshops) and villa (cultural studios)	HK$1,374,700,000
	HK$2,999,300,000

16. According to the information provided by the Company, although the property has been completed as at the valuation date, completion certificate has not yet been obtained. As advised, the property is thus classified as "property under development" for the purpose in aligning with the classification of the Company's financial statement based on relevant accounting policy.

17. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

(i) 珠海橫琴 legally owns the land use rights of the property;
(ii) As mentioned in note (2) (x), 50% of the total countable plot ratio gross floor area of the development is restricted for sale at the moment. 珠海橫琴 should hold such portion and has the right to lease such portion and to grant the lessee to sublease;
(iii) After fulfilling relevant conditions for uplifting the sales restrictions as mentioned in note (17) (ii), 珠海橫琴 can sell, lease or transfer the property according to the relevant laws and regulations; and
(iv) The property is free from mortgage and other encumbrances.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2020
26	Two parcels of land located at the east side of Yiwener Road, south side of Xiangjiang Road, west side of Yiwenyi Road and north side of Zhishui Road Hengqin New Area Zhuhai Guangdong Province The PRC	The property comprises two parcels of adjacent land located at the east side of Yiwener Road, south side of Xiangjiang Road, west side of Yiwenyi Road and north side of Zhishui Road in Hengqin New Area of Zhuhai. The total site area is approximately 143,768.37 sq m. The property is located at Hengqin New Area which is situated at the southern part of Zhuhai. The locality is planned to be tourist and leisure area. It takes about 30 minutes to drive to city centre of Zhuhai. The property is planned to be developed into a comprehensive development including commercial, retail, school, cultural facilities with a total plot ratio gross floor area of approximately 287,536.74 sq m (3,095,045 sq ft). The land use rights of the property have been granted for terms expiring on 28 December 2058 for retail, commercial, business and finance uses and 28 December 2068 for cultural facilities uses.	Superstructure works of school portion of the property is currently completed whilst foundation works of the remaining portion of property is currently under construction and scheduled to be completed in fourth quarter of 2023.	HK$1,346,000,000 (HONG KONG DOLLARS ONE BILLION THREE HUNDRED AND FORTY SIX MILLION ONLY) (100% interest attributable to the Group: HK$1,346,000,000) *(please see note 12)*

Notes:

1. Pursuant to two Real Estate Title Certificates Nos Yue (2019) Zhuhai Shi Bu Dong Chan Quan Di 0031510 and 0031511 both issued by the Zhuhai City State Land Bureau dated 8 April 2019, the title to the property, having a total site area of 143,768.37 sq m, is held by 珠海橫琴麗新創新方發展有限公司 (Zhuhai Hengqin Laisun Novotown Development Co., Ltd.) ("**創新方發展**"), a 100% owned subsidiary of the Company for land use rights terms expiring on 28 December 2058 for retail, commercial, business and finance uses and 28 December 2068 for cultural facilities uses.

2. Pursuant to the Contract for Grant of State-owned Construction Land Use Rights No. 440401-2018-000041 (the "**Land Grant Contract**") entered into between the Land and Resources Bureau of Zhuhai ("**Party A**") and Supreme Motion Limited ("**Party B**") dated 29 December 2018, Party A agreed to grant the land use rights of two parcels of land to Party B. The said contract contains, inter-alia, the following salient conditions:

(i)	Total site area	:	143,768.37 sq m (Land parcel 1: 56,132.69 sq m, Land parcel 2: 87,635.68 sq m)
(ii)	Use	:	Cultural facilities, retail, commercial, business and finance
(iii)	Land use term	:	50 years for cultural facilities uses and 40 years for retail, commercial, business and finance uses
(iv)	Total plot ratio gross floor area	:	Not exceeding 287,536.74 sq m (Land parcel 1: 112,265.38 sqm, Land parcel 2: 175,271.36 sq m)
(v)	Building height	:	Land parcel 1: Not exceeding 80 m, Land parcel 2: Not exceeding 100 m
(vi)	Green area ratio	:	Not less than 30% of site area
(vii)	Land grant fee	:	RMB761,972,361
(viii)	Building covenant	:	Construction works should be commenced before 29 December 2019 and construction works should be completed before 29 December 2023
(ix)	Remarks	:	Saleable gross floor area is restricted to 50% of total plot ratio gross floor area of the property.

3. Pursuant to the Business Licence with Unified Social Credit No 91440400MA52Q4U87Q dated 2 January 2019, 創新方發展 was established with an operation period of 50 years.

4. Pursuant to the amendment contract to the Land Grant Contract dated 31 January 2020, the grantee of the two parcels of land as mentioned in note 2 was changed from Party B to 創新方發展.

5. Pursuant to the Construction Land Use Planning Permit No Zhu Heng Xin Gui Tu (Di Gui) (2019) 005 issued by the Zhuhai Hengqin New District Management Committee — Land & Planning Bureau dated 18 February 2019, the property with a total site area of 143,768.37 sq m was permitted to be developed.

6. Pursuant to the Construction Engineering Planning Permit No Zhu Heng Xin Gui Tu (Jian) (2019) 024 issued by the Zhuhai Hengqin New District Management Committee — Land & Planning Bureau dated 12 December 2019, miscellaneous works of the property is permitted to be constructed.

