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LAI FUNG HOLDINGS

Lai Fung Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1125)

CONTINUING CONNECTED TRANSACTION

LAISUN CREATIVE CULTURE PROPERTY MANAGEMENT SERVICES AGREEMENT

CONTINUING CONNECTED TRANSACTION

On 23 July 2019, Novotown Business Management and Laisun Creative Culture entered into the Laisun Creative Culture Property Management Services Agreement, pursuant to which Novotown Business Management will provide property management services to Laisun Creative Culture from 1 October 2019 to 30 September 2022.

LISTING RULES IMPLICATIONS

eSun is an intermediate holding company of the Company with an, approximately, 50.55% shareholding interest in the Company and hence a connected person of the Company at the issuer level. Therefore, Laisun Creative Culture is a connected subsidiary of the Company pursuant to Rule 14A.16(2) of the Listing Rules by virtue of being an indirect subsidiary of Rosy Commerce, which is in turn a connected subsidiary of the Company controlled as to 20% by eSun indirectly. Accordingly, Laisun Creative Culture Property Management Services Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Reference is made to the Company's announcement dated 16 July 2019 in relation to the Novotown Creative Culture Property Management Services Agreement and the Novotown Entertainment Property Management Services Agreement. Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, as the transactions under the Laisun Creative Culture Property Management Services Agreement, the Novotown Creative Culture Property Management Services Agreement and the Novotown Entertainment Property Management Services Agreement are of similar nature and have been entered into with parties who are connected with one another within a 12-month period, Laisun Creative Culture Property Management Services Agreement is required to be aggregated with the Novotown Creative Culture Property Management Services Agreement and the Novotown Entertainment Property Management Services Agreement as a series of transactions.

As one or more applicable percentage ratios in respect of the annual caps under the Laisun Creative Culture Property Management Services Agreement and when aggregated with the Novotown Creative Culture Property Management Services Agreement and Novotown Entertainment Property Management Services Agreement, are more than 5%, Laisun Creative Culture Property Management Services Agreement will be subject to the reporting, annual review, announcement, circular (to include independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will seek the Independent Shareholders' approval for the Laisun Creative Culture Property Management Services Agreement and the Annual Caps at the EGM.

eSun and its associates will abstain from voting on the resolutions to be proposed at the EGM for approving the above matters. The Company has established the Independent Board Committee to review, consider, recommend and advise the Independent Shareholders in respect thereof, and has appointed Ballas Capital Limited as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. A circular setting out, among other things, the details of the Laisun Creative Culture Property Management Services Agreement, the Annual Caps, a letter of advice from the Independent Board Committee, a letter of advice from Ballas Capital Limited as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders and a notice of the EGM will be despatched to the Shareholders on or before 13 August 2019.

THE LAISUN CREATIVE CULTURE PROPERTY MANAGEMENT SERVICES AGREEMENT

On 23 July 2019, Novotown Business Management and Laisun Creative Culture entered into the Laisun Creative Culture Property Management Services Agreement, pursuant to which Novotown Business Management will provide property management services to Laisun Creative Culture from 1 October 2019 to 30 September 2022, the principal terms of which are set out below.

Parties: (a) Novotown Business Management (as the service provider); and
(b) Laisun Creative Culture (as the customer).

Property to be managed: Novotown Phase I Office, cultural workshop, commercial area and cultural studios and 2,088 car parking spaces of Novotown Phase I except the commercial areas which have been leased to Novotown Creative Culture and Novotown Entertainment, the total gross floor area of which excluding car-parking spaces and ancillary facilities is approximately 176,700 square metres.

Subject matter: Novotown Business Management will provide to Laisun Creative Culture the following services, amongst others, (i) before the completion and delivery of Novotown Phase I – property management cost estimation services, recruitment and training services and consultation services for facilities installation; and (ii) after the completion and delivery of Novotown Phase I – various property management services, the scope of which includes cleaning and maintenance of common areas, greening and landscape maintenance, security control, parking and car parks management, maintenance and management of common facilities and fire safety control.

The transactions under the Laisun Creative Culture Property Management Services Agreement are in the ordinary and usual course of business of the Group.

Term: From 1 October 2019 to 30 September 2022

Payment and pricing policy: Before the completion and delivery of Novotown Phase I – Laisun Creative Culture as the developer will pay to Novotown Business Management a fee, to be calculated based on the wages of the personnel, and other expenses incurred in providing the relevant services.

After the completion and delivery of Novotown Phase I – Laisun Creative Culture will pay to Novotown Business Management a monthly property management fee, to be calculated based on the agreed charging rates applicable to different types of properties and the gross floor area or usable area (whichever applicable) of the relevant properties.

The payment for the services to be provided by Novotown Business Management has been determined on an arm's length basis by reference to the market price of services of comparable nature in Zhuhai City. The fees to be charged by Novotown Business Management under the Laisun Creative Culture Property Management Services Agreement are considered by the Company to be within a reasonable range of fees in the market for a similar scope of services.

