
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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LAI SUN DEVELOPMENT

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

(Stock Code: 488)

CONTINUING CONNECTED TRANSACTIONS FINANCIAL ASSISTANCE FRAMEWORK AGREEMENTS AND NOTICE OF GENERAL MEETING

Independent Financial Adviser to
Independent Board Committee and Independent Shareholders

ALTUS CAPITAL LIMITED

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

A letter from the Board is set out on pages 7 to 25 of this circular. The notice convening the General Meeting to be held at Grand Ballrooms 1 and 2, Level B, Hong Kong Ocean Park Marriott Hotel, 180 Wong Chuk Hang Road, Aberdeen, Hong Kong on Tuesday, 15 November 2022 at 8:30 a.m. is set out on pages GM-1 to GM-4 of this circular.

Shareholders are advised to read the notice of the General Meeting and if you are not able to attend the General Meeting or any adjournment thereof (as the case may be) in person but wish to exercise your right as a shareholder of the Company, please complete, sign and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Company’s share registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for holding the General Meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof (as the case may be) should you so wish and in such event, the form of proxy shall be deemed to be revoked.

In light of the epidemic situation of the novel coronavirus (COVID-19), certain measures will be implemented at the General Meeting or its adjournment (as the case may be) with a view to addressing the risk to attendees of infection, including the following:

- (a) all attendees will be required to undergo body temperature check;
- (b) all attendees will be required to scan the “LeaveHomeSafe” venue QR code at the entrance of the venue of the General Meeting, and comply with the requirements of the Vaccine Pass Direction under the Prevention and Control of Disease (Vaccine Pass) Regulation (Chapter 599L of the Laws of Hong Kong);
- (c) any attendees who are subject to health quarantine prescribed by the Government of the HKSAR will not be admitted to the venue of the General Meeting;
- (d) all attendees will be required to wear surgical face masks throughout the General Meeting;
- (e) each attendee will be assigned a designated seat at the time of registration to ensure social distancing;
- (f) any person who does not comply with the measures above may be denied entry into, or be required to leave, the venue of the General Meeting; and
- (g) no refreshments or beverages will be provided, and there will be no corporate gifts.

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

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

Hong Kong, 28 October 2022

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This circular in both English and Chinese is available in printed form and published on the respective websites of the Company at <https://www.laisun.com> and Hong Kong Exchanges and Clearing Limited at “<https://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, unless the context otherwise requires, the following expressions have the following respective meanings:

“Announcement Date”	9 September 2022, being the date of the Joint Announcement;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Altus Capital” or “Independent Financial Adviser”	Altus Capital Limited (浩德融資有限公司), a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the LSD Financial Assistance Framework Agreements, the Intercompany Loan Transactions contemplated thereunder and the LSD Annual Caps;
“Board”	the board of Directors;
“Borrower(s)”	member(s) of the eSun Borrower Group or the LF Borrower Group receiving financial assistance pursuant to the LSD Financial Assistance Framework Agreements;
“Borrower Group(s)”	the eSun Borrower Group and the LF Borrower Group, collectively; and a “ Borrower Group Company ” shall mean any member of the Borrower Groups;
“close associate”	has the meaning ascribed to it under the Listing Rules;
“Company” or “LSD”	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 meaning ascribed to it under the Listing Rules;
“connected subsidiary”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“disclosures of interests”	the disclosures of interests pursuant to Part XV of the SFO or otherwise;

DEFINITIONS

“Dr. Peter Lam”	Dr. Lam Kin Ngok, Peter, the ultimate controlling shareholder of the Company and LSG, the chairman and an executive director of both the Company and LSG;
“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 Borrower Group”	eSun Group in the capacity as borrower under the Intercompany Loan Transactions; and “ eSun Borrower Group Company ” shall mean any member of the eSun Borrower Group;
“eSun Group”	eSun and its subsidiaries;
“eSun Shares”	the shares in the issued share capital of eSun;
“General Meeting”	the general meeting of the Company to be held to seek approval from the Independent Shareholders in respect of (i) the entering into of each LSD Financial Assistance Framework Agreement by the Company (as lender), (ii) the Intercompany Loan Transactions contemplated under the two LSD Financial Assistance Framework Agreements, and (iii) the LSD Annual Caps;
“General Terms”	general terms applicable to the Intercompany Loan Transactions as set out in the section headed “General Terms of the Intercompany Loan Transactions” in this circular;
“GFA”	gross floor area;
“Group” or “LSD Group”	LSD and its subsidiaries (including, for the avoidance of doubt, the eSun Group and the LF Group);
“HIBOR”	the Hong Kong interbank offered rate administered by the Treasury Markets Association (of any other person which takes over the administration of that rate) for HK\$ for the relevant period;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong” or “HKSAR”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the independent board committee of the Company established by the Board comprising all the independent non-executive Directors;

DEFINITIONS

“Independent Shareholders”	the Shareholders other than (a) the Yu Shareholders, who, on the basis of the latest information received by the Company from the Yu Shareholders and their disclosures of interests in the Company, eSun and LF as at the Latest Practicable Date, will be required under the Listing Rules to abstain from voting on the resolutions to be proposed at the General Meeting, and their close associates; and (b) any other Shareholder who has a material interest in any of the Financial Assistance Framework Agreements and the Intercompany Loan Transactions contemplated thereunder, and will be required under the Listing Rules to abstain from voting on the relevant resolutions to be proposed at the General Meeting, and his close associates. For the avoidance of doubt, the Independent Shareholders include LSG, Zimba, Joy Mind and Dr. Peter Lam;
“Intercompany Loan(s)”	loan(s) granted by a relevant Lender to a relevant Borrower under any Intercompany Loan Transaction;
“Intercompany Loan Transaction(s)”	the LSG-LSD Loan Transactions, the LSG-eSun Loan Transactions, the LSG-LF Loan Transactions, the LSD-eSun Loan Transactions and the LSD-LF Loan Transactions, collectively;
“Joint Announcement”	the announcement dated 9 September 2022 jointly made by LSG and the Company in relation to, inter alia, the LSD Financial Assistance Framework Agreements;
“Joy Mind”	Joy Mind Limited (欣楚有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of LSG;
“Latest Practicable Date”	21 October 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular prior to its publication;
“Lender(s)”	member(s) of the LSD Lender Group providing financial assistance pursuant to the LSD Financial Assistance Framework Agreements;
“LF”	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);

DEFINITIONS

“LF Borrower Group”	LF Group in the capacity as borrower under the Intercompany Loan Transactions; and “ LF Borrower Group Company ” shall mean any member of the LF Borrower Group;
“LF Group”	LF and its subsidiaries;
“LF Shares”	the shares in the issued share capital of LF;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“LSD Annual Caps”	the LSD-eSun Annual Caps and the LSD-LF Annual Caps, collectively;
“LSD Borrower Group”	the Group (excluding the eSun Group and the LF Group) in the capacity as borrower under the Intercompany Loan Transactions; and “ LSD Borrower Group Company ” shall mean any member of the LSD Borrower Group;
“LSD-eSun Annual Caps”	the annual caps set in respect of the Intercompany Loan Transactions contemplated under the LSD-eSun Framework Agreement for each of the financial years during the initial term thereof;
“LSD-eSun Framework Agreement”	the financial assistance framework agreement dated 9 September 2022 and entered into between the Company and eSun in relation to the provision of financial assistance in the form of unsecured bilateral loans by member(s) of the LSD Lender Group (as lender) to member(s) of the eSun Borrower Group (as borrower) from time to time during the term thereof;
“LSD-eSun Loan Transaction(s)”	the financial assistance to be provided by a LSD Lender Group Company to a eSun Borrower Group Company from time to time pursuant to the terms of the LSD-eSun Framework Agreement;
“LSD Financial Assistance Framework Agreements”	the LSD-eSun Framework Agreement and the LSD-LF Framework Agreement, collectively;
“LSD Lender Group”	the Group (excluding the eSun Group and the LF Group) in the capacity as lender under the Intercompany Loan Transactions; and “ LSD Lender Group Company ” shall mean any member of the LSD Lender Group;

DEFINITIONS

“LSD-LF Annual Caps”	the annual caps set in respect of the Intercompany Loan Transactions contemplated under the LSD-LF Framework Agreement for each of the financial years during the initial term thereof;
“LSD-LF Framework Agreement”	the financial assistance framework agreement dated 9 September 2022 and entered into between the Company and LF in relation to the provision of financial assistance in the form of unsecured bilateral loans by member(s) of the LSD Lender Group (as lender) to member(s) of the LF Borrower Group (as borrower) from time to time during the term thereof;
“LSD-LF Loan Transaction(s)”	the financial assistance to be provided by a LSD Lender Group Company to a LF Borrower Group Company from time to time pursuant to the terms of the LSD-LF Framework Agreement;
“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 (including, for the avoidance of doubt, the Group);
“LSG Shares”	the shares in the issued share capital of LSG;
“Madam U”	Madam U Po Chu, an executive director of LSG and LF, a non-executive director of the Company and eSun, and Dr. Peter Lam’s mother;
“Mr. Lester Lam”	Mr. Lam Hau Yin, Lester, an executive director of the LSG (and an alternate to Madam U as an executive director of LSG), the Company (and an alternate to Madam U as a non-executive director of the Company) and eSun (and an alternate to Madam U as a non-executive director of eSun), the chief executive officer and an executive director of LF (and an alternate to Madam U as an executive director of LF), and Dr. Peter Lam’s son;
“PRC”	the People’s Republic of China and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shares”	the shares in the issued share capital of the Company;
“Shareholders”	the holders of Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules;
“Wisdoman”	Wisdoman Limited (善晴有限公司), a company incorporated in Hong Kong with limited liability and wholly-owned by Dr. Peter Lam, together with Dr. Peter Lam, are controlling shareholders of LSG;
“Yu Shareholders”	Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk;
“Zimba”	Zimba International Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of LSG; 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, *GBM, GBS (Chairman)*
Mr. Chew Fook Aun (*Deputy Chairman*)
Mr. Lau Shu Yan, Julius (*Chief Executive Officer*)
Mr. Lam Hau Yin, Lester
(*also alternate director to Madam U Po Chu*)
Mr. Lee Tze Yan, Ernest

Registered Office/Principal Office:

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

Non-executive Director:

Madam U Po Chu

Independent Non-executive Directors:

Mr. Lam Bing Kwan
Mr. Leung Shu Yin, William
Mr. Ip Shu Kwan, Stephen, *GBS, JP*

28 October 2022

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
FINANCIAL ASSISTANCE FRAMEWORK AGREEMENTS
AND
NOTICE OF GENERAL MEETING**

1. INTRODUCTION

Reference is made to the Joint Announcement. This circular contains (i) information on the LSD Financial Assistance Framework Agreements and the Intercompany Loan Transactions respectively contemplated thereunder, the proposed LSD Annual Caps; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) certain financial information of the Group; (v) a notice of the General Meeting; and (vi) other information as required under the Listing Rules.

LETTER FROM THE BOARD

2. LSD FINANCIAL ASSISTANCE FRAMEWORK AGREEMENTS

On 9 September 2022, the Company entered into the LSD-eSun Framework Agreement and the LSD-LF Framework Agreement respectively with eSun and LF (each a connected subsidiary of the Company) in respect of financial assistance to be provided by LSD Lender Group Companies to eSun Borrower Group Companies and LF Borrower Group Companies, respectively, from time to time. Each of the two LSD Financial Assistance Framework Agreements is for an initial term of three years commencing from 1 January 2023 and expiring on 31 December 2025.

(1) LSD-eSun Framework Agreement

Principal Terms of the LSD-eSun Framework Agreement

The principal terms of the LSD-eSun Framework Agreement are as follows:–

Date: 9 September 2022

Parties: LSD (as lender) and eSun (as borrower)

Term: Commencing from 1 January 2023 and expiring on 31 December 2025 and thereafter to be automatically renewed for subsequent periods of three (3) years on the same terms and conditions unless terminated, provided always that the renewal of the term shall be conditional upon (i) LSD having determined new annual caps to apply for the renewed term and (ii) LSD's and LSG's due compliance with all applicable requirements of the Listing Rules (including the requirement to obtain independent shareholders' approval, if applicable).

LSD-eSun Loan Transactions: At any time during the term, any LSD Lender Group Company (as lender) and any eSun Borrower Group Company (as borrower) may enter into LSD-eSun Loan Transaction(s) upon such terms and conditions as may be mutually agreed between the parties thereto, provided that each LSD-eSun Loan Transaction shall fully comply with the terms and conditions of the LSD-eSun Framework Agreement.

General Terms: See the section headed "General Terms of the Intercompany Loan Transactions" below for the General Terms agreed between the parties in respect of each LSD-eSun Loan Transaction to be entered into during the term.

LETTER FROM THE BOARD

Termination: The LSD-eSun Framework Agreement may be terminated, inter alia, at any time by either party giving not less than one (1) month's prior written notice to the other party; by either party if the other party commits a material breach of any of the provisions of the LSD-eSun Framework Agreement; or by either party if the other party has become insolvent or is subject to any winding-up, liquidation or analogous proceedings.

In the event that eSun ceases to be a connected person of LSD, or the LSD-eSun Loan Transactions cease to be subject to the requirements of the Listing Rules in relation to continuing connected transactions, the parties may (but shall not be obliged to) terminate the LSD-eSun Framework Agreement by way of mutual agreement in writing.

Conditions: The LSD-eSun Framework Agreement is conditional upon both LSD and LSG having obtained shareholders' approval in accordance with the applicable requirements of the Listing Rules in respect of (i) the entering into of the LSD-eSun Framework Agreement by LSD, (ii) the LSD-eSun Loan Transactions contemplated thereunder, and (iii) the LSD-eSun Annual Caps for the initial term.

LSD-eSun Annual Caps

At any time during the term of the LSD-eSun Framework Agreement, the aggregate amount of the Intercompany Loans provided by the LSD Lender Group Companies to the eSun Borrower Group Companies shall not exceed the LSD-eSun Annual Cap of the relevant financial year.

Set out below are the proposed LSD-eSun Annual Caps for the LSD-eSun Loan Transactions contemplated under the LSD-eSun Framework Agreement for each of the financial years during the initial term:–

	For the financial year ending 31 July			
	2023	2024	2025	2026
	<i>(HK\$ '000)</i>	<i>(HK\$ '000)</i>	<i>(HK\$ '000)</i>	<i>(HK\$ '000)</i>
LSD-eSun				
Annual Caps	90,000	190,000	360,000	485,000

LETTER FROM THE BOARD

Basis of the LSD-eSun Annual Caps

In arriving at the LSD-eSun Annual Caps set out above, the Directors have considered the following factors: (i) the cash position, the estimated operating cash flow as well as financing capacity of the LSD Lender Group; (ii) the expected financing demands of the eSun Borrower Group in each of the financial years during the initial term; and (iii) buffer for additional financial assistance due to unanticipated operational and/or other funding needs of the eSun Borrower Group. For further details, please refer to the section headed “Basis of the LSD Annual Caps” below.