7. Pursuant to the Construction Engineering Planning Permit No Zhu Heng Xin Gui Tu (Jian) (2020) 003 issued by the Zhuhai Hengqin New District Management Committee — Land & Planning Bureau dated 3 January 2020, portion of the property with a total gross floor area of 16,114.37 sq m is permitted to be constructed.

8. Pursuant to three Construction Engineering Planning Permits Nos Zhu Heng Xin Gui Tu (Jian) (2020) 012, 013 and 014 all issued by the Zhuhai Hengqin New District Management Committee — Land & Planning Bureau dated 5 March 2020, portion of the property (school) with a total gross floor area of 57,693.19 sq m is permitted to be constructed.

9. Pursuant to two Construction Work Commencing Permits Nos 440405201905310101-HQHK and 440405201909200101-HQHK both issued by Zhuhai Hengqin New District Management Committee – Construction and Environmental Bureau dated 11 March 2020, piling work of portion of the property is permitted to be commenced.

10. Pursuant to three Construction Work Commencing Permits Nos 440405201909120101-HQHK, 440405201909120102-HQHK and 440405202003200101-HQHK all issued by Zhuhai Hengqin New District Management Committee – Construction and Environmental Bureau dated 20 March 2020, construction works of portion of the property (school) with a total gross floor area of 57,693.19 sq m is permitted to be commenced.

11. Pursuant to the Construction Work Commencing Permit No 440405202003100101-HQHK issued by Zhuhai Hengqin New District Management Committee – Construction and Environmental Bureau dated 10 March 2020, construction works of a road of the property is permitted to be commenced.

12. As advised by the Company, the construction cost incurred (including professional fee) of the property was approximately RMB319,500,000 as at the date of valuation. Accordingly, we have taken into account the said cost in our valuation. In our opinion, the gross development value of the proposed developments of the property, assuming a total construction cost (including professional fee) of approximately RMB3,734,000,000 and it were complete as at the valuation date, was estimated approximately as RMB7,274,000,000.

13. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

(i) 創新方發展 legally owns the land use rights of the property;
(ii) As mentioned in note (2) (ix), 50% of the total plot ratio gross floor area of the property is restricted for sale at the moment. 創新方發展 should hold such portion and has the right to lease such portion and to grant the lessee to sublease;
(iii) The land use rights of the property is subject to a mortgage and the mortgage is valid and enforceable;
(iv) After fulfilling relevant conditions for uplifting the sales restrictions as mentioned in note (13) (ii), 創新方發展 can sell, lease or transfer the property according to the relevant laws and regulations and subject to approval from the mortgagee; and
(v) Except for the mortgage mentioned in note (13) (iii), the property is free from encumbrances.

Group V — Property interest held by the Group in Hong Kong for owner occupation purpose

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2020
27	20th Floor of May Tower II and Car Parking Space No 57 on Ground Floor of May Towers I and II Nos 5 and 7 May Road Mid-Levels Hong Kong 35/2,480th shares of and in Inland Lot No 1772 and the Extension thereto	May Tower II is a 26-storey centrally air-conditioned apartment building surmounting a 3-storey carparking/ recreational podium completed in 1992. The property comprises an apartment unit within May Tower II with a gross floor area of approximately 315.22 sq m (3,393 sq ft). The property also comprises a covered car parking space on Ground Floor. The property is held from the Government under a Government Lease and Conditions of Extension No 6018 for a term of 75 years commencing from 8 April 1907 renewable for a further term of 75 years. The Government Rent payable for the whole lot and the Extension is HK$140,400 per annum.	As advised, the property is currently owner-occupied.	HK$100,000,000 (HONG KONG DOLLARS ONE HUNDRED MILLION ONLY) (100% interest attributable to the Group: HK$100,000,000)

Notes:

1. The registered owner of the property is South Hill Limited, a 100% owned subsidiary of the Company.

2. The property lies within an area zoned "Residential (Group B)" under Mid-Levels West Outline Zoning Plan No S/H11/15 as at the date of valuation.

3. The property was subject to the following encumbrances:

   (i) Occupation Permit vide memorial no UB5225592 dated 12 March 1992.

   (ii) Deed of Mutual Covenant and Management Agreement in favour of Kerry Real Estate Agency Limited "The Manager" vide memorial no UB5247138 dated 30 March 1992.

   (iii) Permission Letter with plan (Re from District Lands Officer, Hong Kong West and South) vide memorial no 08042101880013 dated 19 March 2008.

1. RESPONSIBILITY STATEMENTS

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 Company. 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.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement in this circular misleading.

