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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 Development Company Limited**, you should at once hand this circular with the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the licensed securities dealer or other registered institution in securities, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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LAI SUN DEVELOPMENT

Lai Sun Development Company Limited
(Incorporated in Hong Kong with limited liability)

(Stock Code: 488)

CONNECTED TRANSACTION

2019 SUPPLEMENTAL DEED IN RELATION TO AMENDMENTS TO THE EXISTING NON-COMPETITION UNDERTAKINGS AND NOTICE OF GENERAL MEETING

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



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

A letter from the Board is set out on pages 5 to 12 of this circular. A letter from the Independent Board Committee is set out on page 13 of this circular and a letter from Gram Capital to the Independent Board Committee and the Independent Shareholders, is set out on pages 14 to 23 of this circular.

A notice convening the General Meeting to be held at Grand Ballroom 1, Level B, Hong Kong Ocean Park Marriott Hotel, 180 Wong Chuk Hang Road, Aberdeen, Hong Kong on Tuesday, 30 April 2019 at 11:00 a.m. is set out on pages 38 and 39 of this circular. Shareholders are advised to read the Notice of General Meeting and if you are not able to attend the General Meeting or its adjournment (as the case may be) in person but wish to exercise your right as a Shareholder, please complete and sign 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 22, 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. 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 should you so wish.

19 March 2019

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	5
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	13
LETTER FROM GRAM CAPITAL	14
APPENDIX — GENERAL INFORMATION	24
NOTICE OF GENERAL MEETING	38
ACCOMPANYING DOCUMENT: FORM OF PROXY	

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 shall have the following meanings unless the context requires otherwise:

“2019 Supplemental Deed”	the supplemental deed dated 8 March 2019 executed by Lai Fung in favour of the Company, LSG and the Lim Family in respect of the Proposed Amendments;
“associate(s)”	has the same meaning ascribed to it under the Listing Rules; for the avoidance of doubt, as the definition of “associate(s)” under the Listing Rules was amended on 1 July 2014, “associate(s)” in the context of the Existing Undertakings, the Deed of Conditional Waiver and the 2019 Supplemental Deed shall have the same meaning as ascribed to it under the Listing Rules in effect at the time the respective Undertaking Documents and the Deed of Conditional Waiver were executed, which was before the taking effect of the said amendment;
“Board”	the board of Directors;
“chief executive”	has the same meaning ascribed to it under the Listing Rules;
“Company”	Lai Sun Development Company Limited (麗新發展有限公司), a company incorporated in Hong Kong with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 488);
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules;
“controlling shareholder(s)”	has the same meaning ascribed to it under the Listing Rules;
“Deed of Conditional Waiver”	the deed of conditional waiver dated 30 October 2012 executed by Lai Fung in favour of the Company and LSG (as supplemented by the supplemental deed executed by Lai Fung on 19 November 2012);
“Director(s)”	the director(s) of the Company;
“Dr. KM Lam”	Dr. Lam Kin Ming, a non-executive Director of the Company, the chairman and an executive director of LSG as well as the deputy chairman and an executive director of Lai Fung;
“Dr. Peter Lam”	Dr. Lam Kin Ngok, Peter, the deputy chairman and an executive director of LSG, the chairman and an executive director of both the Company and MAGHL as well as the ultimate controlling shareholder of LSG;

DEFINITIONS

“eSun”	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 Group”	eSun and its subsidiaries other than the Lai Fung Group and the MAGHL Group;
“Existing Undertakings”	the undertakings provided in the Undertaking Documents;
“General Meeting”	the general meeting of the Company to be convened and held at Grand Ballroom 1, Level B, Hong Kong Ocean Park Marriott Hotel, 180 Wong Chuk Hang Road, Aberdeen, Hong Kong on Tuesday, 30 April 2019 at 11:00 a.m., or any adjournment thereof;
“Group”	the Company and its subsidiaries; in the context of the Existing Undertakings, the Deed of Conditional Waiver and the 2019 Supplemental Deed, the “Group” also includes associated companies of the Company (including the eSun Group and the MAGHL Group) but excludes the Lai Fung Group;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent board committee of the Board comprising all the independent non-executive Directors (except Mr. Lam Bing Kwan and Mr. Leung Shu Yin, William), established to advise the Independent Shareholders in respect of the 2019 Supplemental Deed;
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the 2019 Supplemental Deed;
“Independent Shareholders”	Shareholders other than those who are required to abstain from voting on the resolution(s) in respect of the 2019 Supplemental Deed at the General Meeting pursuant to the Listing Rules;
“Lai Sun Group”	LSG, the Company, eSun, Lai Fung, MAGHL and their respective subsidiaries;

DEFINITIONS

“Lai Fung”	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 Group”	Lai Fung and its subsidiaries;
“Latest Practicable Date”	12 March 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein;
“Lim Family”	the late Mr. Lim Por Yen, Messrs. Lam and their respective associates;
“Listed Securities Exemption”	has the meaning ascribed to it in the section headed “ Background – The Existing Undertakings ” in the “Letter from the Board” of this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“LSG”	Lai Sun Garment (International) Limited (麗新製衣國際有限公司), a company incorporated in Hong Kong with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 191);
“LSG Group”	LSG and its subsidiaries and associated companies other than the Group and the Lai Fung Group;
“MAGHL”	Media Asia Group Holdings Limited (寰亞傳媒集團有限公司), an exempted 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);
“MAGHL Group”	MAGHL and its subsidiaries;
“Messrs. Lam”	Dr. KM Lam and Dr. Peter Lam;
“Notice of General Meeting”	the notice convening the General Meeting as set out on pages 38 and 39 of this circular;
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan);

DEFINITIONS

“PRC Infrastructure Projects”	infrastructure projects involving the development, ownership, operation and/or management of infrastructure operations/ business of all kinds in the PRC including container terminals, cargo handling and storage facilities, airports, power stations, toll roads, expressways, bridges, tunnels and water treatment plants;
“PRC Property Projects”	development, investment or management of property or land in the PRC (save for the interests of the Company, LSG and Messrs. Lam from time to time in the management of serviced apartments, club or resort operations and in financial, trading, manufacturing, hospitality, leisure and entertainment businesses, bonded areas and any property development, investment and management incidental and ancillary to such businesses);
“Proposed Amendments”	the proposed amendments to the Existing Undertakings pursuant to the 2019 Supplemental Deed, a summary of which is set out in the section headed “ <i>The 2019 Supplemental Deed</i> ” in the “Letter from the Board” of this circular;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
“Shares”	shares in the issued share capital of the Company;
“Shareholder(s)”	the duly registered holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules;
“Undertaking Documents”	has the meaning ascribed to it under the section headed “ <i>Background – The Existing Undertakings</i> ” in the “Letter from the Board” in this circular;
“USD”	the United States dollars, the lawful currency of the United States of America; and
“%”	per cent.

LETTER FROM THE BOARD



LAI SUN DEVELOPMENT

Lai Sun Development Company Limited
(Incorporated in Hong Kong with limited liability)

(Stock Code: 488)

Executive Directors:

Dr. Lam Kin Ngok, Peter (*Chairman*)
Mr. Chew Fook Aun (*Deputy Chairman*)
Mr. Lau Shu Yan, Julius (*Chief Executive Officer*)
Mr. Lam Hau Yin, Lester

Registered Office/Principal Office:

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

Non-executive Directors:

Dr. Lam Kin Ming
Madam U Po Chu

Independent Non-executive Directors:

Mr. Ip Shu Kwan, Stephen
Mr. Lam Bing Kwan
Mr. Leung Shu Yin, William
Mr. Leung Wang Ching, Clarence

19 March 2019

To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION

2019 SUPPLEMENTAL DEED IN RELATION TO AMENDMENTS TO THE EXISTING NON-COMPETITION UNDERTAKINGS AND NOTICE OF GENERAL MEETING

INTRODUCTION

Reference is made to the announcement jointly issued by the Company, LSG, eSun and Lai Fung dated 8 March 2019 in relation to, among others, the 2019 Supplemental Deed.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with (i) information about the 2019 Supplemental Deed; (ii) a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the 2019 Supplemental Deed; (iii) a letter from Gram Capital containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the 2019 Supplemental Deed; and (iv) the Notice of General Meeting.

BACKGROUND

The Existing Undertakings

In connection with the listing of the shares of Lai Fung on the Stock Exchange back in 1997, the Company and Lai Fung executed a spin-off agreement on 12 November 1997 and, on the same date, the Company provided a deed of undertaking, under both of which the Company has effectively undertaken (and has undertaken to procure members of the Group) not to have any direct or indirect interest or otherwise be engaged (other than through the Lai Fung Group and associated companies of Lai Fung) in any PRC Property Projects and PRC Infrastructure Projects, save for their own use or occupation.