Historical transaction amounts: Nil

Annual caps: The maximum annual amount payable to Novotown Business Management under the Laisun Creative Culture Property Management Services Agreement for the years ending 31 July 2020, 2021 and 2022 will not exceed the caps set out below:

	Year ending 31 July		
	2020	2021 <i>(in HK\$ millions)</i>	2022
Total Fees	59.1	70.9	70.9

Basis of determining annual caps: The above annual caps are determined with reference to (i) the expected construction timelines and milestones of Novotown Phase I; (ii) the gross floor area or useable area (whichever applicable) of different type of properties of Novotown Phase I requiring property management services; (iii) the rates chargeable by Novotown Business Management per square metre of each type of the properties of Novotown Phase I requiring property management services; and (iv) a reasonable buffer to cater for any unexpected property management work.

REASONS FOR, AND BENEFITS OF, ENTERING INTO THE AGREEMENT

The Directors are of the view that it is in the interest of the Group to enter into the Laisun Creative Culture Property Management Services Agreement since it will provide the Company with stable revenue and is in line with the Group's business strategy in centralising the property management of its portfolio.

In view of the above, the Directors (excluding the independent non-executive Directors who will express their view in a circular after receiving advice from Ballas Capital Limited, the independent financial adviser) consider that the Laisun Creative Culture Property Management Services Agreement and the Annual Caps are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Each of Mr. Chew Fook Aun, Mr. Lam Hau Yin, Lester and Madam U Po Chu had declared his/her interest in the Laisun Creative Culture Property Management Services Agreement by virtue of his/her relationship with eSun and hence with Laisun Creative Culture, and had abstained from voting on the relevant Board resolutions in respect of the Laisun Creative Culture Property Management Services Agreement. Save as disclosed above, none of the Directors has an interest in the Laisun Creative Culture Property Management Services Agreement, and therefore no other Director had abstained from voting on the relevant Board resolutions in respect of the Laisun Creative Culture Property Management Services Agreement.

INFORMATION IN RELATION TO THE GROUP, NOVOTOWN BUSINESS MANAGEMENT, eSUN, ROSY COMMERCE AND LAISUN CREATIVE CULTURE

The Group

The principal activity of the Company is investment holding. The principal activities of the Group include property development for sale and property investment for rental purposes, and development and operation of and investment in cultural, leisure, entertainment and related facilities in the PRC.

Novotown Business Management

Novotown Business Management is a wholly-owned subsidiary of the Company established in the PRC. It is principally engaged in provision of property management services for properties of the Group in Hengqin, Zhuhai City, Guangdong Province of the PRC.

eSun

eSun, an intermediate holding company of the Company and connected person of the Company, 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 eSun and its subsidiaries 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, property development for sale and property investment for rental purposes as well as the development and operation of and investment in cultural, leisure, entertainment and related facilities.

Rosy Commerce and Laisun Creative Culture

Rosy Commerce is an investment holding company incorporated in the British Virgin Islands with limited liability and is directly owned by LFHQ (an indirect wholly-owned subsidiary of the Company) and SHIL (an indirect wholly-owned subsidiary of eSun) as to 80% and 20%, respectively. Rosy Commerce is principally engaged in design, development and operation of Novotown Phase I, which is an integrated tourism and entertainment project comprising of “Lionsgate Entertainment WorldTM” and, “National Geographic Ultimate Explorer”, hotel, offices, serviced apartments, cultural studios and shopping and leisure facilities.

LISTING RULES IMPLICATIONS

eSun is an intermediate holding company of the Company with an, approximately, 50.55% shareholding interest in the Company and hence a connected person of the Company at the issuer level. Therefore, Laisun Creative Culture is a connected subsidiary of the Company pursuant to Rule 14A.16(2) of the Listing Rules by virtue of being an indirect subsidiary of Rosy Commerce, which is in turn a connected subsidiary of the Company controlled as to 20% by eSun indirectly. Accordingly, Laisun Creative Culture Property Management Services Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Reference is made to the Company’s announcement dated 16 July 2019 in relation to the Novotown Creative Culture Property Management Services Agreement and the Novotown Entertainment Property Management Services Agreement. Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, as the transactions under the Laisun Creative Culture Property Management Services Agreement, the Novotown Creative Culture Property Management Services Agreement and the Novotown Entertainment Property Management Services Agreement are of similar nature and have been entered into with parties who are connected with one another within a 12-month period, Laisun Creative Culture Property Management Services Agreement is required to be aggregated with Novotown Creative Culture Property Management Services Agreement and Novotown Entertainment Property Management Services Agreement as a series of transactions.