(2) LSD-LF Framework Agreement

Principal Terms of the LSD-LF Framework Agreement

The principal terms of the LSD-LF Framework Agreement are as follows:–

Date: 9 September 2022

Parties: LSD (as lender) and LF (as borrower)

Term: Commencing from 1 January 2023 and expiring on 31 December 2025 and thereafter to be automatically renewed for subsequent periods of three (3) years on the same terms and conditions unless terminated, provided always that the renewal of the term shall be conditional upon (i) LSD having determined new annual caps to apply for the renewed term and (ii) LSD’s and LSG’s due compliance with all applicable requirements of the Listing Rules (including the requirement to obtain independent shareholders’ approval, if applicable).

LSD-LF Loan Transactions: At any time during the term, any LSD Lender Group Company (as lender) and any LF Borrower Group Company (as borrower) may enter into LSD-LF Loan Transaction(s) upon such terms and conditions as may be mutually agreed between the parties thereto, provided that each LSD-LF Loan Transaction shall fully comply with the terms and conditions of the LSD-LF Framework Agreement.

General Terms: See the section headed “General Terms of the Intercompany Loan Transactions” below for the General Terms agreed between the parties in respect of each LSD-LF Loan Transaction to be entered into during the term.

LETTER FROM THE BOARD

Termination: The LSD-LF Framework Agreement may be terminated, inter alia, at any time by either party giving not less than one (1) month's prior written notice to the other party; by either party if the other party commits a material breach of any of the provisions of the LSD-LF Framework Agreement; or by either party if the other party has become insolvent or is subject to any winding-up, liquidation or analogous proceedings.

In the event that LF ceases to be a connected person of LSD, or the LSD-LF Loan Transactions cease to be subject to the requirements of the Listing Rules in relation to continuing connected transactions, the parties may (but shall not be obliged to) terminate the LSD-LF Framework Agreement by way of mutual agreement in writing.

Conditions: The LSD-LF Framework Agreement is conditional upon both LSD and LSG having obtained shareholders' approval in accordance with the applicable requirements of the Listing Rules in respect of (i) the entering into of the LSD-LF Framework Agreement by LSD, (ii) the LSD-LF Loan Transactions contemplated thereunder, and (iii) the LSD-LF Annual Caps for the initial term.

LSD-LF Annual Caps

At any time during the term of the LSD-LF Framework Agreement, the aggregate amount of the Intercompany Loans provided by the LSD Lender Group Companies to the LF Borrower Group Companies shall not exceed the LSD-LF Annual Cap of the relevant financial year.

Set out below are the proposed LSD-LF Annual Caps for the LSD-LF Loan Transactions contemplated under the LSD-LF Framework Agreement for each of the financial years during the initial term:–

	For the financial year ending 31 July			
	2023	2024	2025	2026
	<i>(HK\$ '000)</i>	<i>(HK\$ '000)</i>	<i>(HK\$ '000)</i>	<i>(HK\$ '000)</i>
LSD-LF				
Annual Caps	1,000,000	3,000,000	3,000,000	3,000,000

LETTER FROM THE BOARD

Basis of the LSD-LF Annual Caps

In arriving at the LSD-LF Annual Caps set out above, the Directors have considered the following factors: (i) the cash position, the estimated operating cash flow as well as financing capacity of the LSD Lender Group; (ii) the expected financing demands of the LF Borrower Group in each of the financial years during the initial term; and (iii) buffer for additional financial assistance due to unanticipated operational and/or other funding needs of the LF Borrower Group. For further details, please refer to the section headed “Basis of the LSD Annual Caps” below.

3. BASIS OF THE LSD ANNUAL CAPS

As disclosed above, the LSD-eSun Annual Caps were set with reference to the expected financing demand of the eSun Borrower Group in each of the financial years during the initial term, estimated based on the latest cash position and projected cash flow of eSun Borrower Group. Certain buffer has been provided in the projected cash flow of eSun Borrower Group for any unanticipated operational and/or other funding needs.

As at 31 July 2022, the consolidated cash and bank balances of eSun Group amounted to approximately HK\$1,202.9 million. eSun is 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 and cinema operation. As at the Latest Practicable Date, eSun Group operates 15 cinemas in Hong Kong and 2 cinemas in the PRC, with 95 screens and 14,951 seats in total. Another new cinema of the eSun Group in Kai Tak, Kowloon, is expected to commence business in the second quarter of 2023. eSun Group also secured the cinema site at The ONE in Tsim Sha Tsui, Kowloon and the operation is expected to commence in the third quarter of 2023. Due to the relaxation of social distancing measures and the release of a number of local and international blockbuster movies, the cinema operation of eSun Group recovered gradually from the worst of the COVID-19 pandemic, however, the performance is still suffering from the social distancing measures as well as the challenging operating environment amid the economic uncertainty. eSun Group remains cautiously optimistic about the fundamental demand for entertainment in the long run and continues to evaluate opportunities to maintain and enhance its market positioning as a leading multiplex cinema operator in Hong Kong. The media and entertainment businesses of eSun Group are primarily carried out through Media Asia Group Holdings Limited and its subsidiaries (“**MAGHL Group**”). The current production pipeline includes “*Twilight of the Warriors: Walled In*”, an action film directed by Cheng Poi-Shui, featuring Louis Koo, Sammo Hung, Richie Jen and Raymond Lam and “*Tales from the Occult II & III*”, both are psychological thrillers each made up of three short stories produced by John Chong and Mathew Tang, and directed by Frank Hui, Daniel Chan and Doris Wong (*Tales from the Occult II*), and Li Chi Ngai, Peter Lee and Pater Wong (*Tales from the Occult III*). “*Dead Ringer*”, a 24-episode modern-day TV drama series featuring Bosco Wong and Chrissie Chau, is in post-production stage. Upcoming events include long-awaited

LETTER FROM THE BOARD

“*Re: Grasshopper In Concert 2022*” in October 2022, as well as “*Here & Now Ekin In Concert 2022*” and “*Super Junior World Tour – Super Show 9: Road in Hong Kong*” in November 2022. It is believed that MAGHL Group’s integrated media platform comprising movies, TV programs, music, new media, artist management and live entertainment put it in a strong position to capture the opportunities of the entertainment market by a balanced and synergistic approach and MAGHL Group will continue to produce high quality and commercially viable products, and has also been directing its resources towards development of online content for streaming platforms and e-commerce to capture the related market opportunities.

The LSD-LF Annual Caps were set with reference to the expected financing demand of the LF Borrower Group in each of the financial years during the initial term, estimated based on the latest cash position and projected cash flow of LF Borrower Group. Certain buffer has been provided in the projected cash flow of LF Borrower Group for any unanticipated operational and/or other funding needs.

As at 31 July 2022, the consolidated cash and bank balances and undrawn facilities of LF Group amounted to approximately HK\$4,142.6 million and HK\$1,984.5 million respectively and the total borrowings was approximately HK\$11,939.7 million, including the US\$350 million guaranteed notes expiring in January 2023. LF Group is the PRC property arm of LSD Group and principally engaged in property development for sale, property investment, and development and operation of and investment in cultural, leisure, entertainment and related facilities in the PRC. LF Group’s rental portfolio of approximately 4.5 million square feet as at 31 July 2022 in Shanghai, Guangzhou, Zhongshan and Hengqin, being tier-1 cities in the PRC and cities within the Greater Bay Area delivered relatively steady performance in rental income. For the year ended 31 July 2022, LF Group’s rental operations recorded a turnover of HK\$875.1 million. Subsequent to the year end, the construction of Shanghai Skyline Tower, the Grade A office tower located at Tian Mu Road West in the Jing’an District of Shanghai near the Shanghai Railway Terminal was completed in September 2022, adding approximately 727,200 square feet rental GFA (excluding car parking spaces) to the rental portfolio of the Group. The under-development projects of LF Group include Guangzhou Lai Fung International Center located at Chang Di Main Road in Yuexiu District, Guangzhou along the Pearl River and Phase II (“**Novotown Phase II**”) of the Novotown project (“**Novotown**”) in Hengqin, Zhuhai. Construction of Guangzhou Lai Fung International Center is expected to complete by end of 2022 and pre-leasing is underway. Construction of Novotown Phase II is in progress. This mixed-used development project providing commercial and experiential entertainment facilities, office and serviced apartment spaces is expected to be completed in phases by 2024 and the total development cost (excluding land cost) is expected to be approximately RMB4,600 million.

LETTER FROM THE BOARD

In determining the LSD-eSun Annual Caps and LSD-LF Annual Caps, the Directors have also considered the cash position and estimated operating cash flow of LSD Lender Group, as well as financing capacity of the LSD Group. Excluding its interests in LF Group and eSun Group, the principal activities of LSD Group include property investment and property development in Hong Kong and overseas, investment in and operation of hotels and restaurants and investment holding. LSD Group's property investment business in Hong Kong includes its interests in commercial, office and industrial buildings, i.e. Cheung Sha Wan Plaza, Causeway Bay Plaza 2, Lai Sun Commercial Centre, CCB Tower and AIA Central. LSD Group also owns three investment properties in London, namely, 100, 106 and 107 Leadenhall Street (collectively, "**Leadenhall Properties**"), with a combined GFA of approximately 344,230 square feet. The City of London's Planning and Transportation Committee has approved a resolution to grant planning consent to the Group to redevelop the Leadenhall Properties, which would allow LSD Group to redevelop the Leadenhall Properties into a 56-storey tower with the total gross internal area of approximately 1,275,642 square feet. All leases of the Leadenhall Properties have been aligned to expire in 2023 and LSD Group is closely monitoring the market conditions in London. As at 31 July 2022, the attributable GFA of LSD Group's major completed properties held for rental in Hong Kong and London are approximately 1,290,400 square feet and 344,200 square feet, respectively. For the year ended 31 July 2022, turnover from rental properties in Hong Kong and London was approximately HK\$550.0 million in total. LSD Group currently has 6 residential projects in Hong Kong under development, including Bal Residence (formerly known as Hang On Street project) in Kwun Tong, Tai Kei Leng project in Yuen Long, 79 Broadcast Drive project in Kowloon Tong, 1&1A Kotewall Road project in Mid-levels, 116 Waterloo Road project in Ho Man Tin, as well as the joint venture project of Wong Chuk Hang Station Package Five Property Development in the Southern district of Hong Kong and the attributable GFA for the above projects as at 31 July 2022 is approximately 382,300 square feet in total. Pre-sale of Bal Residence and Tai Kei Leng project is expected to be launched in the fourth quarter of 2022 and the first quarter of 2023, respectively and construction of the other 4 projects are expected to complete in 2025 to 2027. Restaurant operation of LSD Group includes its interests in 24 restaurants in Hong Kong and Mainland China and 1 restaurant in Macau under management and the hotel segment of LSD Group (excluding LF Group) includes the its operation of the Ocean Park Marriott Hotel in Hong Kong and the Caravelle Hotel in Ho Chi Minh City, Vietnam, as well as the 50% interest in Fairmont St. Andrews resort in Scotland, United Kingdom. As at 31 July 2022, the consolidated cash and bank balances and undrawn facilities of the LSD Group (excluding the eSun Group and the LF Group) amounted to approximately HK\$2,234.5 million and HK\$3,777.3 million, respectively, out of which approximately HK\$3,188.4 million has been used subsequent to the year end to repay the US\$400 million guaranteed notes matured in September 2022. While taken into account the LSD Group's consolidated net assets attributable to owners of the Company of approximately HK\$32,794.3 million as at 31 July 2022, it is considered financially flexible and feasible for LSD Group to raise capital if necessary to provide the Intercompany Loans to the Borrower Group Companies, with the aggregate amount in line with the expected financing demands of eSun Borrower Group and/or LF Borrower Group in each of the financial years during the initial term.

LETTER FROM THE BOARD

4. GENERAL TERMS OF THE INTERCOMPANY LOAN TRANSACTIONS

(1) General Terms

The parties to each of the LSD Financial Assistance Framework Agreements have agreed with each other as follows:–

- (a) each Intercompany Loan Transaction shall take the form of unsecured bilateral loan(s) to be granted by a Lender Group Company (as lender) to a Borrower Group Company (as borrower), and no mortgage, pledge or other security over the assets of or interest in any member of the relevant Borrower Group shall be granted;
- (b) the effective interest rate of each Intercompany Loan Transaction shall be the aggregate of HIBOR for the relevant interest period and an interest margin to be determined by the relevant lender on a case-by-case basis in accordance with the provisions set out in the sub-section headed “(2) Market comparison” below;
- (c) each Intercompany Loan Transaction shall be on normal commercial terms;
- (d) each Intercompany Loan Transaction shall be governed by a written loan agreement which shall clearly set out the terms and conditions upon which the Intercompany Loan Transaction shall be undertaken (including but not limited to any conditions precedent, the interest rate, the repayment schedule and any prepayment conditions);
- (e) the advance of each Intercompany Loan shall be conditional upon (amongst any other conditions precedent) the relevant Lender having sufficient available funds to finance the Intercompany Loan;
- (f) at any time during the term of the relevant LSD Financial Assistance Framework Agreement, the aggregate amount of the Intercompany Loans provided by the Lenders to the Borrowers shall not exceed the relevant Annual Cap for the relevant financial year; and
- (g) each Intercompany Loan Transaction shall be in compliance with the provisions of the relevant LSD Financial Assistance Framework Agreement, the constitutional documents of the Lenders and the Borrowers, and all applicable laws and regulations (including but not limited to the Listing Rules).

LETTER FROM THE BOARD

(2) Market comparison

The parties to each LSD Financial Assistance Framework Agreement have further agreed with each other that, when a decision is to be made by a Lender Group Company on the terms and conditions of an Intercompany Loan Transaction to be offered to a Borrower Group Company, the Lender Group Company shall obtain the prevailing rates and terms at the time offered by not less than two (2) major independent commercial banks in Hong Kong for a similar loan (similar as to currency, term, type of interest rate and other factors deemed relevant by the Lender Group Company) for comparison; and without prejudice to paragraphs (b) and (c) set out in the sub-section headed “(1) General Terms” above, the interest margin to be offered by the Lender Group Company in an Intercompany Loan Transaction shall not be (i) lower than the lowest interest margin offered by the aforesaid commercial banks, or (ii) higher than the highest interest margin offered by the aforesaid commercial banks.

5. REASONS AND BENEFITS OF THE LSD FINANCIAL ASSISTANCE FRAMEWORK AGREEMENTS

The Directors are of the view that the proposed provision of financial assistance by the LSD Lender Group to the eSun Borrower Group and the LF Borrower Group respectively under the LSD-eSun Framework Agreement and the LSD-LF Framework Agreement will, on one hand, enable the LSD Lender Group to better utilise any excess cash at hand and generate interest income and, on the other hand, help members of the eSun Borrower Group and the LF Borrower Group (which are also members of the LSG Group and the Group) meet their operational needs from time to time as necessary.

