
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 a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

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

MAJOR TRANSACTION

**Sale of a 32.75% shareholding interest in Asia Television Limited
and a 50% shareholding interest in HKATV.com Limited**

A letter from the board of directors of the Company is set out on pages 4 to 10 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at The Chater Room III, Function Room Level (B1), The Ritz-Carlton Hong Kong, 3 Connaught Road Central, Hong Kong on Friday, 20th December, 2002 at 10:50 a.m. (or so soon thereafter as the annual general meeting of the Company convened for the same place and date at 10:30 a.m. shall have been concluded or adjourned) is set out on pages 18 and 19 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Registrars, Tengis Limited, at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting. Completion and return of the form of proxy shall not preclude you from attending and voting in person at such meeting or at any adjourned meeting should you so wish.

4th December, 2002

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“ATV”	Asia Television Limited, a company incorporated in Hong Kong;
“ATV Group”	ATV and its subsidiaries and associated companies;
“ATV Shares”	shares of HK\$0.25 each in the issued share capital of ATV;
“Bonds Charge”	the mortgage of shares and security trust deed dated 19th January, 2001 entered into by LSD, amongst others, and pursuant to which security over the FDL Sale Shares has been given to certain trustees, on trust for the benefit of the Exchangeable Bondholders and the Convertible Bondholders;
“Broadcasting Authority”	the Broadcasting Authority of Hong Kong;
“Chargee”	the mortgagee or chargee or security trustee or any other analogous person for the time being in whose favour any security interest has been conferred under and pursuant to the Bonds Charge and Share Charge and any agreements incidental or ancillary thereto;
“Chief Executive in Council”	the Chief Executive of Hong Kong acting after consultation with the Executive Council;
“Convertible Bondholders”	holders of the Convertible Bonds;
“Convertible Bonds”	the US\$150 million convertible guaranteed bonds issued by Lai Sun International Finance (1997) Limited on 4th August, 1997 and guaranteed by LSD;
“DGI”	Dragon Goodwill International Limited, a company incorporated in the British Virgin Islands which is owned as to 80% by Mr. Chan Wing Kee, the chief executive officer of ATV;
“DGI Agreement”	the agreement dated 8th November, 2002 between FDL, IFL, LSD and DGI relating to the sale and purchase of shares in ATV and HIL;
“DGI Transaction”	the transactions contemplated under the DGI Agreement;
“Directors”	directors of LSD;
“EGM”	the extraordinary general meeting of the Company to be held at The Chater Room III, Function Room Level (B1), The Ritz-Carlton Hong Kong, 3 Connaught Road Central, Hong Kong on Friday, 20th December, 2002 at 10:50 a.m. (or so soon thereafter as the annual general meeting of the Company convened for the same place and date at 10:30 a.m. shall have been concluded or adjourned);
“Escrow Agent”	the Vendors’ solicitors;

DEFINITIONS

“eSun”	eSun Holdings Limited, a company incorporated in Bermuda the issued shares of which are listed on the Stock Exchange and a company in which LSD has an approximately 49.99% shareholding interest;
“eSun Agreement”	the agreement dated 8th November, 2002 between eSun and LSD relating to the sale and purchase of the HIL Sale Shares;
“eSun Group”	eSun and its subsidiaries;
“Exchangeable Bondholders”	holders of the Exchangeable Bonds;
“Exchangeable Bonds”	the US\$115 million exchangeable guaranteed bonds issued by Lai Sun International Finance (Cayman Islands) Limited on 28th February, 1997 and guaranteed by LSD;
“FDL”	Fordspace Development Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of LSD;
“FDL Sale Shares”	the 130,000,000 ATV Shares legally and beneficially owned by FDL;
“HIL”	Houseman International Limited, a company incorporated in the British Virgin Islands and currently a wholly-owned subsidiary of eSun;
“HIL Sale Shares”	2 HIL Shares currently owned by eSun (representing the entire issued share capital of HIL);
“HIL Shares”	shares of US\$1.00 each in the issued share capital of HIL;
“HK\$”	Hong Kong dollars;
“HKATV.com”	HKATV.com Limited, a company incorporated in Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“IFL”	Infoway Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of LSD;
“IFL Lender”	World Cape Limited, a company whose registered office is at 22nd Floor, Central Tower, 28 Queen’s Road Central, Hong Kong;
“IFL Sale Shares”	the 125,450,000 ATV Shares legally and beneficially owned by IFL;
“Latest Practicable Date”	27th November, 2002, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular;
“Lim Family”	Mr. Lim Por Yen, Madam U Po Chu (being a spouse of Mr. Lim Por Yen) and Mr. Lam Kin Ngok, Peter (being a son of Mr. Lim Por Yen);