On the same date, LSG and Lai Fung also entered into a non-compete agreement, together with Messrs. Lam and the late Mr. Lim Por Yen, the founder of the Lai Sun Group, under which the parties thereto agreed effectively that none of Messrs. Lam, the late Mr. Lim Por Yen and LSG (other than through the Group, the Lai Fung Group and associated companies of Lai Fung) will (and will procure his/its respective subsidiaries, associated companies and associates, as the case may be) directly or indirectly participate in, hold any right or interest in or otherwise be involved in any PRC Property Projects or PRC Infrastructure Projects, save for their own use or occupation. However, there was no restriction on ownership of shares in any company whose shares are listed on the Stock Exchange or on any other stock exchange and which compete with Lai Fung, provided that such shares do not exceed 15% of such listed company's issued share capital and provided further that at no time shall the LSG Group, Messrs. Lam, the late Mr. Lim Por Yen and their respective associates (whether individually or collectively) exercise control over the board of the relevant company and provided that there is at any time at least one other independent shareholder holding more shares in the relevant company than their aggregate shareholding ("**Listed Securities Exemption**") (The spin-off agreement, the deed of undertaking and the non-compete agreement above are collectively referred to as "**Undertaking Documents**").

Further details on the Existing Undertaking were set out in the listing document of Lai Fung dated 18 November 1997.

Deed of Conditional Waiver

On 30 October 2012, Lai Fung executed the Deed of Conditional Waiver in favour of LSG and the Company, pursuant to which Lai Fung conditionally waives any claim, action, proceedings, damages or equitable remedy that it may be entitled to under the Existing Undertakings in respect of the participation by any member of the affiliated groups (defined under the Deed of Conditional Waiver to mean the LSG Group and the Group) in any business opportunities which may otherwise be prohibited under the Existing Undertakings, subject to their compliance with the provisions of the Deed of Conditional Waiver.

LETTER FROM THE BOARD

The waiver will not apply to Messrs. Lam but will affect them only to the extent if any member of the above affiliated groups is allowed to participate in a business opportunity prohibited under the Existing Undertakings, and such member also constitutes an associate of any of Messrs. Lam, Messrs. Lam will not be regarded as being in breach of the Existing Undertakings.

Further details on the Deed of Conditional Waiver were set out in the circular of Lai Fung dated 1 December 2012 in relation to the Deed of Conditional Waiver.

THE 2019 SUPPLEMENTAL DEED

The Proposed Amendments

On 8 March 2019, Lai Fung executed the 2019 Supplemental Deed in favour of the Company, LSG and the Lim Family in relation to certain amendments to the Existing Undertakings to expand the scope and application of the Listed Securities Exemption.

Pursuant to the 2019 Supplemental Deed, notwithstanding anything contained in the Undertaking Documents and the Deed of Conditional Waiver, and to the extent not already exempted under the Undertaking Documents:

- (i) in respect of the Company, there will be no restriction on ownership of or participation in any business or entity (whether structured as a body corporate, partnership, trust or any unincorporated entity carrying on business) provided that such direct or indirect ownership or participation do not exceed the higher of, (a) 15% of such entity's capital (or equivalent total investment amount) or a 15% share of its annual dividends and distributions (if any); or (b) an investment value of USD30 million, provided further that (aa) at no time shall the Group exercise control (i.e. being in a position to cast a majority of the voting rights, appoint or remove a majority of the directors or otherwise dictate or dominate the decision making) of the relevant entity; and (bb) there is at any time at least one other shareholder or investor independent of the Group having a larger ownership or participating interest in the relevant entity than that of the Group; and
- (ii) in respect of LSG and the Lim Family, there will be no restriction on ownership of or participation in any business or entity (whether structured as a body corporate, partnership, trust or any unincorporated entity carrying on business) provided that such direct or indirect ownership or participation do not exceed the higher of, (a) 15% of such entity's capital (or equivalent total investment amount) or a 15% share of its annual dividends and distributions (if any); or (b) an investment value of USD30 million, provided further that (aa) at no time shall the LSG Group and the Lim Family (whether individually or collectively) exercise control (i.e. being in a position to cast a majority of the voting rights, appoint or remove a majority of the directors or otherwise dictate or dominate the decision making) of the relevant entity; and (bb) there is at any time at least one other shareholder or investor independent of the LSG Group and the Lim Family having a larger ownership or participating interest in the relevant entity than that of the LSG Group and/or the Lim Family in aggregate.

The terms and conditions of the Existing Undertakings and the Deed of Conditional Waiver remain unchanged and in full force and effect save to the extent the 2019 Supplemental Deed applies.

LETTER FROM THE BOARD

Conditions precedent

The 2019 Supplemental Deed shall only become effective upon the following conditions precedent being fulfilled on or before 31 May 2019 (or such other date as Lai Fung may determine) and shall continue for so long as the Existing Undertakings are in effect:-

- (a) the Independent Shareholders having approved the 2019 Supplemental Deed in accordance with the applicable requirements of the Listing Rules;
- (b) the independent shareholders of Lai Fung having approved the 2019 Supplemental Deed in accordance with the applicable requirements of the Listing Rules;
- (c) the independent shareholders of eSun having approved the 2019 Supplemental Deed in accordance with the applicable requirements of the Listing Rules;
- (d) the independent shareholders of LSG having approved the 2019 Supplemental Deed in accordance with the applicable requirements of the Listing Rules; and
- (e) any other consents, approvals or authorisations as may be required under the laws or applicable rules and regulations of governmental or regulatory authorities, including the Stock Exchange,

failing which the 2019 Supplemental Deed shall lapse.

Save as disclosed above, the Company confirms that no further consents, approvals or authorisations need to be obtained under condition precedent (e) above.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2019 SUPPLEMENTAL DEED

Following the voluntary general cash offer in respect of eSun in August 2018 and the unconditional mandatory general cash offer in respect of Lai Fung in September 2018, eSun and Lai Fung have become full-fledged members of the Lai Sun Group, instead of associated companies thereof as they were at the time of the Deed of Conditional Waiver and before. The Existing Undertakings were devised well over two decades ago at a time when eSun and Lai Fung were only associated companies in the Lai Sun Group. The Company, eSun and Lai Fung recognise the ever-evolving PRC property market landscape and the archaic nature of the Listed Securities Exemption in the face of prevailing investment trends. It is hoped that the updating of the scope of such exemption through the 2019 Supplemental Deed to cover both listed and unlisted securities could contribute to a more pragmatic and flexible investment decisions to be made by the Lai Sun Group.

LETTER FROM THE BOARD

The Proposed Amendments would impact Lai Fung by lifting the decades-old restrictions on the Lai Sun Group (excluding the Lai Fung Group) to participate in the opportunities permitted under the 2019 Supplemental Deed which are otherwise prohibited under the Existing Undertakings, and would affect the Lai Sun Group as a whole by evening the playing field with respect to such opportunities. Under the Deed of Conditional Waiver, if for whatever reason Lai Fung does not take up or participate at all in an opportunity restricted under the Existing Undertakings, the LSG Group and the Group, being bound by the Existing Undertakings, will be prohibited from pursuing the same, which will not help shore up the image of the Lai Sun Group standing by or stepping in for Lai Fung, but will promote an image of Lai Fung being isolated from the Lai Sun Group. On one hand, the Proposed Amendments contemplated under the 2019 Supplemental Deed will allow the Group to pursue investment opportunities which are otherwise prohibited under the Existing Undertakings. On the other hand, the Directors believe that a controlled and friendly participation in the relevant opportunities by the greater Lai Sun Group would present a strong unified front to Lai Fung's competitors to combat the fierce competition faced by Lai Fung in the PRC property market, which would be beneficial to the Group as a whole. The parties are vigilant in exploring new forms of participation for the benefit of the Company and the Lai Sun Group as a whole in an attempt to keep pace with the fast-changing market.

LISTING RULES IMPLICATIONS

As each of the Company, LSG and the Lim Family is the controlling shareholder of Lai Fung, each of them is a connected person of Lai Fung. The execution of the 2019 Supplemental Deed constitutes a connected transaction of Lai Fung. In addition, as Lai Fung is an indirect non-wholly-owned subsidiary of the Company, the execution of the 2019 Supplemental Deed also constitutes a connected transaction of the Company and is therefore subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

The Company is a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed and traded on the Main Board of the Stock Exchange. The principal activities of the Company and its subsidiaries include property investment, property development, investment in and operation of hotels and restaurants and investment holding. As at the Latest Practicable Date, the Company owns approximately 74.62% of the total issued shares of eSun.

As at the Latest Practicable Date, the Lim Family owns approximately 45.66% of the total issued shares of LSG.

LSG is a company incorporated in Hong Kong with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange. The principal activities of the LSG and its subsidiaries include property investment, property development, investment in and operation of hotels and restaurants and investment holding. As at the Latest Practicable Date, LSG owns approximately 56.07% of the total issued Shares of the Company.