The availability of the Intercompany Loans from the LSD Lender Group will provide members of the eSun Borrower Group and the LF Borrower Group with an alternative source of financing other than obtaining external loans from third-party lenders and incurring third-party interest expenses. The Company will in turn benefit from the interest income to be received by the LSD Lender Group under the relevant Intercompany Loan Transactions. The Company, as the holding company of eSun and LF, will also in turn benefit from the financial assistance received by the eSun Borrower Group and the LF Borrower Group under the relevant Intercompany Loan Transactions.

Also considering the Intercompany Loans from the LSD Lender Group will be conditional upon the LSD Lender Group having sufficient available funds to provide the requisite financial assistance and relevant internal control measures (set out in details on pages 20 to 21 of this circular) are in place to ensure the LSD Lender Group retain sufficient financial resources for its own operation and business development, the Directors are of the view that entering into the LSD Financial Assistance Framework Agreements will provide flexibility for the LSD-eSun Loan Transactions with the eSun Borrower Group and the LSD-LF Loan Transactions with the LF Borrower Group from time to time as necessary and, at the same time, regulate such Intercompany Loan Transactions within the confines of the Listing Rules.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors whose views have been set out in the letter of recommendation from the Independent Board Committee on pages IBC-1 to IBC-2 of this circular after taking into consideration the advice of the Independent Financial Adviser) consider that the LSD Financial Assistance Framework Agreements and the Intercompany Loan Transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company, its subsidiaries and its shareholders as a whole.

6. INFORMATION OF THE PARTIES

(1) The Company

The Company is a company incorporated in Hong Kong with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange. The principal activities of the Group include property investment, property development, investment in and operation of hotels and restaurants, media and entertainment, music production and distribution, films, video format products and television programmes production and distribution, cinema operation, cultural, leisure, entertainment and related facilities and investment holding.

As at the Latest Practicable Date, LSG owned approximately 53.19% of the total issued shares of the Company.

(2) eSun

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 and cinema operation.

As at the Latest Practicable Date, the Company owned approximately 74.62% of the total issued shares of eSun.

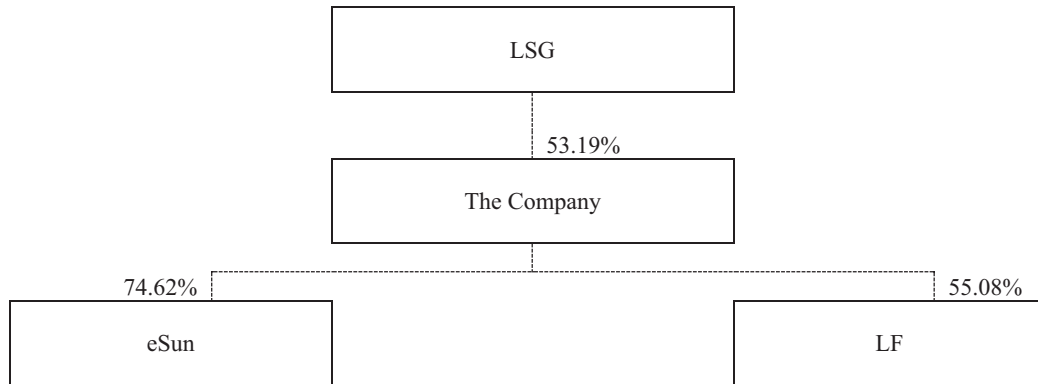
(3) LF

LF 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 activities of the LF Group include property development for sale, property investment, and development and operation of and investment in cultural, leisure, entertainment and related facilities in the PRC.

As at the Latest Practicable Date, the Company owned approximately 55.08% of the total issued shares of LF.

LETTER FROM THE BOARD

The following is a simplified structure chart summarising the shareholding relationship among LSG, the Company, eSun and LF as at the date of this circular:



7. LISTING RULES IMPLICATIONS FOR THE COMPANY

The Listing Rules Implications for the Company in respect of the entering into by the Company of each LSD Financial Assistance Framework Agreement (as lender) are as follows:–

(1) LSD-eSun Framework Agreement

On the basis of the Yu Shareholders' latest disclosures of interests in the Company, the Yu Shareholders are jointly interested in 271,740,000 Shares (representing approximately 28.05% of the issued share capital of the Company) other than their indirect interest in the Company held through their interests in LSG.

On the basis of the Yu Shareholders' latest disclosures of interests in eSun, the Yu Shareholders are jointly interested in 149,864,000 eSun Shares (representing approximately 10.05% of the issued share capital of eSun) other than their indirect interest in eSun held through their interests in the Company.

Based on the above, eSun is a connected subsidiary of the Company and hence a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the LSD-eSun Framework Agreement and the LSD-eSun Loan Transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

(2) LSD-LF Framework Agreement

On the basis of the Yu Shareholders' latest disclosures of interests in LF, the Yu Shareholders are jointly interested in 33,161,037 LF Shares (representing approximately 10.02% of the issued share capital of LF) other than their indirect interest in LF held through their interests in the Company.

Based on the above, LF is a connected subsidiary the Company and hence a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the LSD-LF Framework Agreement and the LSD-LF Loan Transactions contemplated thereunder constitute continuing connected transactions of LSD under Chapter 14A of the Listing Rules.

The two LSD Financial Assistance Framework Agreements and the Intercompany Loan Transactions contemplated thereunder will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As (i) the highest of the applicable percentage ratios for the LSD-eSun Annual Caps is more than 5% for the Company and the total value of the financial assistance is more than HK\$10,000,000, and (ii) the highest of the applicable percentage ratios for the LSD-LF Annual Caps is more than 25% for the Company, the LSD Financial Assistance Framework Agreements, the Intercompany Loan Transactions contemplated thereunder and the LSD Annual Caps are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

8. LISTING RULES IMPLICATIONS FOR THE BORROWERS

The provision of the Intercompany Loans by the Lenders to the Borrowers pursuant to each of the LSD Financial Assistance Framework Agreements constitutes financial assistance to be received by the Borrowers from a connected person.

Pursuant to the terms of each LSD Financial Assistance Framework Agreement, the Intercompany Loans will be provided to the relevant Borrower on normal commercial terms and will not be secured by the assets of any of the Borrower Group Companies. Pursuant to Rule 14A.90 of the Listing Rules, the LSD Financial Assistance Framework Agreements entered into by eSun and/or LF in the capacity as borrower and the Intercompany Loan Transactions contemplated thereunder are fully exempt from the connected transactions requirements under Chapter 14A of the Listing Rules for each of eSun and LF.

LETTER FROM THE BOARD

9. INTERNAL CONTROL MEASURES

The Company will adopt the following internal control measures in respect of each Intercompany Loan Transaction to be entered into by a LSD Lender Group Company (as lender) pursuant to the LSD Financial Assistance Framework Agreements:

- (i) the provision of the Intercompany Loans by the LSD Lender Group under each LSD Financial Assistance Framework Agreement must go through the Company's internal review and approval procedures as follows: (i) management will review cash flow projections of the LSD Lender Group and Borrower Groups and consider the Company's overall debt positions; (ii) the finance department will consider the financial impacts of the Intercompany Loan Transactions on the Group, as well as each of LSD Lender Group and Borrower Group; and (iii) taking into consideration the cash flow positions of the LSD Lender Group and the overall solvency positions of the Group, the executive Directors shall approve the Intercompany Loans with amounts that are considered sufficient and necessary for operational needs of Borrower Groups, and ensure the LSD Lender Group retain sufficient financial resources for its own operation and business development;
- (ii) before an Intercompany Loan Transaction is entered into, the finance department of the Company shall obtain the prevailing rates and terms at the time offered by not less than two (2) major independent commercial banks in Hong Kong for a similar loan (similar as to currency, term, type of interest rate and other factors deemed relevant by the lender) for comparison;
- (iii) the finance department and management of the Company will consider the proposed terms and conditions of the Intercompany Loan Transaction (including but not limited to the interest margin) and the terms offered by the aforesaid commercial banks and ensure that (a) the interest margin to be offered by the lender shall not be (i) lower than the lowest interest margin offered by the aforesaid commercial banks for a similar loan, or (ii) higher than the highest interest margin offered by the aforesaid commercial banks for a similar loan; (b) the terms and conditions of the Intercompany Loan Transaction are determined based on arm's length negotiations between the parties; and (c) the Intercompany Loan Transaction is on normal commercial terms and is fair and reasonable;
- (iv) the finance department of the Company will regularly (a) review whether the Intercompany Loan Transactions entered into by the LSD Lender Group (as lender) have been conducted in accordance with the terms of their respective loan agreements and the relevant LSD Financial Assistance Framework Agreements; and (b) monitor the amounts under the Intercompany Loan Transactions to ensure that the relevant LSD Annual Caps are not exceeded;

LETTER FROM THE BOARD

- (v) the Company will comply with the applicable requirements under the connected transaction rules of the Listing Rules in respect of the Intercompany Loan Transactions entered into pursuant to the LSD Financial Assistance Framework Agreements, including annual reporting and annual review by the independent non-executive Directors and the auditors of the Company;
- (vi) the independent non-executive Directors will review the continuing connected transactions of the Company on an annual basis and express their opinions on (i) whether the amounts of the continuing connected transactions exceed the relevant annual caps; (ii) whether the continuing connected transactions are conducted in accordance with the relevant agreements; and (iii) whether the terms of the continuing connected transactions are fair and reasonable, are on normal commercial terms or better terms in the usual and ordinary course of business of the Company and its subsidiaries and are in the interests of the Company and its shareholders as a whole; and
- (vii) the external auditor of the Company will issue opinions about the continuing connected transactions of the Company, on an annual basis and in accordance with the requirements of the Listing Rules, in respect of the pricing policies, the implementation of related agreement terms and whether the transaction amounts exceed the relevant annual caps in a given year. The external auditor will issue the relevant letter to the Board and submit the same to the Stock Exchange.

By implementing the above measures, the Directors (excluding the independent non-executive Directors) consider that the Company have appropriate internal control procedures in place to ensure that the Intercompany Loan Transactions under the LSD Financial Assistance Framework Agreements will be conducted on normal commercial terms and in the interests of the Company, its subsidiaries and its shareholders as a whole.

10. GENERAL MEETING

(1) General Meeting

The General Meeting will be held on Tuesday, 15 November 2022 at 8:30 a.m. Grand Ballrooms 1 and 2, Level B, Hong Kong Ocean Park Marriott Hotel, 180 Wong Chuk Hang Road, Aberdeen, Hong Kong to consider and, if thought fit, to approve by way of separate resolutions (i) the entering into of each LSD Financial Assistance Framework Agreement by the Company (as lender), (ii) the Intercompany Loan Transactions contemplated under the two LSD Financial Assistance Framework Agreements, and (iii) the LSD Annual Caps. The relevant resolutions will be put to the vote at the General Meeting by way of poll as required by the Listing Rules.

A notice of the General Meeting containing the resolutions to be proposed is set out on pages GM-1 to GM-4 of this circular.

LETTER FROM THE BOARD

A form of proxy for use at the General Meeting is enclosed with this circular. Shareholders are advised to read the notice of the General Meeting and if you are not able to attend the General Meeting or any adjournment thereof (as the case may be) in person but wish to exercise your right as a Shareholder, please complete, sign and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Company's share registrar, Tricor Tengis Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible, but in any event not less than 48 hours before the time appointed for holding the General Meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the General Meeting or any adjournment thereof (as the case may be) should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

(2) Interests of various Shareholders

LSG, Zimba and Joy Mind

As at the Latest Practicable Date:–

- (i) LSG and two of its wholly-owned subsidiaries, Zimba and Joy Mind, beneficially owned 515,389,531 Shares (representing approximately 53.19% of the issued share capital of the Company); and
- (ii) other than through its interests in the Company, LSG did not have any interest in eSun Shares and LF Shares.

As such, LSG's interest in each of the LSD Financial Assistance Framework Agreements and the Intercompany Loan Transactions contemplated thereunder is in alignment with the interest of other Shareholders. As such, LSG, Zimba and Joy Mind will not be required to abstain from voting on the resolutions to be proposed at the General Meeting.

Dr. Peter Lam

As at the Latest Practicable Date:–

- (i) Dr. Peter Lam is interested in approximately 41.93% of the issued share capital of LSG, and LSG and two of its wholly-owned subsidiaries, Zimba and Joy Mind, was interested in approximately 53.19% of the issued share capital of the Company). Other than through his interests in LSG, Dr. Peter Lam was also interested in 650,605 Shares (representing approximately 0.07% of the issued share capital of the Company);

LETTER FROM THE BOARD

- (ii) the Company, a holding company of eSun, is interested in 1,113,260,072 eSun Shares (representing approximately 74.62% of the issued share capital of eSun). Other than through his interests in LSG and the Company, Dr. Peter Lam is interested in 2,794,443 eSun Shares (representing approximately 0.19% of the issued share capital of eSun); and
- (iii) the Company, a holding company of LF, is interested in 182,318,266 LF Shares (representing approximately 55.08% of the issued share capital of LF). Other than through his interests in LSG and the Company, Dr. Peter Lam does not have any interest in LF Shares.

As the personal interests of Dr. Peter Lam in the Company and eSun are immaterial compared to his interests held through LSG, and he has no personal interest in LF, his interest in each of the LSD Financial Assistance Framework Agreements is in alignment with the interest of other Shareholders. Accordingly, Dr. Peter Lam does not have a material interest in any of the LSD Financial Assistance Framework Agreements and the Intercompany Loan Transactions contemplated thereunder. Dr. Peter Lam will not be required to abstain from voting on the resolutions to be proposed at the General Meeting.

Yu Shareholders

On the basis of the latest information received by the Company from the Yu Shareholders and the Yu Shareholders' latest disclosures of interests in the Company, eSun and LF respectively:—

- (i) the Yu Shareholders are jointly interested in 271,740,000 Shares (representing approximately 28.05% of the issued share capital of the Company);
- (ii) the Yu Shareholders are jointly interested in 149,864,000 eSun Shares (representing approximately 10.05% of the issued share capital of eSun); and
- (iii) the Yu Shareholders are jointly interested in 33,161,037 LF Shares (representing approximately 10.02% of the issued share capital of LF).

As the Yu Shareholders have significant personal interests in each of eSun and LF (other than interests held through the Company), the benefit to be conferred upon the Yu Shareholders from the financial assistance to be received by eSun and LF as borrowers pursuant to the Intercompany Loan Transactions contemplated under the LSD Financial Assistance Framework Agreements will be relatively more than that conferred upon other Shareholders who have no personal interest in eSun and/or LF. As the LSD Financial Assistance Framework Agreements and the Intercompany Loan Transactions contemplated thereunder will confer upon the Yu Shareholders a significant additional benefit compared to other Shareholders, the Yu Shareholders are considered, for the purposes of the Listing Rules, to have a material interest in each of the LSD Financial Assistance Framework Agreements and the Intercompany Loan Transactions contemplated thereunder. As such, the Yu Shareholders will be required to abstain from voting on each of the resolutions to be proposed at the General Meeting.

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the LSD Financial Assistance Framework Agreements and the Intercompany Loan Transactions contemplated thereunder. Therefore no other Shareholder is required to abstain from voting at the General Meeting for the relevant resolutions.