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	31st December, 2002;
“LSD” or the “Company”	Lai Sun Development Company Limited, a company incorporated in Hong Kong the shares of which are listed on the Stock Exchange;
“LSD Group”	LSD and its subsidiaries;
“LSG”	Lai Sun Garment (International) Limited, a company incorporated in Hong Kong the shares of which are listed on the Stock Exchange;
“Mr. Lim”	Mr. Lim Por Yen;
“Share Charge”	the Share Charge dated 4th September, 2002 entered into by LSD in favour of the IFL Lender and pursuant to which security over the entire issued share capital of IFL has been given to the IFL Lender thereunder;
“Shares”	ordinary share(s) of HK\$0.50 each in the ordinary share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tom.com”	Tom.com Limited, a company incorporated in the Cayman Islands whose shares are listed on the Growth Enterprise Market of the Stock Exchange; and
“Vendors”	FDL, IFL and LSD.

LETTER FROM THE BOARD



LAI SUN DEVELOPMENT

Lai Sun Development Company Limited

(Incorporated in Hong Kong with limited liability)

Directors:

Lim Por Yen (*Honorary Chairman*)
Lam Kin Ngok, Peter (*Chairman and President*)
Lau Shu Yan, Julius
Wu Shiu Kee, Keith
Lam Kin Ming
U Po Chu
Chiu Wai
Shiu Kai Wah
David Tang*
Lam Bing Kwan*

Registered Office:

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

* *Independent Non-executive Directors*

4th December, 2002

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

Sale of a 32.75% shareholding interest in Asia Television Limited and a 50% shareholding interest in HKATV.com Limited

INTRODUCTION

On 12th November, 2002, the Directors announced that LSD had, on 8th November, 2002, entered into the DGI Agreement with FDL, IFL and DGI in relation to the sale and purchase of LSD's approximately 32.75% shareholding interest in ATV, and a 50% shareholding interest in HKATV.com (currently held by eSun), for an aggregate consideration of HK\$360 million.

The DGI Transaction constitutes a major transaction for LSD under Chapter 14 of the Listing Rules.

The purpose of this circular is to provide you with further information in relation to the DGI Transaction and to give you notice of the EGM at which your approval of the DGI Transaction will be sought.

LETTER FROM THE BOARD

THE DGI AGREEMENT

Parties to the DGI Agreement

Vendors : (i) FDL
(ii) IFL
(iii) LSD

Purchaser : DGI

DGI is an independent third party not connected with the Directors, chief executive or substantial shareholders of LSD or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules). DGI is owned by Mr. Chan Wing Kee (as to 80%), the chief executive officer of ATV, and Mr. Nan Fang Dong (as to 20%), an independent third party.

The DGI Agreement

The DGI Agreement provides for the sale by the Vendors and purchase by DGI of approximately 32.75% of the entire issued share capital of ATV and the entire issued share capital of HIL (currently a wholly-owned subsidiary of eSun), a company with a 50% shareholding interest in HKATV.com.

Assets to be sold by LSD

Under the DGI Agreement, LSD will procure the sale of and DGI will purchase:

- (i) 125,450,000 ATV Shares (representing approximately 16.08% of the total issued share capital of ATV) legally and beneficially owned by IFL (a wholly-owned subsidiary of LSD) (defined in this circular as the IFL Sale Shares);
- (ii) 130,000,000 ATV Shares (representing approximately 16.67% of the total issued share capital of ATV) legally and beneficially owned by FDL (a wholly-owned subsidiary of LSD) (defined in this circular as the FDL Sale Shares); and
- (iii) 2 HIL Shares (representing the entire issued share capital of HIL) (defined in this circular as the HIL Sale Shares) currently legally and beneficially owned by eSun.

Apart from the 32.75% shareholding interest in ATV held by LSD (namely the IFL Sale Shares and the FDL Sale Shares), the Lim Family does not have any shareholding interest in ATV.

The 130,000,000 ATV Shares held by FDL are currently mortgaged in favour of certain trustees, holding the same for the benefit of the Exchangeable Bondholders and the Convertible Bondholders. Accordingly, the sale of such ATV Shares would require the release of the mortgage such that the ATV Shares could be sold free from any encumbrances upon completion of the DGI Agreement. The pro-rata share of the consideration in respect of the sale of the FDL Sale Shares will be used to partially settle the outstanding amounts due under the Exchangeable Bonds and the Convertible Bonds.

Pursuant to the documentation in respect of a loan facility advanced by the IFL Lender to IFL (and guaranteed by LSD), the sale of the IFL Sale Shares requires the consent and approval of the IFL Lender. As at the Latest Practicable Date, the total amount outstanding under the loan facility is HK\$60 million and the proceeds from the sale of the IFL Sale Shares will be used to repay all outstanding amounts due to the IFL Lender under such facility at the time of repayment.

