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## IMPORTANT

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your 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 eSun Holdings 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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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## eSun Holdings Limited

(Incorporated in Bermuda with limited liability)

*Directors:*

Lien Jown Jing, Vincent (*Chairman*)  
Stephen Hung (*Vice Chairman*)  
Lee Po On (*Chief Executive Officer*)  
Lam Kin Ngok, Peter  
Lim Por Yen  
Liu Ngai Wing  
Lam Kin Ming  
Tam Wai Chu, Maria  
U Po Chu  
Shiu Kai Wah  
Chiu Wai  
Victor Yang  
Alfred Donald Yap\*  
Low Chee Keong\*

*Principal Office:*

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

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

\* *Independent non-executive directors*

27th April, 2001

*To shareholders of eSun Holdings Limited (the "Company")*

Dear Sir or Madam,

### **GENERAL MANDATES FOR PURCHASES BY THE COMPANY OF ITS OWN SHARES AND TO ISSUE SHARES**

#### **INTRODUCTION**

The Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") contain provisions to regulate the repurchase by companies with primary listings on the Stock Exchange of their own shares on the Stock Exchange (the "Share Buy Back Rules").

The purpose of this circular is to provide you with an explanatory statement as required by the Listing Rules and information relating to the ordinary resolutions to be proposed at the forthcoming Annual General Meeting of the Company to be held on Wednesday, 6th June, 2001 (the “Annual General Meeting”) to grant general mandates to the directors of the Company (the “Directors”) (i) to exercise the powers of the Company to repurchase issued shares of the Company; (ii) to issue new shares; and (iii) to increase the number of shares which the Directors may issue under their general mandate by the number of shares repurchased.

For the purpose of this circular, the term “shares” shall mean shares of all classes and securities which carry a right to subscribe for or purchase shares.

## **GENERAL MANDATE FOR REPURCHASES OF SHARES**

### **(i) Share Buy Back Rules**

The most important points of the Share Buy Back Rules are as follows:

#### *(a) Shareholders’ Approval*

All proposed repurchases of shares on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of a general mandate or by specific approval for a particular transaction.

#### *(b) Source of Funds*

Repurchases must be funded out of funds which are legally available for the purpose in accordance with the company’s constitutional documents and the laws of the jurisdiction in which the company is incorporated.

#### *(c) Maximum Number of Shares*

The shares proposed to be repurchased by a company must be fully-paid up. A maximum of 10% of the issued share capital of the company as at the date of the resolution authorising the repurchase may be repurchased on the Stock Exchange.

### **(ii) The Repurchase Proposal**

The ordinary resolution No. 4(A) to be proposed at the Annual General Meeting relates to the granting of a general mandate to the Directors to repurchase, on the Stock Exchange, shares of HK\$0.50 each in the share capital of the Company (“Shares”) of up to a maximum of 10% of the issued share capital of the Company as at the date of the resolution (the “Repurchase Proposal”).

### **(iii) Reasons for Repurchases**

Although the Directors have no present intention of repurchasing any Shares, they believe that the flexibility afforded by the Repurchase Proposal would be beneficial to the Company and its shareholders. Trading conditions on the Stock Exchange have sometimes been volatile in recent years. At any time in the future when the Shares are trading at a discount to their underlying value, the ability of the Company to repurchase Shares will be beneficial to those shareholders who retain their investment in the Company since their percentage interest in the assets of the Company would increase in proportion to the number of Shares repurchased by the Company.

#### (iv) Share Capital

As at 20th April, 2001, being the latest practicable date prior to the printing of this circular (the “Latest Practicable Date”), the issued and fully-paid up share capital of the Company comprised 571,184,927 Shares.

Subject to the passing of the ordinary resolution No. 4(A), the Company would be allowed under the Repurchase Proposal to repurchase a maximum of 57,118,492 Shares on the basis that no further Shares are issued or repurchased prior to the date of the forthcoming Annual General Meeting.

#### (v) Funding of Repurchases

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum of association and bye-laws and the laws of Bermuda.

The Directors propose that such repurchases of Shares would be appropriately financed by the Company’s internal resources and/or available banking facilities. There might be material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the Annual Report for the year ended 31st December, 2000) in the event that the Repurchase Proposal was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Proposal to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

#### (vi) Market Prices

The highest and lowest prices at which the Shares had been traded on the Stock Exchange during each of the previous twelve months prior to the Latest Practicable Date were as follows:

	SHARES	
	Highest HK\$	Lowest HK\$
<b>2000</b>		
April	3.015A1	1.350A1
May	2.050A1	1.365A1
June	1.865A1	1.415A1
July	1.650A1	1.450A1
August	1.635A1	1.400A1
September	1.650A1	1.335A1
October	1.400A1	1.115A1
November	1.365A1	0.615A1
December	0.910A1	0.815A2
<b>2001</b>		
January	4.350A2	0.760
February	1.080	0.740
March	0.980	0.780

A1 — Adjusted for the share consolidation 5 into 1 with effect from 2nd January, 2001 and rights issue 1 for 2 consolidated shares @HK\$0.85 with ex-date of 18th December, 2000.