11. DIRECTORS' INTERESTS

None of the Directors is regarded as having a material interest in the LSD Financial Assistance Framework Agreements and the Intercompany Loan Transactions contemplated thereunder. Hence, none of the Directors is required to abstain from voting on the Board resolutions to approve the transactions.

Nevertheless, in view of his personal interests in the Company and eSun as disclosed in the section headed "10. General Meeting – (2) Interests of various Shareholders – Dr. Peter Lam" above, Dr. Peter Lam has voluntarily abstained from voting on the Board resolutions relating to the LSD-eSun Framework Agreement, the LSD-eSun Loan Transactions contemplated thereunder and the LSD-eSun Annual Caps.

In addition, while Mr. Lester Lam does not have any personal interest in Shares of the Company, he is personally interested in 2,794,443 eSun Shares (representing approximately 0.19% of the issued share capital of eSun). In view of his personal interests in eSun as aforesaid, Mr. Lester Lam has voluntarily abstained from voting on the Board resolutions relating to the LSD-eSun Framework Agreement, the LSD-eSun Loan Transactions contemplated thereunder and the LSD-eSun Annual Caps.

12. RECOMMENDATION

The Independent Board Committee has been formed to advise the Independent Shareholders on (i) whether the LSD Financial Assistance Framework Agreements and the Intercompany Loan Transactions respectively contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group, and fair and reasonable and in the interests of the Company, its subsidiaries and its shareholders as a whole; (ii) whether the LSD Annual Caps are fairly and reasonably determined and are in the interests of the Company, its subsidiaries and its shareholders as a whole; and (iii) how to vote in the General Meeting.

The Company has further appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages IBC-1 to IBC-2 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the LSD Financial Assistance Framework Agreements, the Intercompany Loan Transactions respectively contemplated thereunder and the LSD Annual Caps; (ii) the letter from the Independent Financial Adviser set out on pages IFA-1 to IFA-26 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders; and (iii) the additional information set out in the appendix to this circular.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that (i) although the LSD Financial Assistance Framework Agreements and the Intercompany Loan Transactions respectively contemplated thereunder are not conducted in the ordinary and usual course of business of the Group, they are on normal commercial terms, fair and reasonable and in the interests of the Company, its subsidiaries and its shareholders as a whole; and (ii) the LSD Annual Caps are fairly and reasonably determined and are in the interests of the Company, its subsidiaries and its shareholders as a whole.

Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the General Meeting to approve (i) the entering into of each LSD Financial Assistance Framework Agreement by the Company (as lender); (ii) the Intercompany Loan Transactions contemplated under the two LSD Financial Assistance Framework Agreements; and (iii) the LSD Annual Caps.

Yours faithfully,

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee to the Independent Shareholders in relation to the LSD Financial Assistance Framework Agreements, the Intercompany Loan Transactions respectively contemplated thereunder and the LSD Annual Caps for inclusion in this circular.



LAI SUN DEVELOPMENT

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

(Stock Code: 488)

28 October 2022

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS FINANCIAL ASSISTANCE FRAMEWORK AGREEMENTS

We refer to the circular of the Company dated 28 October 2022 (the “**Circular**”) to the Shareholders, of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein shall have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to consider and advise the Independent Shareholders on (i) whether the LSD Financial Assistance Framework Agreements and the Intercompany Loan Transactions respectively contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group, and fair and reasonable and in the interests of the Company, its subsidiaries and its shareholders as a whole; (ii) whether the LSD Annual Caps are fairly and reasonably determined and are in the interests of the Company, its subsidiaries and its shareholders as a whole; and (iii) how to vote in the General Meeting.

We wish to draw your attention to (i) the letter from the Independent Financial Adviser containing details of the advice from the Independent Financial Adviser, together with the principal factors and reasons it has taken into consideration, as set out on pages IFA-1 to IFA-26 of the Circular; and (ii) the letter from the Board as set out on pages 7 to 25 of the Circular and the additional information set out in the appendix to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the opinion of the Independent Financial Adviser as set out in its letter, we consider (i) although the LSD Financial Assistance Framework Agreements and the Intercompany Loan Transactions respectively contemplated thereunder are not conducted in the ordinary and usual course of business of the Group, they are on normal commercial terms, fair and reasonable and in the interests of the Company, its subsidiaries and its shareholders as a whole; and (ii) the LSD Annual Caps are fairly and reasonably determined and are in the interests of the Company, its subsidiaries and its shareholders as a whole.

Accordingly, we recommend that the Independent Shareholders to vote in favour of the resolutions to be proposed at the General Meeting to approve (i) the entering into of each LSD Financial Assistance Framework Agreement by the Company (as lender); (ii) the Intercompany Loan Transactions respectively contemplated under the two LSD Financial Assistance Framework Agreements; and (iii) the LSD Annual Caps.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Leung Shu Yin, William Lam Bing Kwan Ip Shu Kwan, Stephen

Independent Non-Executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Altus Capital Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders in respect of the LSD Financial Assistance Framework Agreements and the Intercompany Loan Transactions contemplated thereunder (including the LSD Annual Caps), which has been prepared for the purpose of incorporation in the Circular.

ALTUS .

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

28 October 2022

To the Independent Board Committee and the Independent Shareholders

Lai Sun Development Company Limited

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS FINANCIAL ASSISTANCE FRAMEWORK AGREEMENTS

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 LSD Financial Assistance Framework Agreements and the Intercompany Loan Transactions contemplated thereunder (including the LSD Annual Caps), details of which are set out in the “Letter from the Board” contained in the circular dated 28 October 2022 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 9 September 2022, LSD entered into the LSD-eSun Framework Agreement and the LSD-LF Framework Agreement respectively with eSun and LF (each a connected subsidiary of LSD) in respect of financial assistance to be provided by LSD Lender Group Companies to eSun Borrower Group Companies and LF Borrower Group Companies respectively, from time to time. Each of the two LSD Financial Assistance Framework Agreements is for an initial term of three years commencing from 1 January 2023 and expiring on 31 December 2025.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

LISTING RULES IMPLICATIONS

As both eSun and LF are connected subsidiaries of the Company, they are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the two LSD Financial Assistance Framework Agreements and the Intercompany Loan Transactions contemplated thereunder will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As (i) the highest of the applicable percentage ratios for the LSD-eSun Annual Caps is more than 5% for the Company and the total value of the financial assistance is more than HK\$10,000,000; and (ii) the highest of the applicable percentage ratios for the LSD-LF Annual Caps is more than 25% for the Company, the LSD Financial Assistance Framework Agreements, the Intercompany Loan Transactions contemplated thereunder and the LSD Annual Caps are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee consisting of all the independent non-executive Directors namely Mr. Ip Shu Kwan, Stephen, Mr. Lam Bing Kwan and Mr. Leung Shu Yin, William has been established to advise the Independent Shareholders as to (i) whether the LSD Financial Assistance Framework Agreements and the Intercompany Loan Transactions respectively contemplated thereunder are in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable and in the interests of the Company, its subsidiaries and its shareholders as a whole; (ii) whether the LSD Annual Caps are fairly and reasonably determined and are in the interests of the Company, its subsidiaries and its shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolutions to be proposed at the General Meeting after taking into account the recommendation from the Independent Financial Adviser.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the LSD Financial Assistance Framework Agreements and the Intercompany Loan Transactions respectively contemplated thereunder are in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable and in the interests of the Company, its subsidiaries and its shareholders as a whole; (ii) whether the LSD Annual Caps are fairly and reasonably determined and are in the interests of the Company, its subsidiaries and its shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolutions to be proposed at the General Meeting.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have not acted as an independent financial adviser or financial adviser for the Company's other transactions in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the LSD Financial Assistance Framework Agreements and the Intercompany Loan Transactions contemplated thereunder (including the LSD Annual Caps) are at market level and not conditional upon successful passing of the resolutions to be proposed at the General Meeting, and that our engagement is on normal commercial terms, we are independent of the Company.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the LSD Financial Assistance Framework Agreements; (ii) the annual reports of the Company for the years ended 31 July 2021 and 2020 (the "**LSD 2021 Annual Report**" and "**LSD 2020 Annual Report**"); (iii) the annual results announcement of the Company for the year ended 31 July 2022 (the "**LSD 2022 Annual Results Announcement**"); (iv) the annual reports of eSun for the years ended 31 July 2021 and 2020 (the "**eSun 2021 Annual Report**" and "**eSun 2020 Annual Report**"); (v) the annual results announcement of eSun for the year ended 31 July 2022 (the "**eSun 2022 Annual Results Announcement**"); (vi) the annual reports of LF for the years ended 31 July 2021 and 2020 (the "**LF 2021 Annual Report**" and "**LF 2020 Annual Report**"); (vii) the annual results announcement of LF for the year ended 31 July 2022 (the "**LF 2022 Annual Results Announcement**"); and (viii) other information as set out in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the "**Management**"). We have assumed that all the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and will continue to be so up to the date of the General Meeting. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading.

We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and provide a reasonable basis for our opinion. We have not, however, conducted an independent investigation into the business, financial conditions and affairs or future prospects of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background information of the Group, the eSun Group and the LF Group

1.1 Principal businesses of the Group

As at the Latest Practicable Date, the Company was interested in approximately 74.62% of the total issued share capital of eSun and approximately 55.08% of the total issued share capital of LF.

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

1.2 Financial information of the Group

Set out below is a table summarising certain key financial information of the Group extracted from the LSD 2021 Annual Report and the LSD 2022 Annual Results Announcement.

Extract of consolidated income statement

	For the year ended 31 July		
	2022	2021	2020
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)
Turnover	5,093,703	5,986,752	5,213,529
— Property development and sales	1,685,490	2,503,316	1,690,213
— Property investment	1,241,637	1,287,297	1,299,408
— Hotel operation	650,030	621,199	673,359
— Restaurant and food & beverage (“F&B”) product sales operations	419,922	443,089	421,764
— Media and entertainment	256,771	321,126	326,604
— Film and TV program	184,575	298,892	370,215
— Cinema operation	385,023	211,986	229,264
— Theme park operation	16,049	30,769	19,153
— Others	254,206	269,078	183,549
Gross profit	1,544,023	1,318,039	1,628,550
Loss for the year	(2,323,585)	(2,657,185)	(4,012,587)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Extract of consolidated statement of financial position

	As at 31 July		
	2022	2021	2020
	<i>HK\$'000</i> <i>(audited)</i>	<i>HK\$'000</i> <i>(audited)</i>	<i>HK\$'000</i> <i>(audited)</i>
Total assets	80,895,634	83,038,098	77,117,636
— Pledged and restricted bank balances and time deposits ^(Note 1)	2,524,276	2,325,588	1,930,862
— Cash and cash equivalents	5,056,442	8,284,797	4,164,558
Total liabilities	39,908,134	40,053,395	33,666,706
Net assets	40,987,500	42,984,703	43,450,930

Capital adequacy ratio

	As at 31 July		
	2022	2021	2020
Gearing ratio ^(Note 2)	62%	47%	46%

Source: The LSD 2021 Annual Report and the LSD 2022 Annual Results Announcement

Notes:

1. *Including non-current and current portions.*
2. *According to the LSD 2021 Annual Report and the LSD 2022 Annual Results Announcement, gearing ratio is calculated as a percentage of the total outstanding net debt (being the total borrowings less cash and bank balances) to consolidated net assets attributable to owners of the Company.*

Year ended 31 July 2021 compared to year ended 31 July 2022

The Group recorded turnover of approximately HK\$5,093.7 million during the year ended 31 July 2022 (“FY2022”), representing a decrease of approximately 14.9% from approximately HK\$5,986.8 million during the year ended 31 July 2021 (“FY2021”). Such decrease was mainly attributable to the decrease in revenue from property development and sales segment from approximately HK\$2,503.3 million in FY2021 to approximately HK\$1,658.5 million in FY2022, and majority of which represented LF Group’s development projects in the Mainland China; while partially offset by the increase in revenue from cinema operation business of the eSun Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Despite the decrease in revenue, gross profit of the Group increased by approximately 17.1% from approximately HK\$1,318.0 million in FY2021 to approximately HK\$1,544.0 million in FY2022, representing an improvement in gross profit margin from approximately 22.0% in FY2021 to approximately 30.3% in FY2022.

The Group recorded a slightly lowered net loss for the year from approximately HK\$2,657.2 million in FY2021 to approximately HK\$2,323.6 million in FY2022 mainly due to (i) the improvement in gross profit as abovementioned; (ii) the Group recorded net fair value gains on investment properties of approximately HK\$226.4 million in FY2022 as compared to the net fair value losses on investment properties of approximately HK\$358.9 million in FY2021; and (iii) the decrease in share of losses of joint ventures from approximately HK\$473.0 million in FY2021 to approximately HK\$42.0 million in FY2022. This was partially offset by the increase in other operating expenses from approximately HK\$1,548.3 million in FY2021 to approximately HK\$2,214.9 million in FY2022.

The Group's total assets decreased slightly by approximately 2.6% from approximately HK\$83,038.1 million as at 31 July 2021 to approximately HK\$80,895.6 million as at 31 July 2022. This was mainly due to the decrease in consolidated cash and bank deposits as elaborated below. The Group's total liabilities remained relatively stable at approximately HK\$39,908.1 million as at 31 July 2022 as compared to approximately HK\$40,053.4 million as at 31 July 2021. As a result of the above, the Group's net assets decreased by approximately 4.6% from approximately HK\$42,984.7 million as at 31 July 2021 to approximately HK\$40,987.5 million as at 31 July 2022. According to the LSD 2022 Annual Results Announcement and the LSD 2021 Annual Report, as at 31 July 2022, the Group's consolidated cash and bank deposits (being the sum of cash and cash equivalents and pledged and restricted bank balances and time deposits) amounted to approximately HK\$7,580.7 million (HK\$2,234.5 million if excluding the eSun Group and the LF Group), representing a decrease as compared to the consolidated cash and bank deposits of approximately HK\$10,610.4 million (HK\$4,269.8 million if excluding the eSun Group and the LF Group) as at 31 July 2021; while the gearing ratio of the Group as at 31 July 2022 was approximately 62% (42% if excluding the net debt of the eSun Group and the LF Group), representing an increase as compared to the gearing ratio of the Group as at 31 July 2021 of approximately 47% (32% if excluding the net debt of the eSun Group and the LF Group).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Year ended 31 July 2020 compared to year ended 31 July 2021

The Group recorded turnover of approximately HK\$5,986.8 million in FY2021, representing an increase of approximately 14.8% from approximately HK\$5,213.5 million during the year ended 31 July 2020 (“FY2020”). Such increase was mainly attributable to the increase in revenue from property development and sales segment from approximately HK\$1,690.2 million in FY2020 to approximately HK\$2,503.3 million in FY2021, majority of which represented LF Group’s development projects in the Mainland China; while partially offset by the decrease in revenue from (i) hotel operation and property investment of the Group; and (ii) cinema operation, media and entertainment, film and TV program businesses of the eSun Group amid the prolonged global COVID-19 pandemic.