LETTER FROM THE BOARD

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 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. As at the Latest Practicable Date, eSun owns approximately 50.55% of the total issued shares of Lai Fung and approximately 67.56% of the total issued shares of MAGHL.

Lai Fung is an exempted company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange. The principal activity of Lai Fung is investment holding. The principal activities of Lai Fung's subsidiaries 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.

MAGHL is an exempted 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. The principal activities of the MAGHL Group include film production and distribution; organisation, management and production of concerts and live performances; artiste management; production and distribution of television programs; music production and publishing; licensing of media contents; provision of consultancy services in planning and management of cultural, entertainment and live performance projects.

GENERAL MEETING

The Notice of General Meeting is set out on pages 38 and 39 of this circular. The General Meeting will be held at Grand Ballroom 1, Level B, Hong Kong Ocean Park Marriott Hotel, 180 Wong Chuk Hang Road, Aberdeen, Hong Kong on Tuesday, 30 April 2019 at 11:00 a.m. to consider and, if thought fit, approve the 2019 Supplemental Deed.

A form of proxy for use at the General Meeting is enclosed with this circular. Shareholders are advised to read the Notice of General Meeting and if you are not able to attend the General Meeting or its adjournment (as the case may be) in person but wish to exercise your right as a Shareholder, please complete and sign 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 22, 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. 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 should you so wish.

LETTER FROM THE BOARD

Any connected person of the Company with a material interest in the 2019 Supplemental Deed, and any Shareholder with a material interest in such transaction and its associates, shall not vote on the resolution in relation thereto. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) LSG (which was interested in approximately 56.07% of total issued Shares); (ii) Dr. Peter Lam (who was beneficially interested in approximately 56.14% of total issued Shares); and (iii) Madam U Po Chu (who was beneficially interested in approximately 0.01% of total issued Shares), who are parties under the 2019 Supplemental Deed or the associates thereof, and their respective associates are required to abstain from voting on the relevant resolution at the General Meeting.

Pursuant to Rule 13.39(4) of the Listing Rules, save for resolutions which relate purely to a procedural or administrative matter to be voted by a show of hands, any vote of the shareholders at a general meeting must be taken by poll. Accordingly, the ordinary resolution to be proposed at the General Meeting will be voted by way of a poll by the Shareholders. Article 79 of the articles of association of the Company provides that on a poll, every Shareholder present in person or by proxy shall have one vote for every Share held by that Shareholder. An explanation of the procedures of conducting a poll is provided in the notes to the Notice of General Meeting and details will be conveyed to the Shareholders at the General Meeting. The Company will publish an announcement on the poll results of the resolution on the respective websites of the Company at "www.laisun.com" and the Stock Exchange at "www.hkexnews.hk" promptly after the conclusion of the General Meeting.

RECOMMENDATION

Having taken into account the factors as disclosed in the section headed "**REASONS FOR AND BENEFITS OF ENTERING INTO THE 2019 SUPPLEMENTAL DEED**" above, the Directors (other than the excluded Directors) consider that the terms of the 2019 Supplemental Deed are fair and reasonable and are in the interests of the Group and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the General Meeting to approve the 2019 Supplemental Deed.

The excluded Directors are: (i) Dr. Peter Lam, for being a party under the 2019 Supplemental Deed; (ii) Mr. Chew Fook Aun, for also being an executive director of each of LSG, eSun and Lai Fung; (iii) Dr. KM Lam, for being a party under the 2019 Supplemental Deed; (iv) Mr. Lam Hau Yin, Lester, for being the associate of Dr. Peter Lam; (v) Madam U Po Chu, for being the associate of Dr. Peter Lam; (vi) Mr. Lam Bing Kwan, for also being an independent non-executive director of each of Lai Fung and LSG; and (vii) Mr. Leung Shu Yin, William, for also being an independent non-executive director of LSG. The excluded Directors present at the relevant Board meeting abstained from voting on the Board resolution approving the 2019 Supplemental Deed to avoid any conflict of interest.

LETTER FROM THE BOARD

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors (except Mr. Lam Bing Kwan and Mr. Leung Shu Yin, William) has been established to advise the Independent Shareholders in respect of the 2019 Supplemental Deed.

Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on page 13 of this circular and the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders which is set out on pages 14 to 23 of this circular containing their advice and recommendation to the Independent Board Committee and the Independent Shareholders regarding the terms of the 2019 Supplemental Deed as well as the principal factors and reasons taken into consideration in arriving at their advice.

ADDITIONAL INFORMATION

Your attention is drawn to the general information as set out in the appendix to this circular.

Yours faithfully,
For and on behalf of the Board of
Lai Sun Development Company Limited
Lam Kin Ngok, Peter
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



LAI SUN DEVELOPMENT

Lai Sun Development Company Limited
(Incorporated in Hong Kong with limited liability)

(Stock Code: 488)

19 March 2019

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION

2019 SUPPLEMENTAL DEED IN RELATION TO AMENDMENTS TO THE EXISTING NON-COMPETITION UNDERTAKINGS

We refer to the circular of the Company dated 19 March 2019 (“**Circular**”) despatched to the Shareholders of which this letter forms part. Unless the context requires otherwise, terms and expressions defined or adopted in the Circular shall have the same respective meanings in this letter.

We have been appointed by the Board to advise the Independent Shareholders as to whether the 2019 Supplemental Deed was entered into on normal commercial terms or better and in the ordinary and usual course of business of the Group, and whether its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Board Committee appointed Gram Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2019 Supplemental Deed.

We wish to draw your attention to the section headed “Letter from the Board” as set out on pages 5 to 12 of the Circular and the section headed “Letter from Gram Capital” as set out on pages 14 to 23 of the Circular.

Having taken into account the principal factors and reasons considered by Gram Capital, its conclusion and advice, we concur with the opinion of Gram Capital that the terms of the 2019 Supplemental Deed are normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution (the text of which is contained in the Notice of General Meeting) to be proposed at the General Meeting to approve the 2019 Supplemental Deed.

Yours faithfully,
Independent Board Committee
Lai Sun Development Company Limited

Ip Shu Kwan, Stephen

Leung Wang Ching, Clarence

Independent Non-executive Directors

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Amendments for the purpose of inclusion in this circular.



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

19 March 2019

*To: The independent board committee and the independent shareholders
of Lai Sun Development Company Limited*

Dear Sirs,

CONNECTED TRANSACTION 2019 SUPPLEMENTAL DEED IN RELATION TO AMENDMENTS TO THE EXISTING NON-COMPETITION UNDERTAKINGS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Amendments, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 19 March 2019 issued by the Company to the 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.

In view of the listing of the shares of Lai Fung on the Stock Exchange in 1997, the Company and Lai Fung executed a spin-off agreement on 12 November 1997 and, on the same date, the Company provided a deed of undertaking, under both of which the Company has effectively undertaken (and has undertaken to procure member of Group) not to have any direct or indirect interest or otherwise be engaged (other than through the Lai Fung Group and associated companies of Lai Fung) in any PRC Property Projects and PRC Infrastructure Projects, save for their own use or occupation.

On 30 October 2012, Lai Fung executed the Deed of Conditional Waiver in favour of LSG and the Company, pursuant to which Lai Fung conditionally waives any claim, action, proceedings, damages or equitable remedy that it may be entitled to under the Existing Undertakings in respect of the participation by any member of the affiliated groups (defined under the Deed of Conditional Waiver to mean the LSG Group and the Group) in any business opportunities which may otherwise be prohibited under the Existing Undertakings, subject to their compliance with the provisions of the Deed of Conditional Waiver.

LETTER FROM GRAM CAPITAL

On 8 March 2019, Lai Fung executed the 2019 Supplemental Deed in favour of the Company, LSG and the Lim Family in relation to certain amendments to the Existing Undertakings to expand the scope and application of the Listed Securities Exemption.

As each of the Company, LSG and the Lim Family is the controlling shareholder of Lai Fung, each of them is connected person of Lai Fung. The execution of the 2019 Supplemental Deed constitutes a connected transaction of Lai Fung. As Lai Fung is an indirect non-wholly-owned subsidiary of the Company, the execution of the 2019 Supplemental Deed also constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Ip Shu Kwan, Stephen and Mr. Leung Wang Ching, Clarence (being two of the independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the 2019 Supplemental Deed are fair and reasonable; (ii) whether the 2019 Supplemental Deed is on normal commercial terms; (iii) whether the Proposed Amendments are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iv) how the Independent Shareholders should vote in respect of the resolutions to approve the 2019 Supplemental Deed and the Proposed Amendments at the General Meeting. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent 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 agreement/arrangement or implied understanding with anyone concerning the Proposed Amendments. We consider that we 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.

The 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.