2. DISCLOSURES OF INTERESTS

Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company and 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) (i) 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 and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (ii) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO ("**Register of Directors and Chief Executive**"); or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company ("**Securities Code**") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of the Listed Issuers contained in Appendix 10 to the Listing Rules; or (iv) as known by the Directors were as follows:

(1) The Company

Long positions in the ordinary shares of the Company ("LSG Shares") and the underlying LSG Shares

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued LSG Shares *(Note 1)*
Dr. Peter Lam *(Note 8)*	Beneficial owner/ Owner of controlled corporations	48,802,906 *(Note 4)*	Nil	114,741,416 *(Note 2)*	708,575 *(Note 7)*	164,252,897	42.28%
Dr. Lam Kin Ming ("**Dr. KM Lam**")	Beneficial owner	1,021,443 *(Note 5)*	Nil	Nil	Nil	1,021,443	0.26%
Mr. FA Chew	Beneficial owner/ Owner of controlled corporations	Nil	Nil	202,422 *(Note 3)*	3,819,204 *(Note 7)*	4,021,626	1.04%
Madam U *(Note 8)*	Beneficial owner	825,525	Nil	Nil	Nil	825,525	0.21%
Mr. Lester Lam *(Note 8)*	Beneficial owner	12,459,208 *(Note 6)*	Nil	Nil	7,571,626 *(Note 7)*	20,030,834	5.16%

Notes:

1. *The percentage has been compiled based on the total number of issued LSG Shares as at the Latest Practicable Date (i.e. 388,482,959 LSG Shares).*

2. *On 20 December 2019, the LSG Shareholders approved a final dividend of HK$0.074 per LSG Share payable in cash with a scrip dividend alternative ("**LSG Scrip Dividend Scheme**") for the year ended 31 July 2019.*

   *On 13 February 2020, the Company allotted and issued 1,603,337 new ordinary shares ("**LSG Scrip Shares**") pursuant to the LSG Scrip Dividend Scheme in relation to the final dividend for the year ended 31 July 2019, increasing the total number of issued LSG Shares from 386,879,622 to 388,482,959.*

   On 13 February 2020, Wisdoman Limited has elected to receive a total of 849,766 LSG Scrip Shares in lieu of cash dividend pursuant to the LSG Scrip Dividend Scheme, increasing Wisdoman Limited's interests in Company from 113,891,650 LSG Shares to 114,741,416 LSG Shares. Dr. Peter Lam was deemed to be interested in 114,741,416 LSG Shares (representing approximately 29.54% of LSG's issued share capital) by virtue of his 100% interests in the issued share capital of Wisdoman Limited.

3. *Mr. FA Chew was deemed to be interested in 202,422 LSG Shares by virtue of his 100% interest in the issued share capital of The Orchid Growers Association Limited which directly owned 202,422 LSG Shares.*

4. *On 13 February 2020, Dr. Peter Lam has elected to receive a total of 361,430 LSG Scrip Shares in lieu of cash dividend pursuant to the LSG Scrip Dividend Scheme, increasing his personal interests in LSG from 48,441,476 LSG Shares to 48,802,906 LSG Shares.*

5. *On 13 February 2020, Dr. KM Lam has elected to receive a total of 7,564 LSG Scrip Shares in lieu of cash dividend pursuant to the LSG Scrip Dividend Scheme, increasing his personal interests in LSG from 1,013,879 LSG Shares to 1,021,443 LSG Shares.*

6. *On 13 February 2020, Mr. Lester Lam has elected to receive a total of 92,271 LSG Scrip Shares in lieu of cash dividend pursuant to the LSG Scrip Dividend Scheme, increasing his personal interests in LSG from 12,366,937 LSG Shares to 12,459,208 LSG Shares.*

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

Name of Director	***Date of grant***	***Number of underlying LSG Shares comprised in the LSG share options***	***Exercise period of LSG share options***	***Exercise price of LSG share options*** *HK$ per share*
Dr. Peter Lam	*18/01/2013*	*375,242*	*18/01/2013-17/01/2023*	*6.05*
Dr. Peter Lam	*19/06/2017*	*333,333*	*19/06/2017-18/06/2027*	*15.00*
Mr. FA Chew	*19/06/2017*	*3,819,204*	*19/06/2017-18/06/2027*	*15.00*
Mr. Lester Lam	*18/01/2013*	*3,752,422*	*18/01/2013-17/01/2023*	*6.05*
Mr. Lester Lam	*19/06/2017*	*3,819,204*	*19/06/2017-18/06/2027*	*15.00*

8. *Dr. Peter Lam, Madam U and Mr. Lester Lam are directors of Wisdoman Limited.*

(2) Associated Corporations

(i) LSD – a subsidiary of the Company

Long positions in the ordinary shares in LSD ("LSD Shares") and the underlying LSD Shares

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued LSD Shares *(Note 1)*
Dr. Peter Lam	Beneficial owner/ Owner of controlled corporations	433,737 *(Note 2)*	Nil	343,593,021 *(Note 2)*	417,308 *(Note 4)*	344,444,066	56.44%
Mr. FA Chew	Beneficial owner/ Owner of controlled corporations	Nil	Nil	400,000 *(Note 3)*	3,773,081 *(Note 4)*	4,173,081	0.68%
Madam U *(Note 5)*	Beneficial owner	26,919	Nil	Nil	Nil	26,919	0.004%
Mr. Lester Lam	Beneficial owner	Nil	Nil	Nil	4,173,081 *(Note 4)*	4,173,081	0.68%

Notes:

1. *The percentage has been compiled based on the total number of issued LSD Shares as at the Latest Practicable Date (i.e. 610,268,025 LSD Shares).*

2. *LSG and two of its wholly-owned subsidiaries, namely Joy Mind Limited ("**Joy Mind**") and Zimba International Limited ("**Zimba**"), beneficially owned in aggregate 343,593,021 LSD Shares, representing approximately 56.30% of the issued share capital of LSD. Dr. Peter Lam was deemed to be interested in the same 343,593,021 LSD Shares by virtue of, in aggregate, his personal (including underlying shares) and deemed interests of approximately 42.28% in the issued share capital of LSG. LSG is approximately 12.56% owned by Dr. Peter Lam and is approximately 29.54% owned by Wisdoman Limited which in turn is 100% beneficially owned by Dr. Peter Lam.*

   LSG pledged approximately 208,513,987 LSD Shares as security pursuant to its 7.70% secured guaranteed notes due 2018 under a share charge dated 24 July 2014. The amount has been repaid in full.

*On 20 December 2019, the LSD Shareholders approved a final dividend of HK$0.108 per LSD Share payable in cash with a scrip dividend alternative ("**LSD Scrip Dividend Scheme**") for the year ended 31 July 2019.*

*On 13 February 2020, LSD allotted and issued 3,803,900 new ordinary shares ("**LSD Scrip Shares**") pursuant to the LSD Scrip Dividend Scheme in relation to the final dividend for the year ended 31 July 2019, increasing the total number of issued LSD Shares from 606,464,125 to 610,268,025.*

On 13 February 2020, LSG, Joy Mind and Zimba have elected to receive 743,571, 505,894 and 2,319,984 LSD Scrip Shares in lieu of cash dividend pursuant to the LSD Scrip Dividend Scheme, respectively, increasing LSG's interests in LSD from 340,023,572 LSD Shares to 343,593,021 LSD Shares.

On 13 February 2020, Dr. Peter Lam has elected to receive 4,505 LSD Scrip Shares in lieu of cash dividend pursuant to the LSD Scrip Dividend Scheme, increasing his personal interests in LSD from 429,232 LSD Shares to 433,737 LSD Shares.

3. *Mr. FA Chew was deemed to be interested in 400,000 LSD Shares by virtue of his 100% interest in the issued share capital of The Orchid Growers Association Limited which directly owned 400,000 LSD Shares.*

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

Name of Director	***Date of grant***	***Number of underlying LSD Shares comprised in the LSD share options***	***Exercise period of LSD share options***	***Exercise price of LSD share options***
				HK$ per share
Dr. Peter Lam	*18/01/2013*	*417,308*	*18/01/2013-17/01/2023*	*16.100*
Mr. FA Chew	*05/06/2012*	*3,773,081*	*05/06/2012-04/06/2022*	*5.350*
Mr. Lester Lam	*18/01/2013*	*4,173,081*	*18/01/2013-17/01/2023*	*16.100*

5. *Madam U is the widow of the late Mr. Lim Por Yen whose estate includes an interest of 3,957,189 LSD Shares, representing approximately 0.65% of the issued share capital of LSD.*

(ii) eSun – a subsidiary of LSD

Long positions in the ordinary shares of eSun ("eSun Shares") and the underlying eSun Shares

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued eSun Shares *(Note 1)*
Dr. Peter Lam	Beneficial owner/ Owner of controlled corporations	2,794,443	Nil	1,113,260,072 *(Note 2)*	Nil	1,116,054,515	74.81%
Mr. Lester Lam	Beneficial owner	2,794,443	Nil	Nil	Nil	2,794,443	0.19%

Notes:

1. *The percentage has been compiled based on the total number of issued eSun Shares as at the Latest Practicable Date (i.e. 1,491,854,598 eSun Shares).*

2. *The Company was interested in 343,593,021 LSD Shares, representing approximately 56.30% of the issued share capital of LSD. Transtrend, a wholly-owned subsidiary of LSD, was interested in 1,113,260,072 eSun Shares, representing approximately 74.62% of the issued share capital of eSun. As such, Dr. Peter Lam was deemed to be interested in the same 1,113,260,072 eSun Shares by virtue of, in aggregate, his personal (including underlying shares) and deemed interests of approximately 42.28% and 56.44% in the issued share capital of the Company and LSD, respectively.*

(iii) Lai Fung – a subsidiary of eSun

Long positions in the ordinary shares of Lai Fung ("Lai Fung Shares") and the underlying Lai Fung Shares

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued Lai Fung Shares *(Note 1)*
Dr. Peter Lam	Beneficial owner/ Owner of controlled corporations	Nil	Nil	168,809,977 *(Note 2)*	321,918 *(Note 4)*	169,131,895	51.09%
Mr. FA Chew	Beneficial owner/ Owner of controlled corporations	Nil	Nil	709,591 *(Note 3)*	900,000 *(Note 4)*	1,609,591	0.49%
Mr. Lester Lam	Beneficial owner	Nil	Nil	Nil	3,219,182 *(Note 4)*	3,219,182	0.97%

Notes:

1. *The percentage has been compiled based on the total number of issued Lai Fung Shares as at the Latest Practicable Date (i.e. 331,033,443 Lai Fung Shares).*