LETTER FROM THE BOARD

As explained above, the DGI Agreement provides for the purchase by DGI of the entire issued share capital of HIL, a company with a 50% shareholding interest in HKATV.com. HIL is currently a wholly-owned subsidiary of eSun. Accordingly, LSD and eSun had, on 8th November, 2002, entered into the eSun Agreement pursuant to which eSun agreed to sell and LSD agreed to purchase, the entire issued share capital of HIL for a consideration of HK\$46,080,000. The eSun Agreement does not constitute a notifiable transaction for LSD under Chapter 14 of the Listing Rules.

Completion of the eSun Agreement is subject to the fulfilment, among others, of the following conditions precedent:

- (i) the satisfaction or waiver (as the case may be) of all conditions precedent contained in the DGI Agreement, save for the condition relating to the fulfilment or waiver of all conditions precedent contained in the eSun Agreement;
- (ii) the granting or waiver, as the case may be, of any and all consents, authorisations or other permissions required for the consummation of the transactions contemplated by the eSun Agreement (including, without limitation, consent pursuant to share transfer provisions under clause 11 of the shareholders agreement dated 10th March, 2000 made between HIL, ATV and HKATV.com in relation to HKATV.com); and
- (iii) all authorisations, consents and approvals of all governmental or regulatory authorities, agencies or bodies which are necessary or required for the purposes of the transactions contemplated by the eSun Agreement having been obtained.

The eSun Agreement does not provide the parties with the ability to waive any of the conditions precedent.

Conditions of the DGI Agreement

Completion of the DGI Agreement is subject to the fulfilment of the following conditions precedent:

- (i) the fulfilment or waiver of all conditions precedent contained in the eSun Agreement (save as regards any condition as to completion of the DGI Agreement);
- (ii) the consent or approval of the Exchangeable Bondholders and the Chargee of the Bonds Charge to the release of the Bonds Charge over, and the sale of, the FDL Sale Shares pursuant to the DGI Agreement, at a meeting of the Exchangeable Bondholders duly convened and held in accordance with the terms of the Exchangeable Bonds;
- (iii) the consent or approval of the Convertible Bondholders and the Chargee of the Bonds Charge to the release of the Bonds Charge over, and the sale of, the FDL Sale Shares pursuant to the DGI Agreement, at a meeting of the Convertible Bondholders duly convened and held in accordance with the terms of the Convertible Bonds;
- (iv) the consent or approval of the IFL Lender to the sale of the IFL Sale Shares pursuant to the DGI Agreement;
- (v) if required, a simple majority of the shareholders of LSD having approved the transactions contemplated by the DGI Agreement in accordance with the requirements of the Stock Exchange and the Listing Rules;

LETTER FROM THE BOARD

- (vi) no action having been taken by any of the Chargees, the Exchangeable Bondholders, the Convertible Bondholders and the IFL Lender to sell, transfer or otherwise dispose of any of their respective interests in the IFL Sale Shares and the FDL Sale Shares (as the case may be) except as contemplated under the DGI Agreement; and
- (vii) the grant of all relevant approvals and/or waivers from regulatory authorities in Hong Kong and other jurisdictions including, without limitation, the approval of the Broadcasting Authority and the Chief Executive in Council, if applicable.

The Vendors have agreed to use their best reasonable endeavours to ensure that the conditions referred to in paragraphs (i) to (v) above are fulfilled by the Long Stop Date. The Vendors and DGI have agreed to use their best reasonable endeavours to ensure that the condition referred to in paragraph (vii) above is fulfilled within 4 months from the earlier of the date on which the conditions referred to in paragraphs (i) to (v) above are fulfilled and the Long Stop Date. If any of the conditions are not fulfilled by the dates specified above, LSD will inform its shareholders and other investors by way of an announcement as appropriate.

Consideration for the DGI Transaction

The aggregate consideration for the sale of the IFL Sale Shares, the FDL Sale Shares and the HIL Sale Shares is HK\$360 million, comprising:

- (i) HK\$10 million by way of deposit (which has been paid by DGI upon execution of the DGI Agreement) of which HK\$5 million will be held in escrow by the Escrow Agent and will be released on completion of the DGI Agreement (or the termination of the DGI Agreement); and
- (ii) HK\$350 million to be paid on completion of the DGI Agreement.

No apportionment of the consideration as between the amount attributable to the IFL Sale Shares, the FDL Sale Shares and the HIL Sale Shares is made in the DGI Agreement.

The deposit referred to in paragraph (i) above will be forfeited, together with interest, in certain circumstances specified in the DGI Agreement, including where the conditions precedent set out above are not fulfilled by specified dates or if the Vendors do not comply with their obligations upon completion of the DGI Agreement.