LETTER FROM GRAM CAPITAL

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, LSG, eSun, Lai Fung, MAGHL, Lim Family or their respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the Proposed Amendments. 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. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any 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 extracted 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 Proposed Amendments, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Proposed Amendments

Information on the Company

With reference to the Board Letter, the Company is a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed and traded on the Main Board of the Stock Exchange. The principal activities of the Group include property investment, property development, investment in and operation of hotels and restaurants and investment holding.

LETTER FROM GRAM CAPITAL

Set out below is the consolidated financial information of the Company for the two years ended 31 July 2018 as extracted from the Company's annual report for the year ended 31 July 2018 (the "2017/18 Annual Report"):

	For the year ended 31 July 2018 <i>(audited)</i> <i>HK\$'000</i>	For the year ended 31 July 2017 <i>(audited)</i> <i>HK\$'000</i>	Change from 2017 to 2018 %
Turnover	1,693,010	1,704,080	(0.65)
— Sale of properties	430	89,245	(99.52)
— Rental income and building management fee	704,513	686,748	2.59
— Hotel, restaurant and other operations	988,067	928,087	6.46
Gross profit	970,299	968,121	0.22
Profit attributable to owners of the Company	4,335,202	2,093,572	107.07

As illustrated in the above table, there was no material difference in the Group's turnover and gross profit between the year ended 31 July 2017 ("FY2016/17") and the year ended 31 July 2018 ("FY2017/18"). The Group's profit for FY2017/18 increased by approximately 107.07% as compared to that for FY2016/17. With reference to the 2017/18 Annual Report, such increase was mainly attributable to substantial increase in the revaluation of investment properties owned by the Group and held through joint ventures of the Group during FY2017/18.

With reference to the 2017/18 Annual Report, the property sector in Hong Kong as a whole continued to show resilience and robustness despite an increasingly uncertain global economic outlook. The Company's management believes that it is paramount to prepare the Group for the challenges and opportunities ahead. The Group completed a series of corporate activities as part of the new strategy to improve funding sources, execution capabilities and overall coordination with the wider "Lai Sun Group". The Group's strong cash position of approximately HK\$4,339.8 million of cash on hand as at 31 July 2018 provides it with full confidence and the means to review opportunities more actively.

Information on LSG, eSun, Lai Fung, MAGHL and the Lim Family

Set out below are the information on LSG, eSun, Lai Fung, MAGHL and the Lim Family as extracted from the Circular:

LSG is a company incorporated in Hong Kong with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange. The principal activities of the LSG Group include property investment, property development, investment in and operation of hotels and restaurants and investment holding. As at the Latest Practicable Date, LSG owns approximately 56.07% of the total issued Shares of the Company.

LETTER FROM GRAM CAPITAL

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 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. As at the Latest Practicable Date, eSun owns approximately 50.55% of the total issued shares of Lai Fung and approximately 67.56% of the total issued shares of MAGHL.

Lai Fung is an exempted company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange. The principal activity of Lai Fung is investment holding. The principal activities of Lai Fung's subsidiaries 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.

MAGHL is an exempted company incorporated in the Cayman Islands and the continued in Bermuda with limited liability, the issued shares of which are listed and traded on GEM of the Stock Exchange. The principal activities of the MAGHL Group include film production and distribution; organisation, management and production of concerts and live performances; artiste management; production and distribution of television programs; music production and publishing; licensing of media contents; provision of consultancy services in planning and management of cultural, entertainment and live performance projects.

As at the Latest Practicable Date, the Lim Family owns approximately 45.66% of the total issued shares of LSG.

Background of the Existing Undertakings and Deed of Conditional Wavier

With reference to the Board Letter, in connection with the listing of the shares of Lai Fung on the Stock Exchange back in 1997, the Company and Lai Fung executed a spin-off agreement on 12 November 1997 and, on the same date, the Company provided a deed of undertaking, under both of which the Company has effectively undertaken (and has undertaken to procure members of the Group) not to have any direct or indirect interest or otherwise be engaged (other than through the Lai Fung Group and associated companies of Lai Fung) in any PRC Property Projects and PRC Infrastructure Projects, save for their own use or occupation.

On the same date, LSG and Lai Fung also entered into a non-compete agreement, together with Messrs. Lam and the late Mr. Lim Por Yen, the founder of the Lai Sun Group, under which the parties thereto agreed effectively that none of Messrs. Lam, the late Mr. Lim Por Yen and LSG (other than through the Group, the Lai Fung Group and associated companies of Lai Fung) will (and will procure his/its respective subsidiaries, associated companies and associates, as the case may be) directly or indirectly participate in, hold any right or interest in or otherwise be involved in any PRC Property Projects or PRC Infrastructure Projects, save for their own

LETTER FROM GRAM CAPITAL

use or occupation. However, there was no restriction on ownership of shares in any company whose shares are listed on the Stock Exchange or on any other stock exchange and which compete with Lai Fung, provided that such shares do not exceed 15% of such listed company's issued share capital and provided further that at no time shall the LSG Group, Messrs. Lam, the late Mr. Lim Por Yen and their respective associates (whether individually or collectively) exercise control over the board of the relevant company and provided that there is at any time at least one other independent shareholder holding more shares in the relevant company than their aggregate shareholding.

On 30 October 2012, Lai Fung executed the Deed of Conditional Waiver in favour of LSG and the Company, pursuant to which Lai Fung had conditionally agreed to waive any claim, action, proceedings, damages or equitable remedy that it may be entitled to under the Existing Undertakings in respect of the participation by any member of the affiliated groups (defined under the Deed of Conditional Waiver to mean the LSG Group and the Group) in any business opportunities which may otherwise be prohibited under the Existing Undertakings, subject to their compliance with the provisions of the Deed of Conditional Waiver.

The waiver does not apply to Messrs. Lam but affects them only to the extent if any member of the above affiliated groups is allowed to participate in an opportunity prohibited under the Existing Undertakings, and such member also constitutes an associate of any of Messrs. Lam, Messrs. Lam will not be regarded as being in breach of the Existing Undertakings.

Further details on the Deed of Conditional Waiver are set out under the circular of Lai Fung dated 1 December 2012.

Reasons for and benefits of entering into the Proposed Amendments

Following the voluntary general cash offer in respect of eSun in August 2018 and the unconditional mandatory general cash offer in respect of Lai Fung in September 2018 respectively, eSun and Lai Fung have become full-fledged members of the Lai Sun Group, instead of the associated companies thereof as they were at the time of the Deed of Conditional Waiver and before. The Existing Undertakings were devised well over two decades ago at a time when eSun and Lai Fung were only associated companies in the Lai Sun Group. The Company, eSun and Lai Fung recognise the ever-evolving PRC property market landscape and the archaic nature of the Listed Securities Exemption in the face of prevailing investment trends. It is hoped that the updating of the scope of such exemption through the 2019 Supplemental Deed to cover both listed and unlisted securities could contribute to a more pragmatic and flexible investment decisions to be made by the Lai Sun Group.

LETTER FROM GRAM CAPITAL

The Proposed Amendments would impact Lai Fung by lifting the decades-old restrictions on the Lai Sun Group (excluding the Lai Fung Group) to participate in the opportunities permitted under the 2019 Supplemental Deed which are otherwise prohibited under the Existing Undertakings, and would affect the Lai Sun Group as a whole by evening the playing field with respect to such opportunities. Under the Deed of Conditional Waiver, if for whatever reason Lai Fung does not take up or participate at all in an opportunity restricted under the Existing Undertakings, the LSG Group and the Group, being bound by the Existing Undertakings, will be prohibited from pursuing the same, which will not help shore up the image of the Lai Sun Group standing by or stepping in for Lai Fung, but will promote an image of Lai Fung being isolated from the Lai Sun Group. On one hand, the Proposed Amendments contemplated under the 2019 Supplemental Deed will allow the Group to pursue investment opportunities which are otherwise prohibited under the Existing Undertakings. On the other hand, the Directors believe that a controlled and friendly participation in the relevant opportunities by the greater Lai Sun Group would present a strong unified front to Lai Fung's competitors to combat the fierce competition faced by Lai Fung in the PRC property market, which would be beneficial to the Group as a whole. The parties are vigilant in exploring new forms of participation for the benefit of the Company and the Lai Sun Group as a whole in an attempt to keep pace with the fast-changing market.

As above-mentioned, there was no material difference in the Group's turnover and gross profit between FY2016/17 and FY2017/18. Besides, the Group had a strong cash position of approximately HK\$4,339.8 million of cash on hand as at 31 July 2018. Seeking new investment opportunities may utilize the Group's strong cash position and improve the Group's income stream. As the Proposed Amendments will allow the Group to pursue investment opportunities which are otherwise prohibited under the Existing Undertakings, the Group's flexibility and opportunities for investment will be enhanced.

In light of the above, we concur with the Directors that that the Proposed Amendments are in the interests of the Shareholders as a whole.

LETTER FROM GRAM CAPITAL

2. Principal terms of the 2019 Supplemental Deed

On 8 March 2019, Lai Fung executed the 2019 Supplemental Deed in favour of the Company, LSG and the Lim Family to expand the scope and application of the Listed Securities Exemption.