2. *On 20 December 2019, the Lai Fung shareholders approved a final dividend of HK$0.20 per Lai Fung Share payable in cash with a scrip dividend alternative ("**Lai Fung Scrip Dividend Scheme**") for the year ended 31 July 2019.*

   *On 13 February 2020, Lai Fung allotted and issued 3,536,887 new ordinary shares ("**Lai Fung Scrip Shares**") pursuant to the Lai Fung Scrip Dividend Scheme in relation to the final dividend for the year ended 31 July 2019, increasing the total number of issued Lai Fung Shares from 327,496,556 to 331,033,443.*

   On 13 February 2020, Merit Worth Limited (a wholly-owned subsidiary of eSun), Silver Glory Securities Limited (a wholly-owned subsidiary of eSun) and Transtrend (a wholly-owned subsidiary of LSD) have elected to receive 1,752,690, 1,554,371 and 343 Lai Fung Scrip Shares in lieu of cash dividend pursuant to the Lai Fung Scrip Dividend Scheme, respectively, increasing their shareholding interest in Lai Fung from 165,502,573 Lai Fung Shares (50.54%) to 168,809,977 Lai Fung Shares (50.99%).

   Dr. Peter Lam was deemed to be interested in the same 168,809,977 Lai Fung Shares by virtue of, in aggregate, his personal (including underlying shares) and deemed interests of approximately 42.28%, 56.44% and 74.81% in the issued share capital of the Company, LSD and eSun, respectively.

3. *Mr. FA Chew was deemed to be interested in 709,591 Lai Fung Shares by virtue of his 100% interest in the issued share capital of The Orchid Growers Association Limited which directly owned 709,591 Lai Fung Shares.*

4. *A share option was granted by Lai Fung to each of Dr. Peter Lam, Mr. FA Chew and Mr. Lester Lam, the particulars of which are set out below:*

Name of Director	*Date of grant*	*Number of underlying Lai Fung Shares comprised in the Lai Fung share options*	*Exercise period of Lai Fung share options*	*Exercise price of Lai Fung share options*
				HK$ per share
Dr. Peter Lam	*18/01/2013*	*321,918*	*18/01/2013-17/01/2023*	*11.400*
Mr. FA Chew	*12/06/2012*	*900,000**	*12/06/2012-11/06/2020*	*6.650*
Mr. Lester Lam	*18/01/2013*	*3,219,182*	*18/01/2013-17/01/2023*	*11.400*

* *A share option comprising a total of 109,591 underlying Lai Fung Shares had been exercised by Mr. FA Chew on 6 August 2019. Thus, a total number of share options of Mr. FA Chew were decreased from 1,009,591 underlying Lai Fung Shares to 900,000 underlying Lai Fung Shares.*

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

Long positions in the shares of MAGHL ("MAGHL Shares") and the underlying MAGHL Shares

Name of Director	Capacity	Number of MAGHL Shares held	Number of underlying MAGHL Shares held	Total number of MAGHL Shares and underlying MAGHL Shares held	Approximate % of total interests to total issued MAGHL Shares
Dr. Peter Lam	Owner of controlled corporations	1,443,156,837 *(Note 1)*	Nil	1,443,156,837	67.56%

Note:

1. *As at the Latest Practicable Date, these interests in MAGHL represented the MAGHL Shares beneficially owned by Perfect Sky Holdings Limited, a wholly-owned subsidiary of eSun, representing approximately 67.56% of the issued share capital of MAGHL. eSun is owned as to approximately 74.62% by LSD which in turn is owned as to approximately 56.30% by the Company. As the Company is approximately 12.74% owned by Dr. Peter Lam and approximately 29.54% owned by Wisdoman Limited which is turn 100% beneficially owned by Dr. Peter Lam, he was deemed to be interested in the said 1,443,156,837 MAGHL Shares.*

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company and their respective close associates was interested or was deemed to be interested in the long and short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or recorded in the Register of Directors and Chief Executive pursuant to section 352 of the SFO, or notified to the Company and the Stock Exchange 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 it is known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals, 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, as 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 LSG Shares and the underlying LSG Shares

Name	Capacity	Nature of interests	Number of LSG Shares and underlying LSG Shares	Approximate % of LSG Shares in issue
Dr. Peter Lam *(Note 2)*	Beneficial owner/ Owner of controlled corporations	Personal and corporate	164,252,897 *(Note 3)*	42.28%
Wisdoman Limited *(Note 2)*	Beneficial owner	Corporate	114,741,416 *(Note 3)*	29.54%
Mr. Lester Lam *(Note 2)*	Beneficial owner	Personal	20,030,834	5.16%
Yu Cheuk Yi	Beneficial owner	Personal	110,838,516 *(Note 4)*	28.53%
Yu Siu Yuk	Beneficial owner	Personal	110,838,516 *(Note 4)*	28.53%

Notes:

1. *The percentage has been compiled based on the total number of issued LSG Shares as at the Latest Practicable Date (i.e. 388,482,959 LSG Shares).*

2. *Dr. Peter Lam and Mr. Lester Lam, Directors of the Company, are also directors of Wisdoman Limited.*

3. *Dr. Peter Lam was deemed to be interested in 114,741,416 LSG Shares owned by Wisdoman Limited by virtue of his 100% interests in the issued share capital of Wisdoman Limited.*

4. *Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk jointly held 110,838,516 LSG Shares according to the last Individual Substantial Shareholder Notice (Form 1) filed for an event on 18 September 2017.*

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 as 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 statutory compensation).