The consideration of HK\$360 million in respect of the 32.75% shareholding interest in ATV and a 50% shareholding interest in HKATV.com was agreed after arm's length negotiations between the parties and was determined by reference to the values attributed to such shareholding interests by Tom.com in July 2002 with whom LSD and eSun had each entered into a memorandum of understanding in respect of the sale and purchase of such shareholding interests. The Directors consider that it was appropriate to determine the consideration of the DGI Transaction by reference to the aborted transaction with Tom.com taking into account the consideration in respect of a previous transaction in April 1998 when a 46% stake and a 5% stake in ATV were sold by, among others, Mr. Lim to two purchasers who were independent third parties to LSD, the change in the management of ATV in June 2002 and the operating performance of ATV (further details of which are set out in the section headed "Financial effects of the DGI Transaction" below). No independent valuation on such shareholding interests was obtained by the Company. As set out in the respective announcements of LSD and eSun dated 10th July, 2002, the aggregate consideration in respect of the purchase by Tom.com of the 32.75% shareholding interest in ATV and the 50% shareholding interest in

LETTER FROM THE BOARD

HKATV.com was to be satisfied by the issue of 100 million shares in the capital of Tom.com. Based on the closing price of a share of Tom.com of HK\$3.45 on 10th July, 2002, the value of such consideration shares amounted to HK\$345 million.

Completion of the DGI Agreement

Completion of the DGI Agreement shall take place on or before 30th April, 2003 (with DGI having the option to extend the period for completion until 15th May, 2003).

Other major terms of the DGI Agreement

The following are the other major terms of the DGI Agreement:

- (i) the Vendors have agreed to provide exclusivity to DGI for the period up to the earlier of the date of completion of the DGI Agreement and two months following the date on which the DGI Agreement is terminated in accordance with its terms and shall not during this period (a) negotiate or enter into any discussions or sign any agreement, understanding or arrangements (whether legally binding or not) with other third parties or (b) accept, solicit, entertain or consider any offer or offers, in each case in respect of their interest or investment in ATV, HIL and HKATV.com; and
- (ii) under the DGI Agreement, the Vendors are required to pay to DGI liquidated damages in the amount of HK\$30 million in the event that, among other things, (a) the exclusivity provisions are breached by the Vendors; (b) the relevant consent or approval referred to in paragraphs (ii) to (iv) set out under the section above headed “Conditions of the DGI Agreement” is revoked or withdrawn after having been granted; or (c) completion of the DGI Agreement does not occur on account of any failure on the part of LSD to comply with its obligations to proceed with completion notwithstanding the fulfilment of all conditions precedent.

Terms of the DGI Agreement

The terms of the DGI Agreement were arrived at after arm’s length negotiations between the parties, and the board of Directors considers the terms of the DGI Agreement to be normal commercial terms that are fair and reasonable and in the best interests of all shareholders and bondholders of LSD.

BENEFITS OF THE DGI TRANSACTION AND APPLICATION OF PROCEEDS

The Directors consider that the DGI Transaction represents a good opportunity for LSD to realise its investment in ATV under the present operating environment. The proceeds from the DGI Transaction will be applied to partially repay the outstanding amounts due to the Exchangeable Bondholders, the Convertible Bondholders and the IFL Lender with the balance to be used as working capital for LSD.

FINANCIAL EFFECTS OF THE DGI TRANSACTION

The net losses (both before and after taxation and extraordinary items) of LSD attributable to the 32.75% shareholding interest in ATV being realised in respect of the financial years ended 31st July, 2001 and 31st July, 2002 were nil (*see note 1 below*) and HK\$234.9 million (*see note 2 below*), respectively. The total carrying value of the 32.75% shareholding interest in ATV is approximately HK\$296 million. Taking into account the cost of acquisition of the entire issued share capital of HIL of HK\$46.08 million pursuant to the eSun Agreement, the gain on disposal of the IFL Sale Shares, the FDL Sale Shares and the HIL Sale Shares, calculated on a pro-forma basis, will be approximately HK\$17.9 million.

LETTER FROM THE BOARD

Notes:

1. Prior to the acquisition of the IFL Sale Shares by LSD in April 2002, LSD only had an approximately 16.67% shareholding interest in ATV and accordingly, ATV was treated in LSD's financial statements as a long term investment and the results of ATV were not equity accounted for in LSD's financial statements for the year ended 31st July, 2001.
2. The loss of HK\$234.9 million for the year ended 31st July, 2002 represented the amortisation of and impairment in value of goodwill on acquisition of the 32.75% shareholding interest in ATV.

Proforma net tangible assets of the LSD Group

Upon completion of the DGI Transaction, the proforma net tangible assets of the LSD Group will be as follows:

	<i>HK\$'m</i>
Audited net asset value of the LSD Group as at 31st July, 2002	766.4
Less: Goodwill on acquisition of associates, net of amortisation and impairment (<i>Note</i>)	<u>(296.0)</u>
Net tangible asset value as at 31st July, 2002	470.4
Less: Consideration payable to eSun in respect of acquisition of 50% shareholding interest in HKATV.com Limited	(46.1)
Add: Consideration receivable from DGI in respect of the Transaction	360.0
Add: LSD's 49.99% share of eSun's gain on disposal of its 50% shareholding interest in HKATV.com to LSD	<u>23.0</u>
Proforma adjusted net tangible assets of the LSD Group immediately after the Transaction	<u><u>807.3</u></u>

Note: The entire amount of HK\$296 million was attributable to the investment in the 32.75% shareholding interest in ATV and the amount also represented the carrying value of such investment as at 31st July, 2002.