Despite the increase in revenue, the gross profit of the Group decreased by approximately 19.1% from approximately HK\$1,628.6 million in FY2020 to approximately HK\$1,318.0 million in FY2021, representing a decrease in gross profit margin from approximately 31.2% in FY2020 to approximately 22.0% in FY2021.

The Group recorded a substantially lowered net loss for the year from approximately HK\$4,012.6 million in FY2020 to approximately HK\$2,657.2 million in FY2021 mainly due to (i) the decrease in net fair value losses on investment properties from approximately HK\$1,734.6 million in FY2020 to approximately HK\$358.9 million in FY2021; and (ii) the decrease in write-down of completed properties for sale to net realisable value from approximately HK\$587.1 million in FY2020 to approximately HK\$18.2 million in FY2021.

The Group’s (i) total assets increased by approximately 7.7% from approximately HK\$77,117.6 million as at 31 July 2020 to approximately HK\$83,038.1 million as at 31 July 2021; and (ii) total liabilities increased by approximately 19.0% from approximately HK\$33,666.7 million as at 31 July 2020 to approximately HK\$40,053.4 million as at 31 July 2021 respectively. Such increase in total assets and total liabilities were mainly due to the Group’s obtaining of new borrowings during FY2021. According to the LSD 2021 Annual Report, (i) on 5 October 2020, the Group signed a 5-year secured term loan and revolving credit facility with a total facility amount of HK\$3,600 million; and (ii) in July 2021, the Group issued the US\$250 million guaranteed notes. As a result, net assets of the Group decreased slightly by approximately 1.1% from approximately HK\$43,450.9 million as at 31 July 2020 to approximately HK\$42,984.7 million as at 31 July 2021. According to the LSD 2021 Annual Report and the LSD 2020 Annual Report, as at 31 July 2021, the Group’s consolidated cash and bank deposits amounted to approximately HK\$10,610.4 million (HK\$4,269.8 million if excluding the eSun Group and the LF Group), representing a significant increase as compared to the consolidated cash and bank deposits of approximately HK\$6,095.4 million (HK\$1,750.0 million if excluding the eSun Group and the LF Group) as at 31 July 2020 mainly due to the obtaining of new borrowings as abovementioned; while the gearing ratio of the Group as at 31 July 2021 was approximately 47% (32% if excluding the net debt of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

eSun Group and the LF Group), which remained relatively stable as compared to the gearing ratio of the Group as at 31 July 2020 of approximately 46% (29% if excluding the net debt of the eSun Group and the LF Group).

1.3 *Principal businesses of the eSun Group*

The principal activities of the eSun Group include the development, operation of and investment in media and entertainment, music production and distribution, the investment in and production and distribution of television programmes, films and video format products and cinema operation.

1.4 *Financial information of the eSun Group*

Set out below is a table summarising certain key financial information of the eSun Group extracted from the eSun 2021 Annual Report and the eSun 2022 Annual Results Announcement.

Extract of consolidated income statement

	For the year ended 31 July		
	2022	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Turnover	830,237	835,303	929,156
— <i>Media and entertainment</i>	256,771	321,126	326,604
— <i>Film and TV program</i>	185,794	298,892	370,215
— <i>Cinema operation</i>	385,023	213,003	229,274
— <i>Corporate and others</i>	2,649	2,282	3,063
Gross profit	348,871	184,094	301,894
Loss for the year ^(Note 1)	(369,846)	(408,243)	(1,002,211)

Extract of consolidated statement of financial position

	As at 31 July		
	2022	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Total assets	3,170,684	3,717,101	3,869,722
— <i>Pledged and restricted time deposits</i>	146,300	164,120	205,120
— <i>Cash and cash equivalents</i>	1,056,587	1,476,796	1,613,979
Total liabilities	2,168,302	2,393,735	2,299,489
Net assets	1,002,382	1,323,366	1,570,233

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Capital adequacy ratio

	As at 31 July		
	2022	2021	2020
Gearing ratio ^(Note 2)	38%	30%	25%

Source: The eSun 2021 Annual Report and the eSun 2022 Annual Results Announcement

Notes:

1. The loss for the year ended 31 July 2020 represents loss from the eSun Group's continuing operations following eSun's corporate restructuring exercise involved the disposal of the LF Group to a wholly-owned subsidiary of the Company in May 2020. For details, please refer to the circular of eSun dated 24 April 2020.
2. According to the eSun 2021 Annual Report and the eSun 2022 Annual Results Announcement, gearing ratio is calculated as total borrowings to net assets attributable to the owners of eSun.

Year ended 31 July 2021 compared to year ended 31 July 2022

The eSun Group recorded turnover of approximately HK\$830.2 million in FY2022, representing a slight decrease of approximately 0.6% from approximately HK\$835.3 million in FY2021. Such decrease was mainly attributable to the decrease in revenue from (i) media and entertainment segment from approximately HK\$321.1 million in FY2021 to approximately HK\$256.8 million in FY2022; and (ii) film and TV program segment from approximately HK\$298.9 million in FY2021 to approximately HK\$185.8 million in FY2022. This was partially offset by the increase in revenue from cinema operation segment from approximately HK\$213.0 million in FY2021 to approximately HK\$385.0 million in FY2022 mainly due to the significant growth in box office of cinemas in Hong Kong, especially during the holiday season before the surge of fifth-wave COVID-19 cases in January 2022 and after the reopening of cinemas from 21 April 2022 under the recent relaxation of social distancing measures in Hong Kong.

The gross profit of the eSun Group increased by approximately 89.5% from approximately HK\$184.1 million in FY2021 to approximately HK\$348.9 million in FY2022, representing an improvement in gross profit margin from approximately 22.0% in FY2021 to approximately 42.0% in FY2022.

The eSun Group recorded a decrease in net loss for the year from approximately HK\$408.2 million in FY2021 to approximately HK\$369.8 million in FY2022 mainly due to the increase in gross profit as abovementioned; while partially offset by (i) the increase in fair value losses on financial assets at fair value through profit or loss from approximately HK\$6.6 million in FY2021 to approximately HK\$56.4 million in FY2022; and (ii) the net foreign exchange losses of approximately HK\$6.8 million in FY2022 as compared to net foreign exchange gains of approximately HK\$36.3 million in FY2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The eSun Group's total assets decreased by approximately 14.7% from approximately HK\$3,717.1 million as at 31 July 2021 to approximately HK\$3,170.7 million as at 31 July 2022 mainly due to the decrease in consolidated cash and bank balances (being the sum of cash and cash equivalents and pledged and restricted time deposits). The eSun Group's total liabilities decreased by approximately 9.4% from approximately HK\$2,393.7 million as at 31 July 2021 to approximately HK\$2,168.3 million as at 31 July 2022 mainly due to the decrease in (i) deposits received and contract liabilities; and (ii) lease liabilities of the eSun Group. As a result of the above, the eSun Group's net assets decreased by approximately 24.3% from approximately HK\$1,323.4 million as at 31 July 2021 to approximately HK\$1,002.4 million as at 31 July 2022. According to the eSun 2022 Annual Results Announcement and the eSun 2021 Annual Report, as at 31 July 2022, the eSun Group's consolidated cash and bank balances amounted to approximately HK\$1,202.9 million, representing a decrease of approximately 26.7% as compared to the consolidated cash and bank balances of approximately HK\$1,640.9 million as at 31 July 2021; while the gearing ratio of the eSun Group as at 31 July 2022 was approximately 38%, representing an increase as compared to the gearing ratio of the eSun Group as at 31 July 2021 of approximately 30%.

Year ended 31 July 2020 compared to year ended 31 July 2021

The eSun Group recorded turnover of approximately HK\$835.3 million in FY2021, representing a decrease of approximately 10.1% from approximately HK\$929.2 million in FY2020. Such decrease was mainly attributable to the decrease in revenue from the film and TV program segment from approximately HK\$370.2 million in FY2020 to approximately HK\$298.9 million in FY2021.

The gross profit of the eSun Group decreased by approximately 39.0% from approximately HK\$301.9 million in FY2020 to approximately HK\$184.1 million in FY2021, representing a decrease in gross profit margin from approximately 32.5% in FY2020 to approximately 22.0% in FY2021.

The eSun Group recorded a significantly lowered net loss for the year from approximately HK\$1,002.2 million in FY2020 to approximately HK\$408.2 million in FY2021 mainly due to (i) the decrease in the impairment of right-of-use assets from approximately HK\$309.3 million in FY2020 to approximately HK\$32.8 million in FY2021; (ii) the decrease in the impairment of property, plant and equipment from approximately HK\$97.3 million in FY2020 to approximately HK\$9.4 million in FY2021; and (iii) the absence of impairment of goodwill in FY2021 as compared to that incurred in FY2020 of approximately HK\$72.4 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The eSun Group's total assets decreased slightly by approximately 3.9% from approximately HK\$3,869.7 million as at 31 July 2020 to approximately HK\$3,717.1 million as at 31 July 2021 mainly due to the decrease in consolidated cash and bank balances. The eSun Group's total liabilities increased slightly by approximately 4.1% from approximately HK\$2,299.5 million as at 31 July 2020 to approximately HK\$2,393.7 million as at 31 July 2021 mainly due to the increase in (i) creditors and accruals; and (ii) lease liabilities of the eSun Group. As a result of the above, the eSun Group's net assets decreased by approximately 15.7% from approximately HK\$1,570.2 million as at 31 July 2020 to approximately HK\$1,323.4 million as at 31 July 2021. According to the eSun 2021 Annual Report and the eSun 2020 Annual Report, as at 31 July 2021, the eSun Group's consolidated cash and bank balances amounted to approximately HK\$1,640.9 million, representing a decrease of approximately 9.8% as compared to the consolidated cash and bank balances of approximately HK\$1,819.1 million as at 31 July 2020 mainly due to the net cash flows used in operating activities; while the gearing ratio of the eSun Group as at 31 July 2021 was approximately 30%, representing an increase as compared to the gearing ratio of the eSun Group as at 31 July 2020 of approximately 25%.

1.5 Principal businesses of the LF Group

The principal activities of the LF Group include property development for sale, property investment, and development and operation of and investment in cultural, leisure, entertainment and related facilities in the PRC.

1.6 Financial information of the LF Group

Set out below is a table summarising certain key financial information of the LF Group extracted from the LF 2021 Annual Report and the LF 2022 Annual Results Announcement.

Extract of consolidated income statement

	For the year ended 31 July		
	2022	2021	2020
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)
Turnover	2,515,771	3,196,582	1,201,779
— Property development	1,624,672	2,275,501	424,563
— Property investment	697,429	682,402	641,377
— Hotel and serviced apartment operation	177,621	207,910	116,686
— Theme park operation	16,049	30,769	19,153
Gross profit	1,296,854	719,120	597,274
Loss for the year	(283,884)	(675,565)	(1,224,558)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Extract of consolidated statement of financial position

	As at 31 July		
	2022	2021	2020
	HK\$'000 (audited)	HK\$'000 (audited)	HK\$'000 (audited)
Total assets	33,784,769	35,138,866	30,958,334
— Pledged and restricted bank balances and time deposits	2,031,534	1,879,366	1,330,619
— Cash and cash equivalents	2,111,091	2,819,615	1,193,956
Total liabilities	19,321,690	19,687,268	16,538,812
Net assets	14,463,079	15,451,598	14,419,522

Capital adequacy ratio

	As at 31 July		
	2022	2021	2020
Gearing ratio ^(Note 1)	53%	45%	55%

Source: The LF 2021 Annual Report and the LF 2022 Annual Results Announcement

Note:

1. According to the LF 2021 Annual Report and the LF 2022 Annual Results Announcement, gearing ratio is calculated as net debt (total borrowings less cash and bank balances) to net assets attributable to the owners of LF.

Year ended 31 July 2021 compared to year ended 31 July 2022

The LF Group recorded turnover of approximately HK\$2,515.8 million in FY2022, representing a decrease of approximately 21.3% from approximately HK\$3,196.6 million in FY2021. Such decrease was mainly attributable to the decrease in revenue from property development segment from approximately HK\$2,275.5 million in FY2021 to approximately HK\$1,624.7 million in FY2022.

Despite the decrease in revenue, the gross profit of the LF Group increased by approximately 80.3% from approximately HK\$719.1 million in FY2021 to approximately HK\$1,296.9 million in FY2022, representing an improvement in gross profit margin from approximately 22.5% in FY2021 to approximately 51.5% in FY2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The LF Group recorded a lowered net loss for the year from approximately HK\$675.6 million in FY2021 to approximately HK\$283.9 million in FY2022 mainly due to (i) the improvement in gross profit as aforementioned; and (ii) the increase in fair value gains on investment properties from approximately HK\$250.8 million in FY2021 to approximately HK\$341.0 million in FY2022. This was partially offset by the increase in impairment of property, plant and equipment from approximately HK\$189.4 million in FY2021 to approximately HK\$366.3 million in FY2022.

The LF Group's total assets decreased slightly by approximately 3.9% from approximately HK\$35,138.9 million as at 31 July 2021 to approximately HK\$33,784.8 million as at 31 July 2022. This was mainly due to the decrease in completed properties for sale from approximately HK\$4,507.4 million as at 31 July 2021 to approximately HK\$3,656.2 million as at 31 July 2022. The LF Group's total liabilities remained relatively stable at approximately HK\$19,321.7 million as at 31 July 2022 as compared to approximately HK\$19,687.3 million as at 31 July 2021. As a result of the above, the LF Group's net assets decreased by approximately 6.4% from approximately HK\$15,451.6 million as at 31 July 2021 to approximately HK\$14,463.1 million as at 31 July 2022. According to the LF 2022 Annual Results Announcement and the LF 2021 Annual Report, as at 31 July 2022, the LF Group's consolidated cash and bank balances (being the sum of cash and cash equivalents and pledged and restricted time deposits and bank balances) amounted to approximately HK\$4,142.6 million, representing a decrease of approximately 11.8% as compared to the consolidated cash and bank balances of approximately HK\$4,699.0 million as at 31 July 2021; while the gearing ratio of the LF Group as at 31 July 2022 was approximately 53%, representing an increase as compared to the gearing ratio of the LF Group as at 31 July 2021 of approximately 45%.

Year ended 31 July 2020 compared to year ended 31 July 2021

The LF Group recorded turnover of approximately HK\$3,196.6 million in FY2021, representing a significant increase of approximately 166.0% from approximately HK\$1,201.8 million in FY2020. Such increase was mainly attributable to the increase in revenue from sale of properties from approximately HK\$424.6 million in FY2020 to approximately HK\$2,275.5 million in FY2021.

The gross profit of the LF Group increased by approximately 20.4% from approximately HK\$597.3 million in FY2020 to approximately HK\$719.1 million in FY2021, representing gross profit margins of approximately 49.7% and 22.5% in FY2020 and FY2021 respectively.