4. LITIGATION

As at the Latest Practicable Date, none of the members of the Group 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.

5. DIRECTORS' INTEREST IN COMPETING BUSINESSES

As at the Latest Practicable Date, the following Directors were 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 as if each of them were treated as a controlling shareholder of the Company):

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

Dr. Peter Lam held shareholding or other interests and/or directorships in companies or entities engaged in the business of investment in and operation of hotels and restaurants, media and entertainment, film production and distribution and cinema operation.

Dr. KM Lam held shareholding or other interest 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.

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 as if each of them were treated as a controlling shareholder of the Company).

6. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF THE GROUP

As at the Latest Practicable Date, (a) none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 July 2019 (being the date to which the latest published audited consolidated 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; and (b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at such date and which was significant in relation to the business of the Group.

7. EXPERTS

The names and qualifications of the professional advisers who have been named in this circular or given its opinion or advice which are contained in this circular are set forth below:

Name	**Qualification**
Gram Capital Limited	Independent financial adviser
Ernst & Young	Certified public accountants
Knight Frank	Valuer

Each of the above experts has given and has not withdrawn its respective written consent to the issue of this circular with the inclusion of their letter and/or reference to their respective names or opinions in the form and context in which they appear.

As at the Latest Practicable Date:

(a) the experts above did not have any direct or indirect interests in any assets which have been, since 31 July 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by or leased to, or which are proposed to be acquired, disposed of by or leased to, any member of the Group; and

(b) the experts did not have 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.

8. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business) had been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date:

(a) a loan agreement entered into between MAGHL as borrower and Hibright Limited ("**Hibright**" a wholly-owned subsidiary of LSD) as lender on 10 May 2018 in respect of the term loan facility in the principal amount of up to HK$200 million granted by Hibright to MAGHL;

(b) a share purchase and loan assignment agreement dated 28 June 2018 entered into among Vicper Holdings Limited (a wholly-owned subsidiary LSD) as purchaser, Fincantieri S.p.A as the seller, LSD as the guarantor and Camper & Nicholsons International SA ("**CNI**") in relation to the sale and purchase of 607 shares of CNI and the assignment of an intercompany loan granted by Fincantieri S.p.A to CNI, for an aggregate consideration of EUR17,134,781.63;

(c) a loan agreement dated 29 June 2018 entered into between eSun (as lender) and MAGHL (as borrower) in respect of a term loan facility in the amount of HK$100,000,000 provided by eSun to MAGHL;

(d) a preferred stock purchase agreement entered into by Nice Sound Limited ("**Nice Sound**", an indirect wholly-owned subsidiary of eSun) on 29 June 2018 and Stampede Entertainment, Inc. ("**Stampede**") in respect of the subscription by Nice Sound of 333,161 Series A-2 preferred stock of Stampede at a consideration of US$1,999,998.80;

(e) a loan agreement entered into between eSun (as borrower) and Hibright (as lender) on 27 July 2018 (as supplemented) in respect of the term loan facility in the principal amount of up to HK$700,000,000 to be granted by Hibright to eSun;

(f) the sale and purchase agreement ("**SPA**") dated 27 July 2018 in relation to the transactions contemplated under the offer letter dated 27 June 2018 and the SPA, being the disposal of the entire issued share capital of Best Value International Limited ("**Best Value**") ("**Sale Shares**") by Luck Reach Limited (a wholly-owned subsidiary of LSD) and Financial Express International Limited to Treasure Ascend Global Limited ("**Purchaser**") at the consideration to be paid by the Purchaser for the Sale Shares and for assuming the obligation of full repayment of the existing loans owed by Best Value to certain financing parties (after repayment);

(g) a share sale and purchase agreement entered into between eSun (as buyer) and Lai's Holdings Limited (as seller) on 28 November 2018, pursuant to which eSun purchased 5,000 shares in Intercontinental Group Holdings Limited ("**IGHL**") (representing 10% of the total issued shares of IGHL) at a total consideration of HK$37,500,000;

(h) the state-owned construction land use rights grant contract* dated 29 December 2018, (國有建設用地使用權出讓合同) ("**Land Use Rights Grant Contract**") in respect of two parcels of land located at east side of Yiwener Road, south side of Xiangjiang Road, west side of Yiwenyi Road and north side of Zhishui Road, Hengqin New Area, Zhuhai City, Guangdong Province of the PRC* (中國廣東省珠海市橫琴新區藝文二道東側、香江路南側、藝文一道西側、智水路北側) with a total site area of 143,768.37 square metres and a maximum plot ratio of 2 times ("**Land**") entered into between The Land and Resources Bureau of Zhuhai ("**Zhuhai Land Bureau**") and Supreme Motion Limited (卓動有限公司) ("**Supreme Motion**", an indirect wholly-owned subsidiary of Lai Fung) at a land use right transfer price of approximately RMB762 million;