INFORMATION ON ATV, HIL AND HKATV.COM

ATV is a private company incorporated in Hong Kong and is licensed by the Broadcasting Authority to broadcast television programmes. The principal businesses of the ATV Group are the broadcasting, production and sale, licensing and distribution of television programmes.

HIL is an investment holding company and its sole asset is a 50% shareholding interest in HKATV.com.

HKATV.com is engaged in the business of developing and maintaining the "hkatv.com" website and exploiting certain programme rights principally from ATV and through or in connection with other internet content providers.

REGULATORY IMPLICATIONS

Based on the latest audited net tangible assets of the LSD Group, the DGI Transaction constitutes a major transaction for LSD under Chapter 14 of the Listing Rules and is therefore subject to the approval of LSD's shareholders.

LETTER FROM THE BOARD

As Rule 14.10 of the Listing Rules requires a shareholder with a material interest in a major transaction to abstain from voting, ATV, the subject matter of the DGI Agreement and a shareholder with an approximately 5.34% interest in LSD, will be required to abstain from voting at the EGM. ATV has no representation on the board of Directors of LSD.

EXTRAORDINARY GENERAL MEETING

A notice of an extraordinary general meeting to be held at The Chater Room III, Function Room Level (B1), The Ritz-Carlton Hong Kong, 3 Connaught Road Central, Hong Kong on Friday, 20th December, 2002 at 10:50 a.m. (or so soon thereafter as the annual general meeting of the Company convened for the same place and date at 10:30 a.m. shall have been concluded or adjourned) is set out on pages 18 and 19 of this circular. An ordinary resolution will be proposed at the EGM to approve the DGI Agreement. ATV will abstain from voting on the resolution.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Registrars, Tengis Limited, at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM should you so wish.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the Appendices I and II to this circular.

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

INDEBTEDNESS

As at 31st October, 2002, being the latest practicable date prior to the printing of this circular for the purpose of this indebtedness statement, the LSD Group had outstanding borrowings of approximately HK\$7,102 million comprising secured bank loans and other borrowings of approximately HK\$3,897 million (of which a sum of HK\$2,459 million was guaranteed by the Company), an outstanding amount of approximately HK\$740 million payable under the Exchangeable Bonds, an outstanding amount of approximately HK\$965 million payable under the Convertible Bonds and an amount due to an associate of approximately HK\$1,500 million. The outstanding amounts payable under the Exchangeable Bonds, the Convertible Bonds and the amount due to an associate are secured against a security package, further details of which are set out below.

As at 31st October, 2002, certain investment properties with carrying value of approximately HK\$4,981 million, certain properties under development with carrying value of approximately HK\$75 million and certain fixed assets with carrying value of approximately HK\$915 million were pledged to banks to secure banking facilities granted to the LSD Group. In addition, the entire beneficial holding by the LSD Group of 285,512,791 ordinary shares of eSun, the entire holding of the shares of Peakflow Profits Limited together with its 30% shareholding in and its advance to Bayshore Development Group Limited, the joint venture company for the AIG Tower project, the entire holding of the shares of IFL, a company which holds 125,450,000 shares of ATV, and certain shares in other subsidiaries, associates and investee companies held by the LSD Group were also pledged to banks and other lenders to secure loan facilities granted to the LSD Group. In addition, pursuant to the terms and conditions of the Exchangeable Bonds and the Convertible Bonds, the Exchangeable Bondholders will share on a pari passu and pro rata basis with the Convertible Bondholders the security charge over 130,000,000 shares of ATV beneficially owned by the Company (subject to the Exchangeable Bondholders' existing exchangeable rights) and a second charge over 285,512,791 shares of eSun beneficially owned by the Company. The Exchangeable Bondholders will also share on a pari passu and pro rata basis with the Convertible Bondholders and eSun the security of a limited recourse second charge over 6,500 shares of Diamond String Limited (which owns The Ritz-Carlton Hong Kong) beneficially owned by the Company. The secured bank and other borrowings were also secured by floating charges over certain assets held by the LSD Group.