The LF Group recorded a significantly lowered net loss for the year from approximately HK\$1,224.6 million in FY2020 to approximately HK\$675.6 million in FY2021 mainly due to (i) the increase in gross profit as abovementioned; (ii) the absence of write-down of completed properties for sale to net realisable value during FY2021 as compared to that incurred in FY2020 of approximately HK\$467.9 million; and (iii) fair value gains on investment properties of approximately HK\$250.8 million in FY2021 as compared to fair value losses on investment properties of approximately HK\$599.1 million in FY2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The LF Group's (i) total assets increased by approximately 13.5% from approximately HK\$30,958.3 million as at 31 July 2020 to approximately HK\$35,138.9 million as at 31 July 2021; and (ii) total liabilities increased by approximately 19.0% from approximately HK\$16,538.8 million as at 31 July 2020 to approximately HK\$19,687.3 million as at 31 July 2021. Such increase in total assets and total liabilities were mainly due to the LF Group's obtaining of new borrowings during FY2021. According to the LF 2021 Annual Report, on 12 March 2021, LF Group obtained a HK\$3,280 million 5-year offshore secured term/revolving loan facility and a HK\$692 million equivalent 5-year onshore secured term loan facility. The net assets of the LF Group increased by approximately 7.2% from approximately HK\$14,419.5 million as at 31 July 2020 to approximately HK\$15,451.6 million as at 31 July 2021. According to the LF 2021 Annual Report and the LF 2020 Annual Report, as at 31 July 2021, the LF Group's consolidated cash and bank balances amounted to approximately HK\$4,699.0 million, representing a significant increase as compared to the consolidated cash and bank deposits of approximately HK\$2,524.6 million as at 31 July 2020 mainly due to the obtaining of new borrowings as abovementioned and net cash flows generated from operating activities in FY2021; while the gearing ratio of the LF Group as at 31 July 2021 was approximately 45%, representing a decrease as compared to that of approximately 55% as at 31 July 2020.

2. Reasons and benefits of the LSD Financial Assistance Framework Agreements

As set out in the paragraph headed "5. Reasons and benefits of the LSD Financial Assistance Framework Agreements" in the "Letter from the Board" of the Circular, considering on one hand, the LSD Financial Assistance Framework Agreements enable the LSD Lender Group to better utilise any excess cash at hand and generate interest income and, on the other hand, provide members of the eSun Borrower Group and the LF Borrower Group (which are also members of the Group) with an alternative source of financing to meet their operational and development needs from time to time as necessary, the Management believes that the entering into of the LSD Financial Assistance Framework Agreements are in the interests of the Company, its subsidiaries and its shareholders as a whole.

In this regard, we noted from the LSD 2022 Annual Results Announcement that, as at 31 July 2022, the Group (excluding the eSun Group and the LF Group) had consolidated cash and bank deposits of approximately HK\$2,234.5 million with undrawn facilities of approximately HK\$3,777.3 million respectively.

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We also noted that as stipulated under the General Terms applicable to the Intercompany Loan Transactions (which form part of the LSD Financial Assistance Framework Agreements), the advance of each Intercompany Loan shall be conditional upon the relevant Lender having sufficient available funds to finance the Intercompany Loan (for further details, please refer to the paragraph headed “3.1.3 General Terms of the Intercompany Loan Transactions” below). In this respect, we noted that the Group has the relevant internal control measures to ensure sufficient funds are available before entering into any Intercompany Loan Transaction as elaborated in the paragraph headed “3.2 Internal control measures” below. Subject to the LSD Lender Group having sufficient available funds to provide the requisite financial assistance, we concur with the Management that it is beneficial for the LSD Lender Group to utilise any excess cash at hand at its discretion to generate interest income through the entering into of the LSD Financial Assistance Framework Agreements, which in substance serve as tools to allow the LSD Lender Group to better manage its resources. Meanwhile, the LSD Lender Group can also preserve its excess cash for any future development as and when opportunities arise.

As elaborated in the paragraph headed “1. Background information of the Group, the eSun Group and the LF Group” above, the Group mainly conducts (i) property related businesses in the Mainland China through the LF Group; and (ii) cinema operation and media and entertainment businesses through the eSun Group, where the financial results of the LF Group and the eSun Group are being consolidated into the financial statements of the Company. We consider that by assisting members of the eSun Borrower Group and the LF Borrower Group to meet their operational and development needs from time to time, this can in turn benefit the Company as the holding company of eSun and LF. In addition, by entering into the LSD Financial Assistance Framework Agreements, this will provide flexibility for members of the eSun Borrower Group and the LF Borrower Group with an alternative source of financing other than obtaining external debt or equity financing, where the terms are subject to the prevailing market conditions and may incur third-party interest expenses for the Group or result in dilution of equity interests held by the Company in eSun and LF.

According to the LSD Financial Assistance Framework Agreements, the Intercompany Loan is unsecured. We noted that certain Directors are also members of the board of directors of eSun and LF. With the above structure, the Company can actively monitor the operation and management decision of eSun and LF as well as to assess their credit risk from time to time after the advance of any Intercompany Loan. We also noted that the Group has the relevant internal control measures in place to monitor the Intercompany Loan Transactions as further elaborated in the paragraph headed “3.2 Internal control measures” below. In light of the above, we concur with the Management that there are measures in place to safeguard the Company’s assets in light of the absence of a security.

Overall, although the entering into of the LSD Financial Assistance Framework Agreements and the Intercompany Loan Transactions contemplated thereunder are not in the ordinary and usual course of business of the Company, the Management is of the view and we concur that they are in the interests of the Company, its subsidiaries and its shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. The LSD Financial Assistance Framework Agreements

To assess the fairness and reasonableness of each LSD Financial Assistance Framework Agreements, we have considered the followings:

3.1 *Principal terms of the LSD Financial Assistance Framework Agreements*

3.1.1 *The LSD-eSun Framework Agreement*

The principal terms of the LSD-eSun Framework Agreement are summarised below. For details, please refer to the paragraph headed “(1) LSD-eSun Framework Agreement” in the “Letter from the Board” of the Circular.

Term: Commencing from 1 January 2023 and expiring on 31 December 2025.

LSD-eSun Loan Transactions: At any time during the term, any LSD Lender Group Company (as lender) and any eSun Borrower Group Company (as borrower) may enter into LSD-eSun Loan Transaction(s) upon such terms and conditions as may be mutually agreed between the parties thereto, provided that each LSD-eSun Loan Transaction shall fully comply with the terms and conditions of the LSD-eSun Framework Agreement.

General Terms: See the paragraph headed “3.1.3 General Terms of the Intercompany Loan Transactions” below for the General Terms agreed between the parties in respect of each LSD-eSun Loan Transaction to be entered into during the term.

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3.1.2 The LSD-LF Framework Agreement

The principal terms of the LSD-LF Framework Agreement are summarised below. For details, please refer to the paragraph headed “(2) LSD-LF Framework Agreement” in the “Letter from the Board” of the Circular.

Term: Commencing from 1 January 2023 and expiring on 31 December 2025.

LSD-LF Loan Transactions: At any time during the term, any LSD Lender Group Company (as lender) and any LF Borrower Group Company (as borrower) may enter into LSD-LF Loan Transaction(s) upon such terms and conditions as may be mutually agreed between the parties thereto, provided that each LSD-LF Loan Transaction shall fully comply with the terms and conditions of the LSD-LF Framework Agreement.

General Terms: See the paragraph headed “3.1.3 General Terms of the Intercompany Loan Transactions” below for the General Terms agreed between the parties in respect of each LSD-LF Loan Transaction to be entered into during the term.

3.1.3 General Terms of the Intercompany Loan Transactions

Set out below are the summary of the General Terms. For details, please refer to the paragraph headed “4. General Terms of the Intercompany Loan Transactions” in the “Letter from the Board” of the Circular.

- (a) Each Intercompany Loan Transaction shall take the form of unsecured bilateral loan(s) to be granted by a Lender Group Company (as lender) to a Borrower Group Company (as borrower).
- (b) The effective interest rate of each Intercompany Loan Transaction shall be the aggregate of HIBOR for the relevant interest period and an interest margin to be determined by the relevant lender on a case-by-case basis.

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In this regard, when a decision is to be made by a Lender Group Company on the terms and conditions of an Intercompany Loan Transaction to be offered to a Borrower Group Company, the Lender Group Company shall obtain the prevailing rates and terms at the time offered by not less than two (2) major independent commercial banks in Hong Kong for a similar loan (similar as to currency, term, type of interest rate and other factors deemed relevant by the Lender Group Company) for comparison; and without prejudice to the General Terms, the interest margin to be offered by the Lender Group Company in an Intercompany Loan Transaction shall not be (i) lower than the lowest interest margin offered by the aforesaid commercial banks, or (ii) higher than the highest interest margin offered by the aforesaid commercial banks.

- (c) Each Intercompany Loan Transaction shall be on normal commercial terms.
- (d) Each Intercompany Loan Transaction shall be governed by a written loan agreement which shall clearly set out the terms and conditions.
- (e) The advance of each Intercompany Loan shall be conditional upon (amongst any other conditions precedent) the relevant Lender having sufficient available funds to finance the Intercompany Loan.
- (f) At any time during the term of the relevant LSD Financial Assistance Framework Agreement, the aggregate amount of the Intercompany Loans provided by the Lenders to the Borrowers shall not exceed the relevant Annual Cap for the relevant financial year.
- (g) Each Intercompany Loan Transaction shall be in compliance with the provisions of the relevant LSD Financial Assistance Framework Agreement, the constitutional documents of the Lenders and the Borrowers, and all applicable laws and regulations (including but not limited to the Listing Rules).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Our views on the terms of the LSD Financial Assistance Framework Agreements

Sufficient available funds

We noted that under the LSD Financial Assistance Framework Agreements, the advance of each Intercompany Loan shall be conditional upon (amongst any other conditions precedent) the LSD Lender Group having sufficient available funds to finance the Intercompany Loan. In this regard, we have obtained and reviewed the internal policy of the Company as well as discussed with the Management and noted that before deciding to enter into any Intercompany Loan Transaction, the Management will consider:

- (1) on the one hand, a number of factors, including but not limited to (i) the financial position; (ii) the working capital needs; (iii) the funding costs (for instance, as described in the LSD 2022 Annual Results Announcement and the LSD 2021 Annual Report, the interest rates of the Group's existing borrowings and guaranteed notes ranged from 1.1% to 6.7% per annum); and (iv) the development plan of the LSD Lender Group to assess (a) whether sufficient funds are available to support the LSD Lender Group's operation and business development; and (b) whether there is any excess cash at hand to finance the Intercompany Loan; and
- (2) on the other hand, a number of factors, including but not limited to (i) the financial position of each of the eSun Borrower Group or the LF Borrower Group; (ii) the working capital needs of each of the eSun Borrower Group or the LF Borrower Group; (iii) the aggregate outstanding borrowings of each of the eSun Borrower Group or the LF Borrower Group; (iv) the intended use of proceeds of each of the eSun Borrower Group or the LF Borrower Group; and (v) their repayment record and ability to assess the borrower's credit worthiness.

We consider that control measures will be put in place (as further discussed in the paragraph headed "3.2 Internal control measures" below) to ensure the Company will only enter into the Intercompany Loan Transaction when there is excess cash at hand to generate interest income for the LSD Lender Group, which in turn is in the interests of the Company, its subsidiaries and its shareholders as a whole.

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Effective interest rate

We noted that under the LSD Financial Assistance Framework Agreements, the effective interest rate of each Intercompany Loan Transaction is determined by the aggregate of HIBOR for the relevant interest period and an interest margin determined within the range of interest margins offered by at least two (2) major independent commercial banks in Hong Kong at the prevailing time for similar loans. We have discussed with the Management and noted that majority of the Group's existing bank borrowings are also being charged at the rate of HIBOR plus a fixed rate. In this regard, we consider the basis of determination of the effective interest rate, which makes reference to the market interest rates at the prevailing time for similar loans offered by independent commercial banks, as fair and reasonable.

Mortgage, pledge or other security

Under the LSD Financial Assistance Framework Agreements, each Intercompany Loan Transaction is unsecured. We noted that certain Directors are also members of the board of directors of eSun and LF. With the above structure, the Company can actively monitor the operation and management decision of eSun and LF and has the control power to monitor and secure the usage of the Intercompany Loan. As such, the Company can assess the credit risk of eSun and LF from time to time. We have also discussed with the Management and noted that the existing borrowings of the Group involved both unsecured and secured borrowings. In this regard, we consider the Intercompany Loan will be unsecured as acceptable.

Taking into account the above, we consider that the terms of the LSD Financial Assistance Framework Agreements are on normal commercial terms and are fair and reasonable to the Company, its subsidiaries and its shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3.2 *Internal control measures*

As noted in the “Letter from the Board” of the Circular, the Company will adopt the following internal control measures in respect of each Intercompany Loan Transaction to be entered into by a LSD Lender Group Company (as lender) pursuant to the LSD Financial Assistance Framework Agreements:

- (i) the provision of the Intercompany Loans by the LSD Lender Group under each LSD Financial Assistance Framework Agreement must go through the Company’s internal review and approval procedures as follows: (i) management will review cash flow projections of the LSD Lender Group and Borrower Groups and consider the Company’s overall debt positions; (ii) the finance department will consider the financial impacts of the Intercompany Loan Transactions on the Group, as well as each of LSD Lender Group and Borrower Group; and (iii) taking into consideration the cash flow positions of the LSD Lender Group and the overall solvency positions of the Group, the executive Directors shall approve the Intercompany Loans with amounts that are considered sufficient and necessary for operational needs of Borrower Groups, and ensure the LSD Lender Group retain sufficient financial resources for its own operation and business development;
- (ii) before an Intercompany Loan Transaction is entered into, the finance department of the Company shall obtain the prevailing rates and terms at the time offered by not less than two (2) major independent commercial banks in Hong Kong for a similar loan (similar as to currency, term, type of interest rate and other factors deemed relevant by the lender) for comparison;
- (iii) the finance department and management of the Company will consider the proposed terms and conditions of the Intercompany Loan Transaction (including but not limited to the interest margin) and the terms offered by the aforesaid commercial banks and ensure that (a) the interest margin to be offered by the lender shall not be (i) lower than the lowest interest margin offered by the aforesaid commercial banks for a similar loan, or (ii) higher than the highest interest margin offered by the aforesaid commercial banks for a similar loan; (b) the terms and conditions of the Intercompany Loan Transaction are determined based on arm’s length negotiations between the parties; and (c) the Intercompany Loan Transaction is on normal commercial terms and is fair and reasonable;
- (iv) the finance department of the Company will regularly (a) review whether the Intercompany Loan Transactions entered into by the LSD Lender Group (as lender) have been conducted in accordance with the terms of their respective loan agreements and the relevant LSD Financial Assistance Framework Agreements; and (b) monitor the amounts under the Intercompany Loan Transactions to ensure that the relevant LSD Annual Caps are not exceeded;

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- (v) the Company will comply with the applicable requirements under the connected transaction rules of the Listing Rules in respect of the Intercompany Loan Transactions entered into pursuant to the LSD Financial Assistance Framework Agreements, including annual reporting and annual review by the independent non-executive Directors and the auditors of the Company;
- (vi) the independent non-executive Directors will review the continuing connected transactions of the Company on an annual basis and express their opinions on (i) whether the amounts of the continuing connected transactions exceed the relevant annual caps; (ii) whether the continuing connected transactions are conducted in accordance with the relevant agreements; and (iii) whether the terms of the continuing connected transactions are fair and reasonable, are on normal commercial terms or better terms in the usual and ordinary course of business of the Company and its subsidiaries and are in the interests of the Company and its shareholders as a whole; and
- (vii) the external auditor of the Company will issue opinions about the continuing connected transactions of the Company, on an annual basis and in accordance with the requirements of the Listing Rules, in respect of the pricing policies, the implementation of related agreement terms and whether the transaction amounts exceed the relevant annual caps in a given year. The external auditor will issue the relevant letter to the Board and submit the same to the Stock Exchange.