Pursuant to the 2019 Supplemental Deed, notwithstanding anything contained in the Undertaking Documents and the Deed of Conditional Waiver, and to the extent not already exempted under the Undertaking Documents:

- (i) there will be no restriction on ownership of or participation in any business or entity (whether structured as a body corporate, partnership, trust or any unincorporated entity carrying on business) provided that such direct or indirect ownership or participation do not exceed the higher of, (a) 15% of such entity's capital (or equivalent total investment amount) or a 15% share of its annual dividends and distributions (if any) (the "**Restricted Percentage**"); or (b) an investment value of USD30 million, provided further that (aa) at no time shall the Group exercise control (i.e. being in a position to cast a majority of the voting rights, appoint or remove a majority of the directors or otherwise dictate or dominate the decision making) of the relevant entity; and (bb) there is at any time at least one other shareholder or investor independent of the Group having a larger ownership or participating interest in the relevant entity than that of the Group; and
- (ii) in respect of LSG and the Lim Family, there will be no restriction on ownership of or participation in any business or entity (whether structured as a body corporate, partnership, trust or any unincorporated entity carrying on business) provided that such direct or indirect ownership or participation do not exceed the higher of, (a) 15% of such entity's capital (or equivalent total investment amount) or a 15% share of its annual dividends and distributions (if any); or (b) an investment value of USD30 million, provided further that (aa) at no time shall LSG Group and the Lim Family (whether individually or collectively) exercise control (i.e. being in a position to cast a majority of the voting rights, appoint or remove a majority of the directors or otherwise dictate or dominate the decision making) of the relevant entity; and (bb) there is at any time at least one other shareholder or investor independent of the LSG Group and the Lim Family having a larger ownership or participating interest in the relevant entity than that of the LSG Group and/or the Lim Family in aggregate.

The terms and conditions of the Existing Undertakings and the Deed of Conditional Waiver remain unchanged and in full force and effect save to the extent the 2019 Supplemental Deed applies.

LETTER FROM GRAM CAPITAL

Our analysis

In assessing the fairness and reasonableness of the terms of the 2019 Supplemental Deed, we have taken into (i) the flexibility allowed by the Proposed Amendments for the Group; (ii) the prospects of the property market in the PRC; and (iii) the terms of non-competition undertakings of reference cases.

As above-mentioned, there was no material difference in the Group's turnover and gross profit between FY2016/17 and FY2017/18. Besides, the Group had a strong cash position of HK\$4,339.8 million of cash on hand as at 31 July 2018. Seeking new investment opportunities may utilize the Group's strong cash position and improve the Group's income stream. As the Proposed Amendments will allow the Group to pursue investment opportunities which are otherwise prohibited under the Existing Undertakings, the Group's flexibility and opportunities for investment will be enhanced.

According to the data released by National Bureau of Statistics of China, (i) the gross domestic product of the PRC grew from RMB59,524 billion in 2013 to approximately RMB82,712 billion in 2017, representing a compound annual growth rate ("CAGR") of approximately 8.6%; (ii) the total profits of construction enterprises in the PRC grew from approximately RMB558 billion in 2013 to approximately RMB749 billion in 2017, representing a CAGR of approximately 2.8%; (iii) the number of construction enterprises in the PRC increased from 78,919 units in 2013 to 88,074 units in 2017, representing a CAGR of approximately 7.6%; (iv) the total sale of commercialized buildings in the PRC grew from approximately RMB8,143 billion in 2013 to approximately RMB13,370 billion in 2017, representing a CAGR of approximately 13.2%; and (v) the average selling price of commercialised buildings in the PRC grew from approximately RMB6,237 per square meter in 2013 to approximately RMB7,892 per square meter in 2017, representing a CAGR of approximately 6.1%.

The above statistics are positive in general towards the PRC property market.

With reference to the Board Letter, the Existing Undertakings were devised well over two decades ago at a time when eSun and Lai Fung were only associated companies in the Lai Sun Group. By virtue of its expertise in the ever-evolving PRC property market landscape, Lai Fung recognises the archaic nature of the Listed Securities Exemption in the face of prevailing investment trends. We reviewed the terms of deed of non-competition as disclosed in certain prospectuses of recent newly listed companies on the main board of the Stock Exchange for the period from 1 December 2018 to and including the date of the 2019 Supplemental Deed (including Ever Sunshine Lifestyle Services Group Limited (stock code: 1995), Pacific Millennium Packaging Group Corporation (stock code: 1820), Million Cities Holdings Limited (stock code: 2892), China Beststudy Education Group (stock code: 3978), Sichuan Energy

LETTER FROM GRAM CAPITAL

Investment Development Co., Ltd. (stock code: 1713), Sino Gas Holdings Group Limited (stock code: 1759), TS Wonders Holding Limited (stock code: 1767), China Kepei Education Group Limited (stock code: 1890), Wecon Holdings Limited (stock code: 1793), Palace Banquet Holdings Limited (stock code: 1703), Dexin China Holdings Company Limited (stock code: 2019) and KNT Holdings Limited (stock code: 1025)) and noted that it is not uncommon to invest restricted percentage interest in competing business provided that the covenant(s) cannot appoint or remove a majority of the directors of the relevant entity. Therefore, we are of the view that the Proposed Amendments allowing the Group to pursue the new investment opportunities relating to the PRC Property Projects and the PRC Infrastructure Projects is in line with market practice.

In addition, we noticed that (i) the exemption under the 2019 Supplemental Deed (including the Restricted Percentage) applied to the Company is identical to the exemption applied to LSG Group and the Lim Family; and (ii) the Restricted Percentage applied to LSG Group and the Lim Family is the same before and after the Proposed Amendments.

Based on the above, we are of the view that the terms of the 2019 Supplemental Deed are fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the 2019 Supplemental Deed are fair and reasonable; and (ii) the Proposed Amendments are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the General Meeting to approve the 2019 Supplemental Deed and the Proposed Amendments, and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

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

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the 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.

2. DISCLOSURE OF INTERESTS**Directors' and chief executive's interests and short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations**

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (ii) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company 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 of the Listing Rules; or (iv) as known by the Directors were as follows:

(A) The Company***Long positions in the ordinary Shares of the Company (“Shares”) and underlying Shares***

Name of Director	Capacity	Personal interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued Shares
Dr. Peter Lam	Beneficial owner/ Owner of controlled corporations	429,232 (Note 1)	340,023,572 (Note 1)	417,308 (Note 5)	340,870,112	56.21%
Mr. Chew Fook Aun (“Mr. FA Chew”)	Beneficial owner/ Owner of controlled corporations	Nil	400,000 (Note 3)	3,773,081 (Note 5)	4,173,081	0.69%
Mr. Lau Shu Yan, Julius (“Mr. Julius Lau”)	Beneficial owner	263,500 (Note 4)	Nil	2,086,540 (Note 5)	2,350,040	0.39%
Mr. Lam Hau Yin, Lester (“Mr. Lester Lam”)	Beneficial owner	Nil	Nil	4,173,081 (Note 5)	4,173,081	0.69%
Madam U Po Chu (“Madam U”) (Note 2)	Beneficial owner	26,919 (Note 2)	Nil	Nil	26,919	0.01%

Notes:

- LSG and two of its wholly-owned subsidiaries, namely Zimba International Limited (“Zimba International”) and Joy Mind Limited (“Joy Mind”), beneficially owned 340,023,572 Shares, representing approximately 56.07% of the issued share capital of the Company. Dr. Peter Lam was deemed to be interested in the same 340,023,572 Shares by virtue of, in aggregate, his personal and deemed interests of approximately 42.17% in the issued share capital of LSG. LSG is approximately 12.71% owned by Dr. Peter Lam and is approximately 29.46% owned by Wisdoman Limited which in turn is 100% beneficially owned by Dr. Peter Lam.*

On 15 August 2017, the Company implemented the share consolidation on the basis that every fifty (50) issued shares in the share capital of the Company were consolidated into one (1) consolidated share in the share capital of the Company (“Share Consolidation”). The issued share capital of the Company decreased from 30,251,304,984 to 605,026,099 as a result of the Share Consolidation.

The personal interests of Dr. Peter Lam changed from 21,461,617 Shares to 429,232 Shares following the completion of the Share Consolidation.

LSG placed up to 50,934,000 Shares under the secondary block trade agreement dated 16 August 2017 which was completed on 21 August 2017 (“**Placing**”).

During the year ended 31 July 2018, 60,000 ordinary shares were issued in respect of share options exercised under the Company’s share option scheme increasing the number of issued shares from 605,026,099 to 605,086,099.

On 30 January 2018, the Company allotted and issued 990,515 new ordinary shares pursuant to its Scrip Dividend Scheme in relation to the final dividend for the year ended 31 July 2017, increasing the total number of issued shares in the Company from 605,086,099 to 606,076,614.