(i) an agreement dated 31 December 2018 made among Rosy Commerce Holdings Limited (業佳控股有限公司) ("**Rosy Commerce**", a company owned by Lai Fung and eSun as to 80% and 20%, respectively), China Cinda (HK) Asset Management Co., Limited (中國信達(香港)資產管理有限公司 ("**Investor**", an indirect wholly-owned subsidiary of China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司), a joint stock company incorporated in the PRC and whose shares and preference shares are listed on the Main Board of the Stock Exchange (Stock Code: 1359; Preference Shares Stock Code: 4607)) and Glorious Stand Limited (榮立有限公司) ("**Glorious Stand**", an indirect wholly-owned subsidiary of Lai Fung), in relation to the sale and purchase and subscription of shares in Glorious Stand ("**GSL Investment Agreement**"), whereby:

(1) Rosy Commerce agreed to subscribe for nine new shares in Glorious Stand at the aggregate subscription price of US$9;

(2) the Investor agreed to acquire three shares in Glorious Stand from Rosy Commerce at the USD equivalent of approximately RMB7 million;

(3) the Investor agreed to subscribe for 27 new shares in Glorious Stand at the aggregate subscription price of the USD equivalent of approximately RMB50 million; and

(4) Rosy Commerce agreed to subscribe for 63 new shares in Glorious Stand at the aggregate subscription price of US$63;

(j) an agreement dated 31 December 2018 made among Rosy Commerce, the Investor and Harmonic Run Limited (和運有限公司) ("**Harmonic Run**", an indirect wholly-owned subsidiary of Lai Fung) in relation to the subscription of shares in Harmonic Run ("**HRL Investment Agreement**"), whereby:

(1) the Investor agreed to subscribe for 30 new shares in Harmonic Run at the aggregate subscription price of the USD equivalent of RMB186 million; and

(2) Rosy Commerce agreed to subscribe for 69 new shares in Harmonic Run at the aggregate subscription price of the USD equivalent of approximately RMB314 million;

(k) a shareholders' agreement dated 25 January 2019 entered into among Rosy Commerce, the Investor, Glorious Stand, Lai Fung and eSun in relation to Glorious Stand upon completion of the GSL Investment Agreement;

(l) a shareholders' agreement dated 25 January 2019 entered into among Rosy Commerce, the Investor, Harmonic Run, Lai Fung and eSun in relation to Harmonic Run upon completion of the HRL Investment Agreement;

(m) an amendment contract to the Land Use Rights Grant Contract dated 31 January 2019 for the change of the grantee of the land use rights of the Land from Supreme Motion to 珠海橫琴麗新創新方發展有限公司 ("**Project Company**", a company established as a wholly-foreign-owned enterprise in the PRC and a direct wholly-owned subsidiary of Supreme Motion) entered into among Project Company, Supreme Motion and Zhuhai Land Bureau;

(n) the 2019 supplemental deed dated 8 March 2019 executed by Lai Fung in favour of the Company, LSD, the late Mr. Lim Por Yen, Dr. Peter Lam and Dr. Lam Kin Ming in relation to certain amendments to certain undertakings in the spin-off agreement entered into between LSD and Lai Fung, the deed of undertaking executed by LSD in favour of Lai Fung and the non-compete agreement entered into between the Company, Lai Fung, Dr. Peter Lam, Dr. Lam Kin Ming and the late Mr. Lim Por Yen;

(o) a loan agreement entered into between eSun (as borrower) and Hibright (as lender) on 22 July 2019 in respect of the term loan facility in the principal amount of HK$200,000,000 to be granted by Hibright to eSun;

(p) the share sale and purchase agreement dated 23 July 2019 (as amended) and entered into between Sunny Horizon Investments Limited (as seller) and LSD (as buyer) in relation to the sale and purchase of 20 shares of US$1.00 each in the share capital of Rosy Commerce on 1 November 2019, representing 20% of the total issued share capital of Rosy Commerce and the counter guarantee dated 23 July 2019 (as amended) executed by LSD in favour of eSun;

(q) a loan agreement entered into between eSun (as lender) and MAGHL (as borrower) on 1 November 2019 in respect of a term loan facility for the amount of HK$50,000,000 provided by eSun to MAGHL; and

(r) Laisun Creative Culture Subscription Agreement.

9. 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) The company secretary of the Company is Ms. Tse Pik Ha, who is an associate member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

(c) The share registrar of the Company is Tricor Tengis Limited at Level 54, 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.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal 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, Sundays 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 material contracts referred to under the paragraph headed "Material Contracts" in this Appendix;

(c) the annual reports of the Company for the two years ended 31 July 2018 and 31 July 2019, respectively;

(d) the letter from the Offeror IFA;

(e) the report on the unaudited pro forma financial information from Ernst & Young as set out in Appendix IV to this circular;

(f) the valuation report in Appendix V to this circular;

(g) the written consent from each of the experts referred to in the paragraph headed "Experts" in this Appendix;

(h) this circular; and

(i) the Composite Document.