As at 31st October, 2002, the LSD Group had contingent liabilities of approximately HK\$260 million in respect of guarantees given by the LSD Group to banks in connection with the banking facilities granted to certain associates. In addition, pursuant to certain indemnity deeds dated 12th November, 1997 entered into between the Company and Lai Fung Holdings Limited ("Lai Fung"), the Company has undertaken to indemnify Lai Fung in respect of certain potential People's Republic of China ("PRC") income tax and land appreciation tax ("LAT") payable or shared by Lai Fung as a result of the disposal of any of the property interests attributable to Lai Fung through its subsidiaries and its associates as at 31st October, 1997 (the "Property Interests"). These tax indemnities given by the Company apply in so far as such tax is applicable to the difference between (i) the value of the Property Interests in the valuation thereon by Chesterton Petty Limited, independent chartered surveyors, as at 31st October, 1997 (the "Valuation"); and (ii) the aggregate costs of such Property Interests incurred up to 31st October, 1997, together with the amount of unpaid land costs, unpaid land premium and unpaid costs of resettlement, demolition and public utilities and other deductible costs in respect of the Property Interests. The indemnity deeds assume that the Property Interests are disposed of at the values attributed to them in the Valuation, computed by reference to the rates and legislation governing PRC income tax and LAT prevailing at the time of the Valuation. The indemnities given by the Company do not cover (i) new properties acquired by Lai Fung subsequent to the listing of the shares of Lai Fung on the Stock Exchange (the "Listing"); (ii) any increase in the relevant tax which arises due to an increase in tax rates or changes to the legislation prevailing at the time of the Listing; and (iii) any

claim to the extent that provision for deferred tax on the revaluation surplus has been made in the calculation of the adjusted net tangible asset value of Lai Fung as set out in Lai Fung's prospectus dated 18th November, 1997.

Save for an additional loan facility of HK\$600 million which has been drawn down since 31st October, 2002, the Directors are not aware of any material change in the indebtedness and contingent liability position of the LSD Group since 31st October, 2002.

FINANCIAL AND TRADING PROSPECTS

As stated in the section headed "Indebtedness" above, as at 31st October, 2002, the LSD Group had outstanding borrowings of over HK\$7,000 million and its net asset backing (after deducting outstanding borrowings of approximately HK\$7,000 million) has, by reason of the continued downturn in property prices, suffered further erosion and stood at approximately HK\$766 million as at 31st July, 2002. The LSD Group is currently having ongoing discussions with all its creditors with the objective of re-equipping the LSD Group with a cleaner bill of financial health. Whilst the LSD Group has not finalised the form and structure of any such debt restructuring program, it is confident that an agreement would be reached amongst all parties, with implementation issues to be resolved in the early part of 2003. The future financial and trading prospects of the LSD Group would greatly depend on the successful implementation of such debt restructuring program and the continued support of the LSD Group's creditors.

WORKING CAPITAL

As a substantial portion of the LSD Group's indebtedness described above would fall due on 31st December, 2002, the LSD Group will continue to implement appropriate asset disposals with a view to generating positive cashflows for providing sufficient working capital for the LSD Group's operations and to further reduce its overall level of indebtedness. As stated in the section headed "Financial and Trading Prospects" above, the LSD Group has been in discussions with all its creditors in formulating a plan for the repayment and/or refinancing of the outstanding indebtedness. As at the date of this circular, the form and structure of such debt restructuring program have not been finalised.

The Directors believe that the LSD Group will be able to secure the agreement of all its creditors in relation to a debt restructuring program and, at the same time, continue the successful orderly disposal of the necessary LSD Group assets to generate additional positive cash flows. On this basis, the Directors consider that the LSD Group will have sufficient working capital to finance its operations in the foreseeable future.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, the interests of the Directors in the equity or debt securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”)) which were required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which any such Director was deemed to have under Section 31 or Part I of the Schedule to the SDI Ordinance) or which were required to be entered in the register required to be kept by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Code for Securities Transactions by Directors adopted by the Company (the “Code”) were as follows:

(a) The Company

	Number of Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Mr. Lim	197,859,550	Nil	1,582,869,192	Nil	1,780,728,742
			(Note)		
Lam Kin Ngok, Peter	10,099,585	Nil	Nil	Nil	10,099,585
U Po Chu	633,400	Nil	Nil	Nil	633,400
Lau Shu Yan, Julius	1,200,000	Nil	Nil	Nil	1,200,000
Chiu Wai	195,500	Nil	Nil	Nil	195,500
Wu Shiu Kee, Keith	200,000	Nil	Nil	Nil	200,000

Note: LSG and its wholly-owned subsidiary beneficially owned 1,582,869,192 Shares. Mr. Lim was deemed to be interested in such Shares by virtue of his interest (including that of his associates) of approximately 34.3% in the issued share capital of LSG. Mr. Lim, Mr. Lam Kin Ngok, Peter, Madam U Po Chu and Madam Lai Yuen Fong were directors of LSG and held an interest of approximately 42% in aggregate in the issued share capital of LSG.