On 21 December 2018, the Shareholders approved a final dividend of HK\$0.108 per Share payable in cash with a scrip dividend alternative (“**Scrip Dividend Scheme**”) for the year ended 31 July 2018.

On 13 February 2019, the Company allotted and issued 387,511 new ordinary shares pursuant to its Scrip Dividend Scheme in relation to the final dividend for the year ended 31 July 2018, increasing the total number of issued shares in the Company from 606,076,614 to 606,464,125.

LSG pledged approximately 208,513,987 Shares (10,425,699,353 issued shares of the Company before the Share Consolidation) held by LSG, Zimba International and Joy Mind 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.

LSG and Joy Mind acquired in aggregate 17,319,000 Shares on the market in May, June and July 2018, thereby increasing their shareholding interests in the Company from 322,704,572 Shares to 340,023,572 Shares.

2. Madam U is the widow of the late Mr. Lim Por Yen whose estate includes an interest of 3,957,189 Shares (197,859,550 Shares before the Share Consolidation), representing approximately 0.65% of the issued share capital of the Company.

The personal interests of Madam U changed from 1,345,974 Shares to 26,919 Shares following the completion of the Share Consolidation.

3. The 20,000,000 Shares owned by The Orchid Growers Association Limited changed to 400,000 Shares following the completion of the Share Consolidation. By virtue of his 100% interest in the issued share capital of The Orchid Growers Association Limited, Mr. FA Chew was deemed to be interested in these 400,000 Shares.
4. The personal interests of Mr. Julius Lau changed from 13,175,000 Shares to 263,500 Shares following the completion of the Share Consolidation.

5. A share option was granted by the Company to each of Dr. Peter Lam, Mr. FA Chew, Mr. Julius Lau and Mr. Lester Lam, the particulars of which are set out below:

Registered Name	Date of grant	Number of underlying Shares comprised in the option before the Share Consolidation	Number of underlying Shares comprised in the option after the Share Consolidation	Option period	Subscription price before the Share Consolidation	Subscription price after the Share Consolidation
Dr. Peter Lam	18/01/2013	20,865,408	417,308	18/01/2013-17/01/2023	HK\$0.322 per Share	HK\$16.100 per Share
Mr. FA Chew	05/06/2012	188,654,089	3,773,081	05/06/2012-04/06/2022	HK\$0.107 per Share	HK\$5.350 per Share
Mr. Julius Lau	18/01/2013	104,327,044	2,086,540	18/01/2013-17/01/2023	HK\$0.322 per Share	HK\$16.100 per Share
Mr. Lester Lam	18/01/2013	208,654,089	4,173,081	18/01/2013-17/01/2023	HK\$0.322 per Share	HK\$16.100 per Share

(B) The Company's associated corporations

(i) LSG — the ultimate holding company of the Company

Long positions in the ordinary shares of LSG (“LSG Shares”) and underlying LSG Shares

Name of Director	Capacity	Personal interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued LSG Shares
Dr. Peter Lam	Beneficial owner/ Owner of controlled corporations	48,441,476 (Note 1)	113,891,650 (Note 1)	708,575 (Note 6)	163,041,701	42.17%
Mr. FA Chew	Owner of controlled corporations	Nil	202,422 (Note 2)	3,819,204 (Note 6)	4,021,626	1.04%
Mr. Lester Lam	Beneficial owner	12,366,937 (Note 3)	Nil	7,571,626 (Note 6)	19,938,563	5.16%
Dr. KM Lam	Beneficial owner	1,013,879 (Note 4)	Nil	Nil	1,013,879	0.26%
Madam U	Beneficial owner	825,525 (Note 5)	Nil	Nil	825,525	0.21%

Notes:

1. *On 15 August 2017, LSG implemented the share consolidation on the basis that every five (5) issued shares in the share capital of LSG were consolidated into one (1) consolidated share in the share capital of LSG (“LSG Share Consolidation”).*

On 30 January 2018, LSG allotted and issued 1,917,209 new ordinary shares (“Scrip Shares”) pursuant to its Scrip Dividend Scheme in relation to the final dividend for the year ended 31 July 2017, increasing the total number of issued shares in LSG from 383,220,448 to 385,137,657.

On 21 December 2018, the LSG Shareholders approved a final dividend of HK\$0.074 per share payable in cash with a scrip dividend alternative (“LSG Scrip Dividend Scheme”) for the year ended 31 July 2018.

On 13 February 2019, LSG allotted and issued 1,467,165 Scrip Shares pursuant to LSG Scrip Dividend Scheme in relation to the final dividend for the year ended 31 July 2018, increasing the total number of issued shares in LSG from 385,137,657 to 386,604,822.

The interests of Wisdoman Limited changed from 562,590,430 LSG Shares to 112,518,086 LSG Shares following the completion of the LSG Share Consolidation. On 30 January 2018, Wisdoman Limited has elected to receive a total of 609,191 Scrip LSG Shares in lieu of cash dividend pursuant to the LSG Scrip Dividend Scheme, increasing Wisdoman Limited’s interests in LSG from 112,518,086 LSG Shares to 113,127,277 LSG Shares. On 13 February 2019, Wisdoman Limited has elected to receive a total of 764,373 Scrip Shares in lieu of cash dividend pursuant to the LSG Scrip Dividend Scheme, increasing Wisdoman Limited’s interests in LSG from 113,127,277 LSG Shares to 113,891,650 LSG Shares. Dr. Peter Lam was deemed to be interested in 113,891,650 LSG Shares (representing approximately 29.46% of LSG’s issued share capital) by virtue of his 100% interests in the issued share capital of Wisdoman Limited.

The personal interests of Dr. Peter Lam changed from 239,286,305 LSG Shares to 47,857,260 LSG Shares following the completion of the LSG Share Consolidation. On 30 January 2018, Dr. Peter Lam has elected to receive a total of 259,106 Scrip Shares in lieu of cash dividend pursuant to the LSG Scrip Dividend Scheme, increasing his personal interests in LSG from 47,857,260 LSG Shares to 48,116,366 LSG Shares. On 13 February 2019, Dr. Peter Lam has elected to receive a total of 325,110 Scrip Shares in lieu of cash dividend pursuant to the LSG Scrip Dividend Scheme, increasing his personal interests in LSG from 48,116,366 LSG Shares to 48,441,476 LSG Shares.

2. *The 1,012,111 shares held by The Orchid Growers Association Limited, a company wholly-owned by Mr. FA Chew changed to 202,422 LSG Shares following the completion of the LSG Share Consolidation. Mr. FA Chew was deemed to be interested in these 202,422 LSG Shares.*
3. *The personal interests of Mr. Lester Lam changed from 61,088,946 LSG Shares to 12,217,789 LSG Shares following the completion of the LSG Share Consolidation. On 30 January 2018, Mr. Lester Lam has elected to receive a total of 66,149 Scrip Shares in lieu of cash dividend pursuant to the LSG Scrip Dividend Scheme increasing his personal interests in LSG from 12,217,789 LSG Shares to 12,283,938 LSG Shares. On 13 February 2019, Mr. Lester Lam has elected to receive a total of 82,999 Scrip Shares in lieu of cash dividend pursuant to the LSG Scrip Dividend Scheme, increasing his personal interests in LSG from 12,283,938 LSG Shares to 12,366,937 LSG Shares.*

4. *The personal interests of Dr. KM Lam changed from 5,008,263 LSG Shares to 1,001,652 LSG Shares following the completion of the LSG Share Consolidation. On 30 January 2018, Dr. KM Lam has elected to receive a total of 5,423 Scrip Shares in lieu of cash dividend pursuant to the LSG Scrip Dividend Scheme increasing his personal interests in LSG from 1,001,652 LSG Shares to 1,007,075 LSG Shares. On 13 February 2019, Dr. KM Lam has elected to receive a total of 6,804 Scrip Shares in lieu of cash dividend pursuant to the LSG Scrip Dividend Scheme, increasing his personal interests in LSG from 1,007,075 LSG Shares to 1,013,879 LSG Shares.*
5. *The personal interests of Madam U changed from 4,127,625 LSG Shares to 825,525 LSG Shares following the completion of the LSG Share Consolidation.*
6. *Share options were granted by LSG to each of Dr. Peter Lam, Mr. FA Chew and Mr. Lester Lam, the particulars of which are set out below:*