As one or more applicable percentage ratios in respect of the annual caps under the Laisun Creative Culture Property Management Services Agreement and when aggregated with the Novotown Creative Culture Property Management Services Agreement and the Novotown Entertainment Property Management Services Agreement, are more than 5%, Laisun Creative Culture Property Management Services Agreement will be subject to the reporting, annual review, announcement, circular (to include independent financial advice) and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Company will seek the Independent Shareholders’ approval for the Laisun Creative Culture Property Management Services Agreement and the Annual Caps at the EGM.

eSun and its associates will abstain from voting on the resolutions to be proposed at the EGM for approving the above matters. The Company has established the Independent Board Committee to review, consider, recommend and advise the Independent Shareholders in respect thereof, and has appointed Ballas Capital Limited as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. A circular setting out, among other things, the details of the Laisun Creative Culture Property Management Services Agreement, the Annual Caps, a letter of advice from the Independent Board Committee, a letter of advice from Ballas Capital Limited as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders and a notice of the EGM will be despatched to the Shareholders on or before 13 August 2019.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

- “Annual Caps” the proposed annual caps payable by Laisun Creative Culture to Novotown Business Management in respect of the Laisun Creative Culture Property Management Services Agreement for each of the three years ending 31 July 2022;
- “associate(s)” has the same meaning ascribed to it under the Listing Rules;
- “Board” the board of Directors;

“Company”	Lai Fung Holdings Limited (麗豐控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 1125);
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules;
“connected subsidiary”	has the same meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and if thought fit, approving, among other things, the Laisun Creative Culture Property Management Services Agreement and the Annual Caps;
“eSun”	eSun Holdings Limited (豐德麗控股有限公司), an exempted company incorporated in Bermuda with limited liability and the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 571);
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, established to advise the Independent Shareholders in respect of the Laisun Creative Culture Property Management Services Agreement and the Annual Caps;
“Independent Shareholders”	the Shareholders, other than eSun and its associates, who do not have any material interest in and are not required to abstain from voting at the EGM to consider and approve the Laisun Creative Culture Property Management Services Agreement and the Annual Caps;
“Laisun Creative Culture”	珠海橫琴麗新文創天地有限公司 (Zhuhai Hengqin Laisun Creative Culture City Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Rosy Commerce;
“Laisun Creative Culture Property Management Services Agreement”	the agreement entered into between Laisun Creative Culture and Novotown Business Management on 23 July 2019 in relation to the provision of property management services;

“Land”	the piece of land located at the east side of Yiwener Road, south side of Caihong Road, west side of Tianyu Road and north side of Hengqin 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、彩虹路南側、天羽道西側及橫琴大道北側);
“LFHQ”	Lai Fung (Hengqin) Development Company Limited (麗豐(橫琴)發展有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company;
“Lionsgate Entertainment World™”	a themed indoor experience centre using the intellectual property licenses granted by Lionsgate LBC, Inc;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“National Geographic Ultimate Explorer”	a themed indoor experience centre using the intellectual property licenses granted by National Geographic Partners, LLC;
“Novotown Business Management”	珠海橫琴創新方商業管理有限公司 (Zhuhai Hengqin Novotown Business Management Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;
“Novotown Creative Culture”	珠海橫琴創新方文化創意有限公司 (Zhuhai Hengqin Novotown Creative Culture Co., Ltd.*), a company established in the PRC with limited liability and an indirect 70%-owned subsidiary of Rosy Commerce;
“Novotown Creative Culture Property Management Services Agreement”	the agreement entered into between Novotown Creative Culture and Novotown Business Management on 16 July 2019 in relation to the provision of property management services;
“Novotown Entertainment”	珠海橫琴創新方娛樂有限公司 (Zhuhai Hengqin Novotown Entertainment Co., Ltd.*), a company established in the PRC with limited liability and an indirect 70%-owned subsidiary of Rosy Commerce;
“Novotown Entertainment Property Management Services Agreement”	the agreement entered into between Novotown Entertainment and Novotown Business Management on 16 July 2019 in relation to the provision of property management services;
“Novotown Phase I”	Zhuhai Hengqin Novotown Project (Phase I)* (珠海橫琴創新方項目一期), a property comprising cultural related facilities which was built on the Land;

“PRC”	the People’s Republic of China and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Rosy Commerce”	Rosy Commerce Holdings Limited (業佳控股有限公司), a company incorporated in the British Virgin Islands with limited liability and directly owned by LFHQ and SHIL as to 80% and 20%, respectively;
“Share(s)”	the ordinary share(s) of HK\$5.00 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“SHIL”	Sunny Horizon Investments Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of eSun;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules; and
“%”	per cent.

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

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

Hong Kong, 23 July 2019

As at the date of this announcement, the Board comprises seven Executive Directors, namely Mr. Chew Fook Aun (Chairman), Dr. Lam Kin Ming (Deputy Chairman), Mr. Lam Kin Hong, Matthew (Executive Deputy Chairman), Mr. Lam Hau Yin, Lester (Chief Executive Officer), Madam U Po Chu, Mr. Cheng Shin How and Mr. Lee Tze Yan, Ernest; two Non-executive Directors, namely Mr. Lucas Ignatius Loh Jen Yuh and Mr. Puah Tze Shyang (also alternate to Mr. Lucas Ignatius Loh Jen Yuh); and five Independent Non-executive Directors, namely Messrs. Lam Bing Kwan, Ku Moon Lun, Law Kin Ho, Mak Wing Sum, Alvin and Shek Lai Him, Abraham.