(b) Associated corporations

(i) eSun Holdings Limited (“eSun”)

	Number of eSun Ordinary Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Mr. Lim	Nil	Nil	285,512,791	Nil	285,512,791
			(Note)		
Wu Shiu Kee, Keith	40,000	Nil	Nil	Nil	40,000

Note: The Company and its wholly-owned subsidiaries beneficially owned 285,512,791 shares in eSun. LSG and its wholly-owned subsidiary held an interest of approximately 42.25% in the issued ordinary share capital of the Company. Mr. Lim was deemed to be interested in such shares in eSun by virtue of his interest (including that of his associates) of approximately 34.3% in the issued share capital of LSG. Mr. Lim, Mr. Lam Kin Ngok, Peter, Madam U Po Chu and Madam Lai Yuen Fong were directors of LSG and held an interest of approximately 42% in aggregate in the issued share capital of LSG.

(ii) *Lai Fung Holdings Limited (“Lai Fung”)*

	Number of Lai Fung Ordinary Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Mr. Lim	Nil	Nil	1,767,125,360 <i>(Note)</i>	Nil	1,767,125,360
Lau Shu Yan, Julius	1,000,000	Nil	Nil	Nil	1,000,000

Note: LSG and its wholly-owned subsidiary beneficially owned 1,767,125,360 shares in Lai Fung. Mr. Lim was deemed to be interested in such shares in Lai Fung by virtue of his interest (including that of his associates) of approximately 34.3% in the issued share capital of LSG. Mr. Lim, Mr. Lam Kin Ngok, Peter, Madam U Po Chu and Madam Lai Yuen Fong were directors of LSG and held an interest of approximately 42% in aggregate in the issued share capital of LSG.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company or their respective associates had any interests in the equity or debt securities of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they were deemed or taken to have under Section 31 or Part 1 of the Schedule to the SDI Ordinance) or the Code or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, in accordance with the register kept by the Company under Section 16 (1) of the SDI Ordinance, the following persons were interested in 10% or more of the issued ordinary share capital of the Company:

Name	Number of Shares
LSG	1,582,869,192
Mr. Lim	1,781,362,142 <i>(Note 1)</i>
Nice Cheer Investment Limited (“Nice Cheer”)	781,346,935
Xing Feng Investments Limited (“Xing Feng”)	781,346,935 <i>(Note 2)</i>
Mr. Chen Din Hwa	781,346,935 <i>(Notes 2 and 3)</i>

Notes:

1. Mr. Lim was deemed to be interested in 1,582,869,192 Shares by virtue of his interest (including that of his associates) of approximately 34.3% in the issued share capital of LSG.

2. Xing Feng was taken to be interested in 781,346,935 Shares beneficially owned by Nice Cheer due to its corporate interests therein.
3. Mr. Chen Din Hwa was taken to be interested in 781,346,935 Shares by virtue of his corporate interests in Nice Cheer.

Save for the persons disclosed in this section, as at the Latest Practicable Date, no other person was recorded in the register kept pursuant to Section 16 of the SDI Ordinance as having an interest in 10% or more of the issued ordinary share capital of the Company. The Directors are not aware of any person, other than the persons (including his personal, family and corporate interests) as aforesaid, who was, directly or indirectly, interested in 10% or more of the issued ordinary share capital of the Company as at the Latest Practicable Date.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or was proposing to enter into any service contract with the Company or any subsidiary of the Company which does not expire or is not determinable by the employing company within one year without payment of compensation other than statutory compensation.

5. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

None of the Directors is materially interested in any contract or arrangement entered into by any member of the LSD Group subsisting at the date of this circular which is significant in relation to the business of the LSD Group.

None of the Directors has any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31st July, 2002, being the date up to which the latest published audited consolidated accounts of the LSD Group were made.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or its subsidiaries within two years preceding the date of this circular and which are or may be material:

- (a) the DGI Agreement;
- (b) the eSun Agreement;
- (c) a sale and purchase agreement dated 7th December, 2001 entered into between Mr. Lim, LSD and LSG relating to the reorganisation involving shares in the capital of ATV and Lai Fung Holdings Limited pursuant to which LSD agreed to purchase the IFL Sale Shares from Mr. Lim for HK\$225,200,000 and LSD further agreed to sell certain shares in the capital of Lai Fung Holdings Limited to LSG for HK\$225,200,000;
- (d) a mortgage of shares and security trust deed dated 19th January, 2001 entered into between LSD, FDL, The Law Debenture Corporation (H.K.) Limited, The Law Debenture Trust Corporation p.l.c. and DB Trustees (Hong Kong) Limited creating a charge over the FDL Sale Shares in favour of the Exchangeable Bondholders and the Convertible Bondholders to secure the LSD Group's obligations under the Exchangeable Bonds and the Convertible Bonds;