<i>Registered Name</i>	<i>Date of grant</i>	<i>Number of underlying LSG Shares comprised in the option before the LSG Share Consolidation</i>	<i>Number of underlying LSG Shares comprised in the option after the LSG Share Consolidation</i>	<i>Option period</i>	<i>Subscription price before the LSG Share Consolidation</i>	<i>Subscription price after the LSG Share Consolidation</i>
<i>Dr. Peter Lam</i>	<i>18/01/2013</i>	<i>1,876,211</i>	<i>375,242</i>	<i>18/01/2013-17/01/2023</i>	<i>HK\$1.21 per LSG Share</i>	<i>HK\$6.05 per LSG Share</i>
	<i>19/06/2017</i>	<i>1,666,666</i>	<i>333,333</i>	<i>19/06/2017-18/06/2027</i>	<i>HK\$3.00 per LSG Share</i>	<i>HK\$15.00 per LSG Share</i>
<i>Mr. FA Chew</i>	<i>19/06/2017</i>	<i>19,096,022</i>	<i>3,819,204</i>	<i>19/06/2017-18/06/2027</i>	<i>HK\$3.00 per LSG Share</i>	<i>HK\$15.00 per LSG Share</i>
<i>Mr. Lester Lam</i>	<i>18/01/2013</i>	<i>18,762,111</i>	<i>3,752,422</i>	<i>18/01/2013-17/01/2023</i>	<i>HK\$1.21 per LSG Share</i>	<i>HK\$6.05 per LSG Share</i>
	<i>19/06/2017</i>	<i>19,096,022</i>	<i>3,819,204</i>	<i>19/06/2017-18/06/2027</i>	<i>HK\$3.00 per LSG Share</i>	<i>HK\$15.00 per LSG Share</i>

(ii) eSun — a subsidiary of the Company

Long positions in the ordinary shares of eSun (“eSun Shares”) and underlying eSun Shares

<i>Name of Director</i>	<i>Capacity</i>	<i>Personal interests</i>	<i>Corporate interests</i>	<i>Other interests</i>	<i>Total interests</i>	<i>Approximate % of total interests to total issued eSun Shares</i>
<i>Dr. Peter Lam</i>	<i>Beneficial owner/ Owner of controlled corporations</i>	<i>2,794,443</i>	<i>1,113,260,072 (Note 1)</i>	<i>Nil (Note 2 & 3)</i>	<i>1,116,054,515</i>	<i>74.81%</i>
<i>Mr. Lester Lam</i>	<i>Beneficial owner</i>	<i>2,794,443</i>	<i>Nil</i>	<i>Nil (Note 2 & 3)</i>	<i>2,794,443</i>	<i>0.19%</i>

Notes:

- (1) LSG was interested in 340,023,572 Shares in the Company, representing approximately 56.07% of the issued share capital of the Company. Transtrend Holdings Limited (“Transtrend”) a wholly-owned subsidiary of the Company, 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 42.17% and 56.21% in the issued share capital of LSG and the Company, respectively.

With reference to the Company’s announcements dated 27 May 2018, 22 July 2018, 25 July 2018, 8 August 2018 and 22 August 2018 (“Announcements”) and the composite offer and response document jointly issued by the Company, Transtrend and eSun dated 23 July 2018, the eSun Offers (as defined in the Announcements) had become unconditional in all respects on 8 August 2018.

Transtrend received valid acceptances in respect of 603,369,886 eSun Shares in relation to its offer for eSun Shares from 23 July 2018 to 22 August 2018, which increased the total number of eSun Shares in which the Company is deemed to be interested to 1,154,410,072.

On 11 February 2019, Transtrend has completed the sale of an aggregate of 41,150,000 eSun Shares, which decreased the total number of eSun Shares in which the Company is deemed to be interested to 1,113,260,072. As such, Dr. Peter Lam was deemed to be interested in the same 1,113,260,072 eSun Shares, representing approximately 74.62% of the issued share capital of eSun.

- (2) A share option was granted by eSun to each of Dr. Peter Lam, Mr. FA Chew and Mr. Lester Lam, the particulars of which are set out below:

Registered Name	Date of grant	Number of underlying eSun Shares comprised in the option	Option period	Subscription price
Dr. Peter Lam	18/01/2013	1,243,212	18/01/2013–17/01/2023	HK\$1.612 per eSun Share
Mr. FA Chew	05/06/2012	6,216,060	05/06/2012–04/06/2022	HK\$0.92 per eSun Share
Mr. Lester Lam	18/01/2013	12,432,121	18/01/2013–17/01/2023	HK\$1.612 per eSun Share

- (3) The 1,243,212 eSun share options of Dr. Peter Lam have been cancelled on 22 August 2018 pursuant to the eSun offers.

Mr. FA Chew tendered acceptances to the eSun offer on 27 July 2018 in respect of these 6,216,060 share options which have been cancelled on 8 August 2018.

The 12,432,121 eSun share options of Mr. Lester Lam have been cancelled on 22 August 2018 pursuant to the eSun offers.

(iii) *Lai Fung — a subsidiary of eSun**Long positions in the ordinary shares of Lai Fung (“Lai Fung Shares”) and underlying Lai Fung Shares*

Name of Director	Capacity	Personal interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued Lai Fung Shares
Dr. Peter Lam	Beneficial owner/ Owner of controlled corporations	Nil	165,502,573 (Note 1)	321,918 (Note 4)	165,824,491	50.65%
Mr. FA Chew	Beneficial owner/ Owner of controlled corporations	Nil	600,000 (Note 2)	1,009,591 (Note 4)	1,609,591	0.49%
Mr. Julius Lau	Beneficial owner	235 (Note 3)	Nil	965,754 (Note 4)	965,989	0.30%
Mr. Lester Lam	Beneficial owner	Nil	Nil	3,219,182 (Note 4)	3,219,182	0.98%

Notes:

1. *On 15 August 2017, Lai Fung implemented the Share Consolidation on the basis that every fifty (50) issued shares in the share capital of Lai Fung were consolidated into one (1) consolidated share in the share capital of Lai Fung (“Lai Fung Share Consolidation”).*

On 30 January 2018, Lai Fung allotted and issued 1,122,400 new ordinary shares pursuant to its Scrip Dividend Scheme in relation to the final dividend for the year ended 31 July 2017, increasing the total number of issued Lai Fung Shares from 325,921,734 to 327,044,134.

On 13 February 2019, Lai Fung allotted and issued 342,831 new ordinary shares pursuant to its Scrip Dividend Scheme in relation to the final dividend for the year ended 31 July 2018, increasing the total number of issued Lai Fung Shares from 327,044,134 to 327,386,965.

The 8,274,270,422 Lai Fung Shares held by eSun changed to 165,485,406 Lai Fung Shares following the completion of the Lai Fung Share Consolidation. Dr. Peter Lam was deemed to be interested in the same 165,485,406 Lai Fung Shares by virtue of, in aggregate, his personal and deemed shareholding interests of approximately 74.81% in the issued share capital of eSun.

Transtrend received valid acceptances in respect of 17,167 Lai Fung Shares in relation to its offer for Lai Fung Shares from 15 August 2018 to 13 September 2018, which increased the total number of Lai Fung Shares in which Dr. Peter Lam was deemed to be interested to 165,502,573, representing approximately 50.55% of the issued share capital of Lai Fung.

2. *The deemed interests of Mr. FA Chew changed from 30,000,000 Lai Fung Shares to 600,000 Lai Fung Shares following the completion of the Lai Fung Share Consolidation. These shares were held by The Orchid Growers Association Limited, a company wholly-owned by Mr. FA Chew.*
3. *The personal interests of Mr. Julius Lau changed from 11,772 Lai Fung Shares to 235 Lai Fung Shares following the completion of the Lai Fung Share Consolidation.*
4. *A share option was granted by Lai Fung to each of Dr. Peter Lam, Mr. FA Chew, Mr. Julius Lau and Mr. Lester Lam, the particulars of which are set out below:*

<i>Registered Name</i>	<i>Date of grant</i>	<i>Number of underlying Lai Fung Shares comprised in the option before the Lai Fung Share Consolidation</i>	<i>Number of underlying Lai Fung Shares comprised in the option after the Lai Fung Share Consolidation</i>	<i>Option period</i>	<i>Subscription price before the Lai Fung Share Consolidation</i>	<i>Subscription price after the Lai Fung Share Consolidation</i>
<i>Dr. Peter Lam</i>	<i>18/01/2013</i>	<i>16,095,912</i>	<i>321,918</i>	<i>18/01/2013-17/01/2023</i>	<i>HK\$0.228 per Lai Fung Share</i>	<i>HK\$11.400 per Lai Fung Share</i>
<i>Mr. FA Chew</i>	<i>12/06/2012</i>	<i>50,479,564</i>	<i>1,009,591</i>	<i>12/06/2012-11/06/2020</i>	<i>HK\$0.133 per Lai Fung Share</i>	<i>HK\$6.650 per Lai Fung Share</i>
<i>Mr. Julius Lau</i>	<i>18/01/2013</i>	<i>48,287,738</i>	<i>965,754</i>	<i>18/01/2013-17/01/2023</i>	<i>HK\$0.228 per Lai Fung Share</i>	<i>HK\$11.400 per Lai Fung Share</i>
<i>Mr. Lester Lam</i>	<i>18/01/2013</i>	<i>160,959,129</i>	<i>3,219,182</i>	<i>18/01/2013-17/01/2023</i>	<i>HK\$0.228 per Lai Fung Share</i>	<i>HK\$11.400 per Lai Fung Share</i>