We have reviewed the Group's internal control measures in relation to the LSD Financial Assistance Framework Agreements and discussed the same with the Management. We believe that the Group's internal control measures in relation to the Intercompany Loan Transactions contemplated under the LSD Financial Assistance Framework Agreements are adequate and reasonable.

3.3 *LSD-eSun Annual Caps*

At any time during the term of the LSD-eSun Framework Agreement, the aggregate amount of the Intercompany Loans provided by the LSD Lender Group Companies to the eSun Borrower Group Companies shall not exceed the LSD-eSun Annual Cap of the relevant financial year.

Set out below are the proposed LSD-eSun Annual Caps for the LSD-eSun Loan Transactions contemplated under the LSD-eSun Framework Agreement for each of the financial years during the initial term.

	For the financial year ending 31 July			
	2023	2024	2025	2026
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
LSD-eSun Annual Caps	90,000	190,000	360,000	485,000

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In determining the above LSD-eSun Annual Caps, we understand from the Management that the following factors have been taken into consideration: (i) the cash position, the estimated operating cash flow as well as financing capacity of the LSD Lender Group; (ii) the expected financing demands of the eSun Borrower Group in each of the financial years during the initial term; and (iii) buffer for additional financial assistance due to unanticipated operational and/or other funding needs of the eSun Borrower Group.

In assessing the fairness and reasonableness of the LSD-eSun Annual Caps, we have discussed with the Management and obtained the relevant workings for review, which show amongst others, the development plans and working capital needs of the eSun Group for each of the financial years ending 31 July 2023, 2024, 2025 and 2026.

We understand from the Management that the LSD-eSun Annual Caps are being proposed by the eSun Borrower Group primarily based on their expected financing demands in each of the financial years during the initial term. In particular, in view of the recent gradual recovery of the eSun Group's operation from the worst of the COVID-19 pandemic due to amongst others, relaxation of social distancing measures and the expected release of a number of blockbuster movies, we understand from the Management that such development plans are catered to capture for opportunities arising from the potential recovery of the entertainment consumption markets. Based on our review of the relevant workings of the LSD-eSun Annual Caps, we noted that the eSun Group has certain development plans covering areas including cinema operation and TV and film production. eSun mainly conducts the media and entertainment businesses through Media Asia Group Holdings Limited (stock code: 8075) ("**MAGHL**", together with its subsidiaries, the "**MAGHL Group**"), a non-wholly owned subsidiary of eSun. We noted that the MAGHL Group has a pipeline of TV and film production in the next few years, including both traditional and online content for streaming platforms and e-commerce. We also noted from the eSun 2022 Annual Results Announcement that the MAGHL Group has invested in various original production of quality films with Chinese themes, such as "*Twilight of the Warriors: Walled In*", an action film directed by Cheng Poi-Shui, featuring Louis Koo, Sammo Hung, Richie Jen and Raymond Lam and "*Tales from the Occult II & III*". In regards to cinema operation, we noted from the relevant workings that the eSun Group has plans for new cinema opening in Hong Kong. In light of the above, we consider that there exists funding needs to support the eSun Group's operation and development from time to time during the initial term.

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In addition to the above, considering (i) the LSD Lender Group Companies are not obliged under the LSD-eSun Framework Agreement to advance any Intercompany Loan to the eSun Borrower Group Companies; (ii) the advance of each Intercompany Loan from any LSD Lender Group Company to any eSun Borrower Group Company shall be conditional upon (amongst any other conditions precedent) the relevant Lender having sufficient available funds to finance the Intercompany Loan; (iii) the LSD Lender Group would benefit from generating interest income through utilising any excess cash at hand; and (iv) the LSD-eSun Framework Agreement would provide flexibility for the eSun Borrower Group an alternative source of financing other than external debt or equity financing to support their operational and development needs, which in turn benefit the Company as the holding company of eSun, we are of the view that by determining the LSD-eSun Annual Caps with reference to the expected funding needs of eSun as fair and reasonable.

3.4 LSD-LF Annual Caps

At any time during the term of the LSD-LF Framework Agreement, the aggregate amount of the Intercompany Loans provided by the LSD Lender Group Companies to the LF Borrower Group Companies shall not exceed the LSD-LF Annual Cap of the relevant financial year.

Set out below are the proposed LSD-LF Annual Caps for the LSD-LF Loan Transactions contemplated under the LSD-LF Framework Agreement for each of the financial years during the initial term.

	For the financial year ending 31 July			
	2023	2024	2025	2026
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
LSD-LF Annual Caps	1,000,000	3,000,000	3,000,000	3,000,000

In determining the above LSD-LF Annual Caps, we understand that the following factors have been taken into consideration (i) the cash position, the estimated operating cash flow as well as financing capacity of the LSD Lender Group; (ii) the expected financing demands of the LF Borrower Group in each of the financial years during the initial term; and (iii) buffer for additional financial assistance due to unanticipated operational and/or other funding needs of the LF Borrower Group.

In assessing the fairness and reasonableness of the LSD-LF Annual Caps, we have discussed with the Management and obtained the relevant working for review, which shows amongst others, the cashflow requirements of property development projects of the LF Group for each of the financial years ending 31 July 2023, 2024, 2025 and 2026.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We understand from the Management that the LSD-LF Annual Caps are being proposed by the LF Borrower Group primarily based on their expected financing demands in each of the financial years during the initial term. In this regard, based on our review of the relevant working of the LSD-LF Annual Caps, we noted that funding needs are mainly related to the LF Group's existing property projects, in particular, the Novotown project in Hengqin, the PRC. According to the LF 2022 Annual Results Announcement, Novotown is an integrated cultural, entertainment, tourism and hospitality project located in the heart of Hengqin, one of the major cities in the Guangdong Province within the Greater Bay Area, with close proximity to Macau and Hong Kong. Construction of Phase II of the Novotown project is in progress, which involves commercial and experiential entertainment facilities, office and serviced apartment with spaces of 355,500 square feet, 1,585,000 square feet and 578,400 square feet respectively. We understand from the Management that Novotown is one of the LF Group's landmark projects in the Greater Bay Area and expected to be a major contributor to the LF Group's results in the long run in view of the deepening of cooperation between Hengqin and Macau, and the continuous development of the Guangdong-Macau In-Depth Cooperation Zone in Hengqin, which will encourage more businesses and population to reside in Hengqin and further enhance its tourism market. In addition, the flexibility to obtain Intercompany Loan from the LSD Lender Group during the initial term would also enable the LF Group to efficiently utilise its cash resources, such as to refinance certain of its external debts and reduce the interest costs for the LF Group. In light of the above, we consider there exist funding needs to support the LF Group's operation and development from time to time during the initial term.

In addition to the above, considering (i) the LSD Lender Group Companies are not obliged under the LSD-LF Framework Agreement to advance any Intercompany Loan to the LF Borrower Group Companies; (ii) the advance of each Intercompany Loan from any LSD Lender Group Company to any LF Borrower Group Company shall be conditional upon (amongst any other conditions precedent) the relevant Lender having sufficient available funds to finance the Intercompany Loan; (iii) the LSD Lender Group would benefit from generating interest income through utilising any excess cash at hand; and (iv) the LSD-LF Framework Agreement would provide flexibility for the LF Borrower Group an alternative source of financing other than external debt or equity financing to support their operational and development needs, which in turn benefit the Company as the holding company of LF, we are of the view that by determining the LSD-LF Annual Caps with reference to the expected funding needs of LF as fair and reasonable.

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RECOMMENDATIONS

Having considered the above principal factors, we are of the view of that (i) though the LSD Financial Assistance Framework Agreements and the Intercompany Loan Transactions respectively contemplated thereunder are not in the ordinary and usual course of business of the Company; (ii) the terms of the LSD Financial Assistance Framework Agreements and the Intercompany Loan Transactions respectively contemplated thereunder are on normal commercial terms and are fair and reasonable and the entering of the LSD Financial Assistance Framework Agreements and the Intercompany Loan Transactions respectively contemplated thereunder are in the interests of the Company, its subsidiaries and its shareholders as a whole; and (iii) the LSD Annual Caps are fairly and reasonably determined.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolutions to be proposed at the General Meeting to approve the LSD Financial Assistance Framework Agreements and the Intercompany Loan Transactions contemplated thereunder (including the LSD Annual Caps).

Yours faithfully,
For and on behalf of
Altus Capital Limited

Jeanny Leung
Executive Director

Ms. Jeanny Leung (“Ms. Leung”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.

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 to the best of their knowledge and belief that 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. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) 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) recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO (“**Register of Directors and Chief Executive**”); or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company (“**Securities Code**”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of the Listed Issuers contained in Appendix 10 to the Listing Rules; or (iv) as known by the Directors were as follows:

(1) The Company

Long positions in Shares and the underlying Shares

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued Shares (Note 1)
Dr. Peter Lam	Beneficial owner/ Owner of controlled corporations	650,605	Nil	515,389,531 (Note 2)	486,452 (Note 4)	516,526,588	53.31%
Mr. Chew Fook Aun	Beneficial owner/ Owner of controlled corporations	Nil	Nil	1,831,500 (Note 3)	Nil (Note 4)	1,831,500	0.19%
Mr. Lau Shu Yan, Julius	Beneficial owner	395,250	Nil	Nil	2,432,259 (Note 4)	2,827,509	0.29%
Mr. Lester Lam	Beneficial owner	Nil	Nil	Nil	4,864,519 (Note 4)	4,864,519	0.50%
Mr. Lee Tze Yan, Ernest	Beneficial owner	Nil	Nil	Nil	969,854 (Note 4)	969,854	0.10%
Madam U (Note 5)	Beneficial owner	40,378	Nil	Nil	Nil	40,378	0.01%

Notes:

- The percentage has been compiled based on the total number of issued Shares as at the Latest Practicable Date (i.e. 968,885,887 Shares).
- As at the Latest Practicable Date, LSG, Zimba and Joy Mind beneficially owned 515,389,531 Shares, representing approximately 53.19% of the issued share capital of the Company. Dr. Peter Lam was deemed to be interested in the same 515,389,531 Shares by virtue of, in aggregate, his personal (excluding underlying Shares) and deemed interests of approximately 41.93% in the issued share capital of LSG. LSG is approximately 12.70% owned by Dr. Peter Lam and is approximately 29.23% owned by Wisdoman which in turn is 100% beneficially owned by Dr. Peter Lam.
- The 1,831,500 Shares were owned by The Orchid Growers Association Limited. By virtue of his 100% interest in the issued share capital of The Orchid Growers Association Limited, Mr. Chew Fook Aun was deemed to be interested in the same 1,831,500 Shares (representing approximately 0.19% of the issued share capital of the Company).

4. *Share options were granted by the Company to Dr. Peter Lam, Mr. Chew Fook Aun*, Mr. Lau Shu Yan, Julius, Mr. Lester Lam and Mr. Lee Tze Yan, Ernest, the particulars of which are set out below (after taking into account the effects of the rights issues of the Company in 2021):*

<i>Name of Director</i>	<i>Date of grant</i>	<i>Number of underlying Shares comprised in the share options</i>	<i>Exercise period of share options</i>	<i>Exercise price of share options (HK\$ per Share)</i>
<i>Dr. Peter Lam</i>	<i>18/01/2013</i>	<i>486,452</i>	<i>18/01/2013-17/01/2023</i>	<i>13.811</i>
<i>Mr. Lau Shu Yan, Julius</i>	<i>18/01/2013</i>	<i>2,432,259</i>	<i>18/01/2013-17/01/2023</i>	<i>13.811</i>
<i>Mr. Lester Lam</i>	<i>18/01/2013</i>	<i>4,864,519</i>	<i>18/01/2013-17/01/2023</i>	<i>13.811</i>
<i>Mr. Lee Tze Yan, Ernest</i>	<i>18/01/2013</i>	<i>969,854</i>	<i>18/01/2013-17/01/2023</i>	<i>13.811</i>

** The share options granted to Mr. Chew Fook Aun on 5 June 2012 expired on 5 June 2022.*

5. *Madam U is the widow of the late Mr. Lim Por Yen whose estate includes an interest of 5,812,553 Shares, representing approximately 0.60% of the issued share capital of the Company.*

(2) Associated Corporations

- (i) *LSG – the ultimate holding company of the Company*

Long positions in LSG Shares and the underlying LSG Shares

<i>Name of Director</i>	<i>Capacity</i>	<i>Personal interests</i>	<i>Family interests</i>	<i>Corporate interests</i>	<i>Other interests</i>	<i>Total interests</i>	<i>Approximate % of total interests to total issued LSG Shares (Note 1)</i>
<i>Dr. Peter Lam</i>	<i>Beneficial owner/ Owner of controlled corporations</i>	<i>74,807,359</i>	<i>Nil</i>	<i>172,112,124 (Note 2)</i>	<i>1,737,333 (Note 3)</i>	<i>248,656,816</i>	<i>42.22%</i>
<i>Mr. Chew Fook Aun</i>	<i>Beneficial owner</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>4,869,867 (Note 3)</i>	<i>4,869,867</i>	<i>0.83%</i>
<i>Mr. Lester Lam</i>	<i>Beneficial owner</i>	<i>18,688,812</i>	<i>Nil</i>	<i>Nil</i>	<i>6,182,167 (Note 3)</i>	<i>24,870,979</i>	<i>4.22%</i>
<i>Madam U</i>	<i>Beneficial owner</i>	<i>1,238,287</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>1,238,287</i>	<i>0.21%</i>

Notes:

1. The percentage has been compiled based on the total number of issued LSG Shares as at the Latest Practicable Date (i.e. 588,915,934 LSG Shares).
2. 172,112,124 LSG Shares were owned by Wisdoman. Dr. Peter Lam was deemed to be interested in the same 172,112,124 LSG Shares (representing approximately 29.23% of LSG's issued share capital) by virtue of his 100% interest in the issued share capital of Wisdoman.
3. Share options were granted by LSG to Dr. Peter Lam, Mr. Chew Fook Aun and Mr. Lester Lam, the particulars of which are set out below (after taking into account the effects of the rights issues of LSG in 2021):

Name of Director	Date of grant	Number of underlying LSG Shares comprised in the LSG share options	Exercise period of LSG share options	Exercise price of LSG share options (HK\$ per LSG Share)
Dr. Peter Lam	19/06/2017	425,033	19/06/2017-18/06/2027	11.763
Dr. Peter Lam	25/01/2022	1,312,300	25/01/2022-24/01/2032	3.874
Mr. Chew Fook Aun	19/06/2017	4,869,867	19/06/2017-18/06/2027	11.763
Mr. Lester Lam	19/06/2017	4,869,867	19/06/2017-18/06/2027	11.763
Mr. Lester Lam	25/01/2022	1,312,300	25/01/2022-24/01/2032	3.874

(ii) eSun – a subsidiary of the Company

Long positions in eSun Shares and the underlying eSun Shares

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

Notes:

1. The percentage has been compiled based on the total number of issued eSun Shares as at the Latest Practicable Date (i.e. 1,491,854,598 eSun Shares).
2. As at the Latest Practicable Date, LSG was interested in 515,389,531 Shares, representing approximately 53.19% 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 (representing approximately 74.62% of the issued share capital of eSun) by virtue of, in aggregate, his personal (excluding underlying shares) and deemed interests of approximately 41.93% and 53.26% in the issued share capital of the LSG and the Company, respectively.