A2 — Adjusted for the share consolidation 5 into 1 with effect from 2nd January, 2001.

**(vii) Disclosure of Interest**

As at the Latest Practicable Date, the persons listed below were interested in 10% or more of the total issued share capital of the Company as recorded in the register required to be kept by the Company pursuant to Section 16(1) of the Securities (Disclosure of Interests) Ordinance:

	<b>Number of Shares Held</b>
Lai Sun Development Company Limited (“LSD”)	285,512,791
Lai Sun Garment (International) Limited (“LSG”)	285,512,791 <i>(Note)</i>
Lim Por Yen	285,512,791 <i>(Note)</i>

*Note:* These interests in the Company were held by LSD and its subsidiaries. LSG and Mr. Lim Por Yen were deemed to be interested in the 285,512,791 Shares held by LSD and its subsidiaries by virtue of LSG and its wholly-owned subsidiary holding collectively an interest of about 42.25% in the issued share capital of LSD. Mr. Lim Por Yen (together with his spouses) held an interest of about 34.30% in the issued share capital of LSG. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Madam U Po Chu and Madam Lai Yuen Fong were directors of LSG and held in aggregate an interest of about 42% in the issued share capital of LSG.

Save for the interests disclosed above, the Directors are not aware of any other person being interested in 10% or more of the issued share capital of the Company as at the Latest Practicable Date.

The Directors have undertaken to the Stock Exchange to exercise the powers of the Company to make purchases under the Repurchase Proposal in accordance with the Listing Rules and laws of Bermuda. If a shareholder’s proportionate interest in the voting rights of the Company increases as a result of the Directors exercising the powers to repurchase Shares pursuant to the Repurchase Proposal, such increase will be treated as an acquisition of voting rights for the purposes of Rule 32 of the Hong Kong Code on Takeovers and Mergers (the “Takeovers Code”). Accordingly, a shareholder or group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. LSD’s interests in the Company would be increased from 49.99% to 55.54% in the event that the Repurchase Proposal were exercised in full. In the opinion of the Directors, such increase may give rise to an obligation to make a mandatory offer under Rules 26 and 32 of the Takeovers Code. The Directors have no present intention to exercise the power to repurchase shares pursuant to the Repurchase Proposal to such an extent as to result in takeover obligations.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) presently intend to sell Shares to the Company under the Repurchase Proposal in the event that the Repurchase Proposal is approved by the shareholders.

The Company has not been notified by any connected persons (as defined in the Listing Rules) that they have any present intention to sell any Shares, or that they have undertaken not to sell any Shares held by them to the Company in the event that the Repurchase Proposal is approved by the shareholders.

**(viii) Shares Purchases Made by the Company**

No purchase of the Shares has been made by the Company during the last six months (whether on the Stock Exchange or otherwise).

## **GENERAL MANDATES TO ISSUE SHARES**

The ordinary resolution No. 4(B) to be proposed at the Annual General Meeting relates to the granting of a general mandate to the Directors to issue new Shares up to a maximum of 20% of the issued share capital of the Company as at the date of the said resolution.

The ordinary resolution No. 4(C) relates to the extension of the general mandate to be granted to the Directors to issue new Shares during the relevant period by adding to it the number of Shares purchased under the Repurchase Proposal, if any. The purpose of this mandate is to enable the Directors to fully utilise the 20% new issue mandate and in addition, to maintain the absolute number of Shares in the issued share capital of the Company in the event of any reduction in the said number due to a reduction in the issued share capital following any repurchase of Shares by the Company (if any).

## **PROXY ARRANGEMENT**

A form of proxy for use at the Annual General Meeting is enclosed with the Annual Report for the year ended 31st December, 2000. To be valid, the form of proxy must be completed and deposited in accordance with the instructions printed thereon with the Company's Share Registrars in Hong Kong, 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 Meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the Annual General Meeting (or any adjournment thereof).

## **RECOMMENDATION**

The Directors consider that the Repurchase Proposal and the granting of general mandate to issue new Shares are in the best interests of the Company and the shareholders and accordingly recommend that all the shareholders should vote in favour of the ordinary resolutions Nos. 4(A) to 4(C) to be proposed at the Annual General Meeting.

Yours faithfully,  
**Lien Jown Jing, Vincent**  
*Chairman*

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