- (e) a second mortgage of shares and security trust deed dated 19th January, 2001 entered into between Surearn Profits Limited, The Law Debenture Corporation (H.K.) Limited, eSun, The Law Debenture Trust Corporation p.l.c., DB Trustees (Hong Kong) Limited, Golden Pool Enterprise Limited and Lai Sun Hotels Nominees Limited creating a second mortgage over certain shares in Diamond String Limited in favour of eSun, the Exchangeable Bondholders and the Convertible Bondholders to secure the LSD Group's obligations under the Exchangeable Bonds, the Convertible Bonds and the deed dated 30th June, 2000 between Furama Hotel Enterprises Limited, Golden Pool Enterprise Limited, LSD and eSun;
- (f) a deed of priority dated 19th January, 2001 entered into between The Hongkong and Shanghai Banking Corporation Limited, The Law Debenture Corporation (H.K.) Limited, Surearn Profits Limited, eSun, The Law Debenture Trust Corporation p.l.c., DB Trustees (Hong Kong) Limited and Golden Pool Enterprise Limited in relation to certain shares in Diamond String Limited;
- (g) a second mortgage of shares and security trust deed dated 19th January, 2001 entered into between LSD, The Law Debenture Corporation (H.K.) Limited, The Law Debenture Trust Corporation p.l.c., DB Trustees (Hong Kong) Limited and other parties set out therein creating a second mortgage over certain shares in eSun in favour of the Exchangeable Bondholders and the Convertible Bondholders to secure the LSD Group's obligations under the Exchangeable Bonds and the Convertible Bonds;
- (h) a supplemental trust deed constituting the Exchangeable Bonds dated 19th January, 2001 entered into between Lai Sun International Finance (Cayman Islands) Limited, LSD and DB Trustees (Hong Kong) Limited;
- (i) an agreement to amend and supplement the Paying, Transfer and Exchange Agency Agreement relating to the Exchangeable Bonds dated 19th January, 2001 entered into between Lai Sun International Finance (Cayman Islands) Limited, LSD, DB Trustees (Hong Kong) Limited, Deutsche Bank AG, Hong Kong Branch and Deutsche Bank Luxembourg S.A.;
- (j) a third supplemental trust deed relating to the Convertible Bonds dated 19th January, 2001 entered into between Lai Sun International Finance (1997) Limited, LSD and The Law Debenture Trust Corporation p.l.c.; and
- (k) an agreement to amend and supplement the Paying, Transfer and Conversion Agency Agreement relating to the Convertible Bonds dated 19th January, 2001 entered into between Lai Sun International Finance (1997) Limited, LSD and The Law Debenture Trust Corporation p.l.c.

7. LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

8. GENERAL

- (a) The secretary of the Company is Mr. Yeung Kam Hoi, who is an Associate Member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Company Secretaries and a member of Hong Kong Securities Institute.

- (b) The registered office of the Company is situated at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong.
- (c) The Registrars and transfer office of the Company are Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at Room 903, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong during normal business hours on any business day from the date of this circular until 20th December, 2002:

- (a) this circular;
- (b) the memorandum and articles of association of the Company;
- (c) the audited consolidated accounts of the LSD Group for each of the two financial years ended 31st July, 2002; and
- (d) the material contracts referred to in paragraph 6 above.

NOTICE OF EXTRAORDINARY GENERAL MEETING



L A I S U N D E V E L O P M E N T
Lai Sun Development Company Limited
(Incorporated in Hong Kong with limited liability)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Lai Sun Development Company Limited (the “Company”) will be held at The Chater Room III, Function Room Level (B1), The Ritz-Carlton Hong Kong, 3 Connaught Road Central, Hong Kong on Friday, 20th December, 2002 at 10:50 a.m. (or so soon thereafter as the annual general meeting of the Company convened for the same place and date at 10:30 a.m. shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an Ordinary Resolution:

“THAT:

- (a) the sale and purchase agreement dated 8th November, 2002 (the “Sale and Purchase Agreement”) entered into between Fordspace Development Limited, Infoway Limited, Lai Sun Development Company Limited (the “Company”) and Dragon Goodwill International Limited, a copy of which has been produced to this meeting marked “A” and signed by the chairman of this meeting for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) the Directors of the Company be and are hereby authorised to execute (under hand or under seal), perfect and deliver all such documents and do all such acts and things as may be necessary or desirable to implement or give effect to the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including, without limitation, exercising or enforcing any right thereunder) and to make and agree such variations of a non-material nature to the terms of the Sale and Purchase Agreement as they may consider to be desirable and in the interests of the Company.”

By Order of the Board
Yeung Kam Hoi
Company Secretary

Hong Kong, 4th December, 2002

Registered Office:

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (1) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company.
- (2) Where there are joint registered holders of any ordinary share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such ordinary share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such ordinary share shall alone be entitled to vote in respect thereof.
- (3) A form of proxy for use at the meeting is enclosed.
- (4) To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's Registrars, Tengis Limited, at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not less than 48 hours before the time appointed for holding the Extraordinary General Meeting or adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting should they so wish.
- (5) Asia Television Limited will abstain from voting on the Ordinary Resolution set out above.