(iii) LF – a subsidiary of the Company

Long positions in LF Shares and the underlying LF Shares

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued LF Shares (Note 1)
Dr. Peter Lam	Beneficial owner/ Owner of controlled corporations	Nil	Nil	182,318,266 (Note 2)	321,918 (Note 3)	182,640,184	55.17%
Mr. Lau Shu Yan, Julius	Beneficial owner	Nil	Nil	Nil	965,754 (Note 3)	965,754	0.29%
Mr. Lester Lam	Beneficial owner	Nil	Nil	Nil	3,219,182 (Note 3)	3,219,182	0.97%
Mr. Lee Tze Yan, Ernest	Beneficial owner	Nil	Nil	Nil	640,000 (Note 3)	640,000	0.19%

Notes:

1. The percentage has been compiled based on the total number of issued LF Shares as at the Latest Practicable Date (i.e. 331,033,443 LF Shares).

2. *As at the Latest Practicable Date, the Company was interested or deemed to be interested in 182,318,266 LF Shares, of which 180,600,756 LF Shares were beneficially owned by Holy Unicorn Limited, a wholly-owned subsidiary of the Company and 1,717,510 LF Shares were beneficially owned by Transtrend, representing approximately 55.08% of the issued share capital of LF. As such, Dr. Peter Lam was deemed to be interested in the same 182,318,266 LF Shares (representing approximately 55.08% of the issued share capital of LF) by virtue of, in aggregate, his approximate 41.93% and 53.26% personal (excluding underlying shares) and deemed interests in the issued share capital of LSG and the Company, respectively.*
3. *Share options were granted by LF to Dr. Peter Lam, Mr. Lau Shu Yan, Julius, Mr. Lester Lam and Mr. Lee Tze Yan, Ernest, the particulars of which are set out below:*

<i>Name of Director</i>	<i>Date of grant</i>	<i>Number of underlying LF Shares comprised in the LF share options</i>	<i>Exercise period of LF share options</i>	<i>Exercise price of LF share options (HK\$ per LF Share)</i>
<i>Dr. Peter Lam</i>	<i>18/01/2013</i>	<i>321,918</i>	<i>18/01/2013-17/01/2023</i>	<i>11.400</i>
<i>Mr. Lau Shu Yan, Julius</i>	<i>18/01/2013</i>	<i>965,754</i>	<i>18/01/2013-17/01/2023</i>	<i>11.400</i>
<i>Mr. Lester Lam</i>	<i>18/01/2013</i>	<i>3,219,182</i>	<i>18/01/2013-17/01/2023</i>	<i>11.400</i>
<i>Mr. Lee Tze Yan, Ernest</i>	<i>18/01/2013</i>	<i>640,000</i>	<i>18/01/2013-17/01/2023</i>	<i>11.400</i>

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

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

<i>Name of Director</i>	<i>Capacity</i>	<i>Number of MAGHL Shares held</i>	<i>Number of underlying MAGHL Shares held</i>	<i>Total number of issued MAGHL Shares and underlying MAGHL Shares held</i>	<i>Approximate % of total interests to total issued MAGHL Shares (Note 1)</i>
<i>Dr. Peter Lam</i>	<i>Owner of controlled corporations</i>	<i>2,021,848,647 (Note 2)</i>	<i>Nil</i>	<i>2,021,848,647</i>	<i>67.70%</i>

Notes:

- The percentage has been compiled based on the total number of issued MAGHL Shares as at the Latest Practicable Date (i.e. 2,986,314,015 MAGHL Shares).*
- As at the Latest Practicable Date, these interests in MAGHL represented the MAGHL Shares beneficially owned by Perfect Sky Holdings Limited, a wholly-owned subsidiary of eSun, representing approximately 67.70% of the issued share capital of MAGHL. eSun was owned as to approximately 74.62% by the Company which was in turn owned as to approximately 53.19% by LSG. As LSG was approximately 12.70% (excluding underlying shares) owned by Dr. Peter Lam and approximately 29.23% owned by Wisdoman which was in turn 100% beneficially owned by Dr. Peter Lam, he was deemed to be interested in the said 2,021,848,647 MAGHL Shares.*

(v) *Lai Sun MTN Limited – a subsidiary of the Company*

Long positions in the 5% guaranteed medium term notes due 2026

Name of Director	Capacity	Nature of Interests	Principal amount
Dr. Peter Lam	Beneficial owner	Personal	USD10,000,000

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company and their respective close associates was interested, or was deemed to be interested in the long and short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or recorded in the Register of Directors and Chief Executive pursuant to section 352 of the SFO, or notified to the Company and the Stock Exchange under the Securities Code or otherwise known by the Directors.

Save as otherwise disclosed in this circular, as at the Latest Practicable Date, none of the Company or its subsidiaries is a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or exercised any such right.

3. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARE CAPITAL OF THE COMPANY

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

Long positions in Shares and the underlying Shares

Name	Capacity	Nature of interests	Number of Shares and underlying Shares	Approximate % of Shares in issue <i>(Note 1)</i>
LSG	Beneficial owner	Corporate	515,389,531 <i>(Note 2)</i>	53.19%
Dr. Peter Lam	Beneficial owner/ Owner of controlled corporations	Personal and corporate	516,526,588 <i>(Note 3)</i>	53.31%
Yu Cheuk Yi	Beneficial owner	Personal	271,740,000 <i>(Note 4)</i>	28.05%
Yu Siu Yuk	Beneficial owner	Personal	271,740,000 <i>(Note 4)</i>	28.05%

Notes:

1. *The percentage has been compiled based on the total number of issued Shares as at the Latest Practicable Date (i.e. 968,885,887 Shares).*
2. *LSG and two of its wholly-owned subsidiaries, namely Zimba and Joy Mind, beneficially owned 515,389,531 Shares, representing approximately 53.19% of the issued share capital of the Company.*
3. *Dr. Peter Lam was deemed to be interested in the same 515,389,531 Shares by virtue of, in aggregate, his personal and deemed interests (excluding underlying shares) of approximately 41.93% in the issued share capital of LSG.*
4. *Based on the latest disclosures of interests of in the Company, Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk (i.e. the Yu Shareholders) jointly held 271,740,000 Shares as at 26 July 2022.*

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 as recorded in the Register of Shareholders.

4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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):

1. Dr. Peter Lam, Mr. Chew Fook Aun, 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 and the PRC, including LF and Crocodile Garments Limited.
2. 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, media and entertainment, film production and distribution and cinema operation.

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.

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

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

5. MATERIAL ADVERSE CHANGE

The Directors confirm that the Directors were not aware of any material adverse change in the financial or trading position of the Group as a whole since 31 July 2022 (being the date to which the latest published audited financial statements of the Group were made up).

6. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

7. DIRECTORS' SERVICE CONTRACTS

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

8. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF THE GROUP

As at the Latest Practicable Date, (a) none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 July 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; (b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at such date and which was significant in relation to the business of the Group.

9. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has made statement in this circular:

Name	Qualification
Altus Capital Limited	a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, recommendation, opinion and/or references to its name in the form and context in which they are included.

10. EXPERT'S INTERESTS

As at the Latest Practicable Date, the Independent Financial Adviser:–

- (a) did not have any direct or indirect interest in any assets which have been, since 31 July 2022, (being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired), disposed of by, or leased to, any member of the Group, or were proposed to be acquired, disposed of by, or leased to, any member of the Group; and
- (b) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.laisun.com) for a period of 14 days from the date of this circular:

- (a) the LSD-eSun Framework Agreement;
- (b) the LSD-LF Framework Agreement;
- (c) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (d) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this circular;
- (e) the written consent of the Independent Financial Adviser referred to in this appendix; and
- (f) this circular.

12. GENERAL

- (a) The address of the registered office of the Company is 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong.
- (b) Mr. Chow Kwok Wor is the company secretary of the Company. He is a fellow member of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom, The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Hong Kong Institute of Certified Public Accountants.
- (c) The share registrar of the Company is Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (d) In case of inconsistency, the English text of this circular shall prevail over the Chinese text.

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 Ballrooms 1 and 2, Level B, Hong Kong Ocean Park Marriott Hotel, 180 Wong Chuk Hang Road, Aberdeen, Hong Kong, Tuesday, 15 November 2022 at 8:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the entering into of the LSD-eSun Framework Agreement (as defined in the circular of the Company dated 28 October 2022 (the “**Circular**”), a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose) by the Company (as lender) for an initial term of three years commencing from 1 January 2023 and expiring on 31 December 2025 be and is hereby approved, confirmed and ratified in all respects;
- (b) the LSD-eSun Loan Transactions (as defined in the Circular) contemplated under the LSD-eSun Framework Agreement be and are hereby approved, confirmed and ratified;
- (c) the LSD-eSun Annual Caps (as defined in the Circular) be and are hereby approved and confirmed; and
- (d) any director of the Company be and is hereby authorised to do all things and acts, enter into all transactions, arrangements and agreements, and sign and execute all documents (under hand or under the common seal of the Company) which he/she may in his/her absolute discretion, consider desirable or expedient to implement and/or to give effect to the LSD-eSun Framework Agreement and the LSD-eSun Loan Transactions contemplated thereunder.”

NOTICE OF GENERAL MEETING

2. “**THAT**

- (a) the entering into of the LSD-LF Framework Agreement (as defined in the Circular, a copy of which is tabled at the meeting and marked “B” and initialled by the chairman of the meeting for identification purpose) by the Company (as lender) for an initial term of three years commencing from 1 January 2023 and expiring on 31 December 2025 be and is hereby approved, confirmed and ratified in all respects;
- (b) the LSD-LF Loan Transactions (as defined in the Circular) contemplated under the LSD-LF Framework Agreement be and are hereby approved, confirmed and ratified;
- (c) the LSD-LF Annual Caps (as defined in the Circular) be and are hereby approved and confirmed; and
- (d) any director of the Company be and is hereby authorised to do all things and acts, enter into all transactions, arrangements and agreements, and sign and execute all documents (under hand or under the common seal of the Company) which he/she may in his/her absolute discretion, consider desirable or expedient to implement and/or to give effect to the LSD-LF Framework Agreement and the LSD-LF Loan Transactions contemplated thereunder.”

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

Hong Kong, 28 October 2022

Registered Office:

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

Notes:

- 1. *A Member entitled to attend and vote at the 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 in the share capital of the Company (“Shares”), more than one) proxy to attend and to speak at 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 available at the respective websites of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and the Company.*

NOTICE OF GENERAL MEETING

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 of such power or authority, must be lodged with the Company's share registrar, Tricor Tengis Limited ("Registrar"), at 17/F, Far East Finance Centre, 16 Harcourt Road, 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 form of 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 at its adjourned meeting (as the case may be) should they so wish. In such case, the said form(s) of proxy shall be deemed to be revoked.*

The contact phone number of the Registrar is (852) 2980 1333.

4. *To ascertain the entitlements to attend and vote at the General Meeting, Members must lodge the relevant transfer document(s) and share certificate(s) at the office of the Registrar not later than 4:30 p.m. on Wednesday, 9 November 2022 for registration.*
5. *Where there are joint registered holders of any Share, any one of such joint holders may attend and vote at the General Meeting or its adjourned meeting (as the case may be), either personally or by proxy, in respect of such Share as if he/she/it was solely entitled thereto; but if more than one of such joint holders are present at the General Meeting or its adjourned meeting (as the case may be) personally or by proxy, that one of such holders so present whose name stands first in the Register of Members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.*
6. *In compliance with Rule 13.39(4) of the Rules Governing in the Listing of Securities on the Stock Exchange, voting on all the resolution proposed in this Notice shall be decided by way of poll at the General Meeting.*
7. *If a tropical cyclone warning signal No. 8 or above is hoisted or a black rainstorm warning signal is in force at any time after 7:00 a.m. on the date of the General Meeting, the General Meeting will be postponed and Members will be informed of the date, time and venue of the postponed General Meeting by a supplementary notice, posted on the respective websites of the Company and the Stock Exchange.*

If a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is lowered or cancelled at or before 7:00 a.m. on the date of the 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.

Members should decide on their own whether they would attend the General Meeting under a bad weather condition after considering their own situations and if they do so, they are advised to exercise care and caution.

8. *Members are advised to read the Circular which contains information concerning the resolution to be proposed at the General Meeting.*

NOTICE OF GENERAL MEETING

9. *In light of the epidemic situation of the novel coronavirus (COVID-19), certain measures will be implemented at the General Meeting or its adjourned meeting (as the case may be) with a view to addressing the risk to attendees of infection, including the following:*
- (a) *all attendees will be required to undergo body temperature check;*
 - (b) *all attendees will be required to scan the “LeaveHomeSafe” venue QR code at the entrance of the venue of the General Meeting, and comply with the requirements of the Vaccine Pass Direction under the Prevention and Control of Disease (Vaccine Pass) Regulation (Chapter 599L of the Laws of Hong Kong);*
 - (c) *any attendees who are subject to health quarantine prescribed by the Government of the HKSAR will not be admitted to the venue of the General Meeting;*
 - (d) *all attendees will be required to wear surgical face masks throughout the General Meeting;*
 - (e) *each attendee will be assigned a designated seat at the time of registration to ensure social distancing;*
 - (f) *any person who does not comply with the measures above may be denied entry into, or be required to leave, the venue of the General Meeting; and*
 - (g) *no refreshments or beverages will be provided, and there will be no corporate gifts.*
10. *The Company reminds Shareholders that they should carefully consider the risks of attending the General Meeting, taking into account their own personal circumstances. The Company would like to remind Shareholders that physical attendance in person at the General Meeting is not necessary for the purpose of exercising their voting rights and **strongly recommends that Shareholders appoint the Chairman of the General Meeting as their proxy** and submit their form of proxy as early as possible. In light of the risks posed by the COVID-19 pandemic, the Company **strongly encourages Shareholders NOT to attend the General Meeting in person.***
11. *The Company will keep the evolving COVID-19 situation under review and may implement additional measures (which it will announce closer to the date of the General Meeting).*