LAI SUN GARMENT

Lai Sun Garment (International) Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 191)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a general meeting ("**GM**") of the members ("**Members**") of Lai Sun Garment (International) Limited ("**Company**") will be held at the Meeting Rooms, Level B, Hong Kong Ocean Park Marriott Hotel, 180 Wong Chuk Hang Road, Aberdeen, Hong Kong on Wednesday, 13 May 2020 at 10:30 a.m. (or, if later, immediately following the conclusion of the relevant special general meeting of eSun Holdings Limited) for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. **THAT** the making of the LF Offers by HSBC on behalf of the Offeror (as more particularly described in the circular of the Company dated 24 April 2020), all actions taken (or to be taken) by the Company (or any of its subsidiaries) in relation thereto and all other matters contemplated thereunder be and are hereby approved (terms defined in such circular having the same meanings when used in this resolution).

2. **THAT** the making of the LF Share Offer by HSBC on behalf of the Offeror to the Yu Shareholders (as more particularly described in the circular of the Company dated 24 April 2020), all actions taken (or to be taken) by the Company (or any of its subsidiaries) in relation thereto and all other matters contemplated thereunder be and are hereby approved (terms defined in such circular having the same meanings when used in this resolution).

By order of the Board
Lai Sun Garment (International) Limited
Tse Pik Ha
Company Secretary

Hong Kong, 24 April 2020

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

Notes:

1. A Member entitled to attend and vote at the GM convened by the above notice ("**Notice**") or its adjourned meeting (as the case may be) is entitled to appoint one (or if he/she/it holds two or more shares in the share capital of the Company ("**Shares**"), more than one) proxy to attend and, on a poll, vote on his/her/its behalf in accordance with the articles of association of the Company. A proxy need not be a Member.

2. A form of proxy for use at the GM is enclosed with this Notice and is also available at the respective websites of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") and the Company.

3. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the Company's share registrar, Tricor Tengis Limited ("**Registrar**"), at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the GM or its adjourned meeting (as the case may be) and in default, the form of proxy shall not be treated as valid. Completion and return of the form of proxy shall not preclude Members from attending in person and voting at the GM or at its adjourned meeting (as the case may be) should they so wish. In such case, the said form(s) of proxy shall be deemed to be revoked.

   The contact phone number of the Registrar is (852) 2980 1333.

4. To ascertain the entitlements to attend and vote at the GM, Members must lodge the relevant transfer document(s) and share certificate(s) at the office of the Registrar not later than 4:30 p.m. on Thursday, 7 May 2020 for registration.

5. Where there are joint registered holders of any Share, any one of such joint holders may attend and vote at the GM or its adjourned meeting (as the case may be), either personally or by proxy, in respect of such Share as if he/she/it was solely entitled thereto; but if more than one of such joint holders are present at the GM or its adjourned meeting (as the case may be) personally or by proxy, that one of such holders so present whose name stands first in the Register of Members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.

6. In compliance with Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, voting on the resolutions proposed in this Notice will be taken by poll.

7. If a tropical cyclone warning signal No. 8 or above is hoisted or a black rainstorm warning signal is in force at any time after 7:00 a.m. on the date of the GM, the GM will be postponed and Members will be informed of the date, time and venue of the postponed GM by a supplementary notice, posted on the respective websites of the Company and the Stock Exchange.

   If a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is lowered or cancelled at or before 7:00 a.m. on the date of the GM and where conditions permit, the GM will be held as scheduled.

   The GM will be held as scheduled when an amber or red rainstorm warning signal is in force.

   Members should decide on their own whether they would attend the GM under a bad weather condition after considering their own situations and if they do so, they are advised to exercise care and caution.

8. Members are advised to read the circular of the Company dated 24 April 2020, which contains information concerning the resolutions to be proposed in the GM.

9. Considering the outbreak of the novel coronavirus (COVID-19), certain measures will be implemented at the GM with a view to addressing the risk to attendees of infection, including the following:

    a) all attendees will be required to undergo body temperature check;

    b) all attendees will be required to complete a health declaration form (a copy of the form is enclosed with the circular), which may be used for contact tracing, if required;

    c) any attendees who are subject to health quarantine prescribed by the Government of the HKSAR will not be admitted to the venue of the GM;

    d) all attendees will be required to wear surgical face masks throughout the GM;

    e) each attendee will be assigned a designated seat at the time of registration to ensure social distancing;

    f) any person who does not comply with the measures above may be denied entry into, or be required to leave, the venue of the GM;

    g) no refreshments or beverages will be provided, and there will be no corporate gifts.

10. The Company reminds Shareholders that they should carefully consider the risks of attending the GM, taking into account their own personal circumstances. The Company would like to remind Shareholders that physical attendance in person at the GM is not necessary for the purpose of exercising their voting rights and **strongly recommends that Shareholders appoint the Chairman of the GM as their proxy** and submit their form of proxy as early as possible. In light of the risks posed by the COVID-19 Pandemic, the Company **strongly encourages Shareholders NOT to attend the GM in person**.

11. The Company will keep the evolving COVID-19 situation under review and may implement additional measures (which it will announce closer to the date of the GM.)