*(iv) MAGHL — a subsidiary of eSun**Long positions in the ordinary shares of MAGHL (“MAGHL Shares”) and underlying MAGHL Shares*

Name of Director	Capacity	Number of MAGHL Shares held	Number of underlying MAGHL Shares held	Total number of issued MAGHL Shares and underlying MAGHL Shares	Approximate % of total interests to total issued MAGHL Shares
Dr. Peter Lam	Owner of controlled corporations	1,443,156,837 <i>(Note 1)</i>	Nil	1,443,156,837	67.56%

Note:

- As at the Latest Practicable Date, these interests in MAGHL represented the 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 the Company which in turn is owned as to approximately 56.07% by LSG. As LSG is approximately 12.71% owned by Dr. Peter Lam and approximately 29.46% owned by Wisdoman Limited which is in 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, there was no Director or proposed Director who is a director or employee of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

- Dr. Peter Lam (an executive Director) is also an executive director of LSG;
- Mr. FA Chew (an executive Director) is also an executive director of LSG;
- Mr. Lester Lam, (an executive Director) is also an executive director of LSG;
- Dr. KM Lam (a non-executive Director) is an executive director of LSG;
- Madam U (a non-executive Director) is an executive director of LSG;
- Mr. Lam Bing Kwan (an independent non-executive Director) is also an independent non-executive director of LSG; and
- Mr. Leung Shu Yin, William (an independent non-executive Director) is also an independent non-executive director of LSG.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at the Latest Practicable Date, so far as was known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals (are being a Director), who had 5% or more interests in the following long positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO (“**Register of Shareholders**”) or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company (“**Voting Entitlements**”) (i.e. within the meaning of Substantial Shareholders of the Listing Rules) were as follows:

Long Positions in the Shares and the Underlying Shares of the Company

Name	Capacity	Nature of interests	Number of Shares and underlying Shares	Approximate % of Shares in issue
LSG	Beneficial owner	Corporate	340,023,572 (Note 1)	56.07%
Dr. Peter Lam	Beneficial owner/ Owner of controlled corporations	Personal and corporate	340,870,112 (Note 1)	56.21%
Mr. Yu Cheuk Yi	Beneficial owner	Personal	103,323,210 (Note 2)	17.04%
Ms. Yu Siu Yuk	Beneficial owner	Personal	103,323,210 (Note 2)	17.04%

Notes:

- (1) LSG and two of its wholly-owned subsidiaries, namely Zimba International and Joy Mind beneficially owned 340,023,572 Shares, representing approximately 56.07% of the issued share capital of the Company following the completion of the Share Consolidation and the Placing. Dr. Peter Lam was deemed to be interested in the same 340,023,572 Shares by virtue of, in aggregate, his personal and deemed interests of approximately 42.17% in the issued share capital of LSG.
- (2) Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk jointly held 103,323,210 Shares (17.04%) according to shareholding shown in the last Individual Substantial Notice (Form 1) filed for an event on 1 March 2019.

Save as disclosed above, the Directors are not aware of any other corporation or individual (other than a Director or the chief executive of the Company) who, as at the Latest Practicable Date, had the Voting Entitlements or 5% or more interests or short positions in the Shares or underlying Shares of the Company recorded in the Register of Shareholders.

3. COMPETING INTERESTS

As at the Latest Practicable Date, the following Directors are considered to have interests in businesses which compete or may compete, either directly or indirectly, with the businesses of the Group (which would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder of the Company):

Dr. Peter Lam, Dr. KM Lam, Mr. FA Chew, Madam U and Mr. Lester Lam (together, “**Interested Directors**”) held shareholding interests and/or directorships in companies/entities engaged in the businesses of property investment and development in Hong Kong including Crocodile Garments Limited.

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 restaurants in Hong Kong.

Dr. KM Lam held shareholding or other interests and/or directorships in companies or entities engaged in the production of pop concerts, music production and distribution and management of artistes.

The Directors do not consider the interests held by the Interested Directors to be competing in practice with the relevant business of the Group in view of:

- (1) different locations and different uses of the properties owned by the above companies and those of the Group; and
- (2) different target customers of the restaurant operations as well as the concerts and albums of the above companies and those of the Group.

However, the Board is independent from the boards of directors/governing committees of the aforesaid companies/entities and none of the Interested Directors can personally control the Board. Further, each of the Interested Directors is fully aware of, and has been discharging his/her fiduciary duty to the Company and has acted and will continue to act in the best interest of the Company and the Shareholders as a whole. Therefore, the Group is capable of carrying on its businesses independently of, and at arm’s length from, the businesses of such companies/entities.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their respective close associates had any interest in a business which competes or may compete with the businesses of the Group (which would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder of the Company).

4. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS OF THE GROUP

As at the Latest Practicable Date,

- (a) 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; and
- (b) none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 July 2018, being the date to which the latest published audited consolidated financial statements of the Company were made up.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group which will not expire or be determinable by the relevant member of the Group within one (1) year without payment of compensation (other than statutory compensation).

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 July 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Gram Capital Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO

The expert above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or opinion as set out in this circular and references to its name in the form and context in which they appear in this circular.

As at the Latest Practicable Date, the expert above did not have any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 July 2018, being the date to which the latest published audited consolidated financial statements of the Company were made up.

As at the Latest Practicable Date, the expert above did not have any shareholding, directly or indirectly, 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. GENERAL

In the event of any inconsistency, the English language text of this circular and the form of proxy shall prevail over the Chinese language text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong during normal business hours between 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, from the date of this circular up to and including the date of the General Meeting and at the General Meeting:

- (a) the Undertaking Documents;
- (b) the Deed of Conditional Waiver; and
- (c) the 2019 Supplemental Deed.

NOTICE OF GENERAL MEETING



LAI SUN DEVELOPMENT

Lai Sun Development Company Limited
(Incorporated in Hong Kong with limited liability)

(Stock Code: 488)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a general meeting (“**General Meeting**”) of the members (“**Members**”) of Lai Sun Development Company Limited (“**Company**”) will be held at Grand Ballroom 1, Level B, Hong Kong Ocean Park Marriott Hotel, 180 Wong Chuk Hang Road, Aberdeen, Hong Kong, on Tuesday, 30 April 2019 at 11:00 a.m. for the purposes of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** the 2019 Supplemental Deed executed by Lai Fung Holdings Limited (an indirect non-wholly-owned subsidiary of the Company) in relation to certain amendments to the Existing Undertakings, a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose, be and is hereby approved, confirmed and ratified.”

By order of the Board
Lai Sun Development Company Limited
Chow Kwok Wor
Company Secretary

Hong Kong, 19 March 2019

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

NOTICE OF GENERAL MEETING

Notes:

- (1) A Member entitled to attend and vote at the General Meeting 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 of the Company (“**Shares**”), more than one) proxy to attend the General Meeting 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 General Meeting 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, duly signed and completed together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof), must be lodged with Tricor Tengis Limited, the share registrar of the Company (“**Registrar**”), at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not less than 48 hours before the time appointed for holding the General Meeting or its adjourned meeting (as the case may be) and in default, the proxy will 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 General Meeting or its adjourned meeting (as the case may be) should they so wish. In that event, 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 General Meeting, Members must lodge the relevant transfer document(s) and share certificate(s) at the office of the Registrar no later than 4:30 p.m. on Wednesday, 24 April 2019 for registration.
- (5) Where there are joint registered holders of any Shares, any one of such joint holders may attend and vote at the General Meeting or its adjourned meeting (as the case may be), either in person or by proxy, in respect of such Shares as if he/she/it were solely entitled thereto. However, if more than one of such joint holders are present at the General Meeting or its adjourned meeting (as the case may be) personally or by proxy, then one of such holders so present whose name stands first in the Register of Members in respect of such Shares 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, voting on the resolution proposed in the Notice will be taken by poll.
- (7) If a tropical cyclone warning signal No. 8 or above is expected to be hoisted or a “black” rainstorm warning signal is expected to be in force at any time after 7:30 a.m. on the date of the General Meeting, the General Meeting will be postponed. The Company will post a supplementary notice on the respective websites of the Company and the Stock Exchange to notify Members of the date, time and venue of the postponed General Meeting.

If a tropical cyclone warning signal No. 8 or above or a “black” rainstorm warning signal is lowered or cancelled at or before 7:30 a.m. on the date of the General Meeting and where conditions permit, the General Meeting will be held as scheduled.

The General Meeting will be held as scheduled when an amber or red rainstorm warning signal is in force.

Having considered their own situations, Members should decide on their own whether they would attend the General Meeting under a bad weather condition 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 19 March 2019 which contains information concerning the resolution to be proposed in the General Meeting.